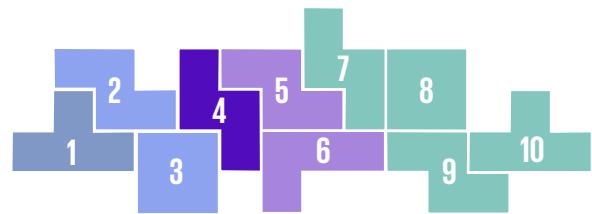




# 04 Mitigating Financial Crimes



## Regulatory Signals

- **“Modernization”**
- **Recalibration**
- **Sanctions**

*“Modernization” of existing requirements, shaped by the shift to a risk-based approach, new technology applications, dynamic sanctions activity and the Administration’s national security priorities and foreign policy goals.*

*“Practitioners in the AML Compliance space should pay attention to the Administration’s signals around modernization, prioritization of higher risk activities, and regulatory changes. That said, we have not seen any meaningful adjustment in the level of scrutiny afforded the AML program during regulatory exams or other government inquiries, so there is no basis for “taking your foot off the gas” when driving your AML program.”*



**John Caruso**  
Principal  
Advisory

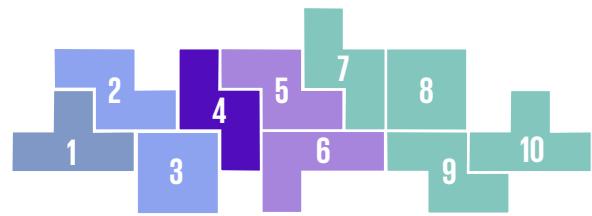


**DJ Hennes**  
Managing Director  
Advisory





# 04 Mitigating Financial Crimes



## Regulatory Signals

- **“Modernization”**
- **Recalibration**
- **Sanctions**

### Signal

Ongoing efforts to “reform” supervision and enforcement of the BSA/AML/CFT framework by:

- “Streamlining” BSA/AML/CFT requirements and compliance.
- Adopting a “risk-based” approach to combatting financial crimes.
- Shifting focus to “higher risk” activities (e.g., customers, activities) and national security priorities and “deprioritizing lower risk” activities.
- Considering new technologies or novel approaches to detect illicit activity.

### Examples

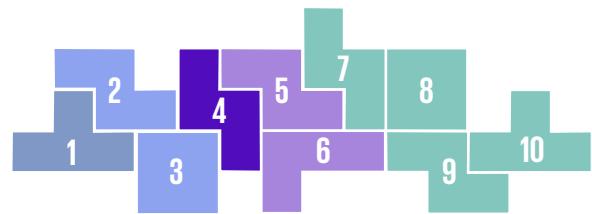
- Clarification of SAR filing requirements and potential for reduced monitoring and documentation regarding “No SAR” dispositions; guidance on evidence of structuring required for SAR filings (e.g., FinCEN FAQs)
- Easing of documentation requirements (e.g., FinCEN Exemptive Order for the CIP Rule permitting alternate sources)
- Discussing the “need to modernize,” including through innovation and allocation of limited resources (e.g., Treasury Statements (Bessent, Hurley), FinCEN Testimony (Gacki))
- Solicitation for comment on innovative approaches (e.g., Treasury RFI)
- Extended effective date of RIA AML Program rule, with extended comment period

### What to Watch

- Potential rulemakings, including:
  - Final rule requiring financial institutions to incorporate the AML/CFT priorities into a risk-based AML/CFT program (as included in published regulatory agendas)
  - Proposal to implement BSA provisions of the GENIUS Act
  - Proposal to establish a whistleblower awards program for violations of BSA and sanctions laws
- Potential changes to the AML/CFT framework to focus on national security and highest risk areas and explicitly permit financial institutions to de-prioritize lower risks
- Potential for increased risk in “lower risk” (i.e., lower priority) areas; fintech partnership may pose heightened BSA/AML risk



# 04 Mitigating Financial Crimes



## Regulatory Signals

- “Modernization”
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- Sanctions

### Signal

Prioritization of “higher risk” activities in addition to the Administration’s national security priorities (e.g., terrorist financing, cybercrime, fraud, sanctions evasion, and human and drug trafficking), with heightened attention to activities of cartels and TCOs and entities that materially support them. At the same time, narrowing the application of certain regulations to recalibrate the regulatory focus.

### Examples

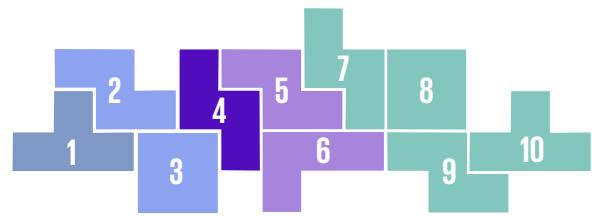
- Executive directives aimed at cartels and TCOs (e.g., EO 14157, EO 14161)
- Prioritization of FCPA investigations and enforcement to focus on cartels and TCOs (e.g., DOJ Memo)
- Setting limitations on required reporting entities (e.g., FinCEN rule re: CTA BOI reporting to foreign entities)
- Outlining considerations for innovative or novel approaches to detect illicit activity involving digital assets (e.g., PWG Report)

### What to Watch

- Potential legislative and/or regulatory “reforms” to adopt innovative processes such as AI, blockchain analytics, digital identity, and APIs as part of the AML framework
- Rule proposal to implement BSA provisions of the GENIUS Act, including “tailoring” for the stablecoin industry
- Continuing Congressional efforts to increase the SAR and CTR dollar thresholds



# 04 Mitigating Financial Crimes



## Regulatory Signals

- “Modernization”
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### Signal

Increasing use of sanctions and secondary sanctions to achieve national security and foreign policy goals, including against non-traditional targets (e.g., International Criminal Court).

### Examples

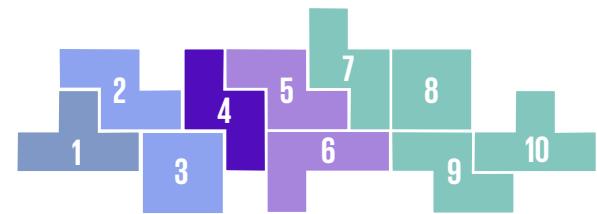
- Imposition of sanctions aligned to foreign policy goals (e.g., targeting international drug trafficking)
- OFAC designation of multiple TCOs as terrorist groups (e.g., EO 14157)

### What to Watch

- Ongoing and prominent use of sanctions (e.g., imposition, expansion, rescission) to reinforce national security and foreign policy goals, including global economic trade
- Continuation of existing sanctions programs (e.g., SDN list, secondary sanctions, sectoral sanctions)
- More responsibility to identify illicit activity/sanctions evasion to shift to financial institutions as regulators focus on stated priorities (e.g., DOJ)



# 04 Mitigating Financial Crimes



## Regulatory Signals

- “Modernization”
- Recalibration
- Sanctions



[Financial Crime: Regulatory Shifts, Supervisory Focus, and Emerging Risk](#)

## Relevant Thought Leadership



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