



Insights

Evelyn Sheehan and Jason Short on New U.S. AML Risks for High-Net-Worth Individuals and Politically Exposed Persons

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As part of the recent National Defense Authorization Act (NDAA), the Anti-Money Laundering Act of 2020 substantially expands the United States' anti-money laundering (AML) regime, which may pose far-reaching implications to high-net-worth individuals (HNWIs) and politically exposed persons. Kobre & Kim's Evelyn Sheehan and Jason Short spell out the consequences in an article for *Law360*.

Contrary to popular belief, there are legitimate reasons for HNWIs and politically exposed persons to anonymize their financial structures and transactions. However, the law "triggers a wide range of risks on otherwise legitimate efforts" by, among other things, imposing beneficial ownership reporting requirements, increasing penalties on foreign banks for not complying with U.S. investigations, dramatically expanding whistleblower programs and increasing regulations in the antiquities and cryptocurrency markets.

All these new rules will increase unwarranted scrutiny and risks on HNWIs and politically exposed persons. Sheehan and Short expect that given the "sweeping regulatory landscape" emerging in the U.S., the country will face a marked uptick in capital flight as individuals seek other jurisdictions with better protections of their personal and financial security. In addition, Sheehan and Short advise these individuals to "adopt precautionary measures to proactively defend against potential litigation scenarios" that may arise from these new laws.

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