Treasury and Federal Banking Agencies Propose Sweeping Changes to the AML/CFT Compliance Framework

April 2026

The first week of April 2026 produced a series of proposed federal rules that, if finalized, would meaningfully reshape the U.S. anti-money laundering ("**AML**") and countering the financing of terrorism ("**CFT**") framework:

- On April 7, the U.S. Treasury Department's Financial Crimes Enforcement Network ("**FinCEN**") announced a notice of proposed rulemaking ("**FinCEN's Proposal**") that would fundamentally reshape the framework governing financial institutions' AML/CFT programs under the Bank Secrecy Act ("**BSA**").
- In parallel, the Office of the Comptroller of the Currency (the "**OCC**"), the Federal Deposit Insurance Corporation (the "**FDIC**"), and the National Credit Union Administration (the "**NCUA**" and, collectively, the "Banking Agencies") issued a joint proposed rulemaking (the "**Banking Agencies' Proposal**") that would align the Banking Agencies' AML/CFT supervisory frameworks and enforcement practices with the new standards proposed by FinCEN.
- On April 8, FinCEN and Treasury's Office of Foreign Assets Control ("**OFAC**") issued a joint proposed rulemaking (the "**Stablecoin Proposal**" and, together with the FinCEN and Banking Agencies' Proposals, the "**Proposals**") to establish a comprehensive AML/CFT compliance framework for permitted payment stablecoin issuers ("**PPSIs**") consistent with the requirements of the *Guiding and Establishing National Innovation for U.S. Stablecoins Act* (the "**GENIUS Act**").

These Proposals continue a steady stream of rulemaking activity from FinCEN and the Banking Agencies in recent weeks[1]. Taken together, these rulemakings reflect a coordinated effort across the federal government to modernize and recalibrate AML/CFT and sanctions compliance requirements and expectations, extend the BSA regime to payment stablecoin activities, and enhance FinCEN's interpretive authority over BSA-related regulations. Should the new Proposals be adopted following the conclusion of the 60-day comment period in June 2026, financial institutions, financial service providers, and particularly stablecoin issuers will be required to evaluate and, where necessary, adapt their existing AML/CFT programs to ensure alignment with evolving regulatory expectations during the subsequent 12-month implementation phase.

The Proposals do not, however, represent a unanimous consensus. The Board of Governors of the Federal Reserve System (the "**FRB**") did not join the OCC, FDIC, and NCUA in issuing the Banking Agencies' Proposal, leaving an open question as to whether the FRB will align its own AML/CFT supervisory framework with the proposed changes.

Below, we discuss and summarize key takeaways from these three Proposals.

FinCEN's Proposal

FinCEN's Proposal would revise existing AML/CFT program requirements to implement statutory changes enacted under the *Anti-Money Laundering Act of 2020* (the "**AML Act**") and would fully supersede FinCEN's 2024 rule proposal (the "**2024 Proposal**"), which we discussed in a prior blog post and which FinCEN is withdrawing.

FinCEN has articulated three principal objectives for the proposed rule: reducing unnecessary regulatory burdens, promoting more consistent and risk-focused supervision, and refocusing AML/CFT programs on

[1] The Stablecoin Proposal is among the latest in a series of rulemakings implementing the GENIUS Act; we discuss the OCC's recent payment stablecoins proposal in a previous post and the FDIC's corresponding proposal in another prior post.

effectiveness in combatting illicit finance activity rather than "mere technical compliance."

Key takeaways from FinCEN's Proposal include:

- **Scope.** FinCEN's Proposal applies to the full array of BSA-regulated financial institutions, including banks, money services businesses, broker-dealers, and operators of credit card systems. The Proposal does not reach registered investment advisers. The separate 2024 rule extending AML/CFT and suspicious activity report ("**SAR**") obligations to those firms has been delayed until January 1, 2028, and FinCEN has indicated it will revisit the substance of that rule, as well as the pending joint FinCEN/SEC investment adviser customer identification program proposal, through a future rulemaking process.
- **Focus on Effectiveness.** FinCEN's Proposal distinguishes between deficiencies stemming from program design ("establishment") and program implementation ("maintenance"). This two-track framework is intended to "promote consistent articulation of supervisory expectations and prevent conflating criticisms of program design…with criticisms of day-to-day implementation."
- **Risk Tailoring.** Internal policies, procedures, and controls would need to be reasonably designed to identify, assess, and document money-laundering, terrorist-financing, and other illicit finance ("**ML/TF**") risks through risk assessment processes. FinCEN's Proposal would also require AML/CFT programs to be risk-based and to ensure "that more attention and resources of financial institutions should be directed toward higher-risk customers and activities, consistent with the risk profile of a financial institution, rather than toward lower-risk customers and activities." As a practical matter, financial institutions would be expected to justify how their controls, monitoring, and staffing align with their specific risk profile, rather than applying controls uniformly. Examiners would be correspondingly constrained from "regulatory second-guessing of a financial institution's reasonable determinations regarding appropriate resource allocation or conclusions regarding specific risks."
- **Mandatory Risk Assessment Process.** Every covered institution would be required to establish and document risk assessment processes that: (1) evaluate the institution's ML/TF risks across its business activities, products, services, distribution channels, customers, and geographic locations; (2) review and, as appropriate, incorporate FinCEN's government-wide AML/CFT priorities; and (3) are updated promptly upon any change to the institution's ML/TF risks. For many financial institutions, including banks, broker-dealers, and MSBs, an express risk assessment requirement would be new.
- "**Highly Useful**" **Standard.** FinCEN's Proposal would require AML/CFT programs to be reasonably designed to generate information that is "highly useful" to law enforcement and national security agencies in priority areas identified by the Treasury Department. Put differently, under the revised framework, outputs, such as the quality and usefulness of SARs, are meant to carry greater weight than technical compliance with program elements.
- **Objective Testing Standards.** Independent testing would need to be based on objective criteria designed to assess whether an institution has effectively established, implemented, and resourced its AML/CFT program, and auditors "should not substitute their own subjective judgment" for the institution's risk-based design. Testing would need to be performed either by qualified internal personnel independent of the AML/CFT function and relevant business lines, or by an outside party.
- **U.S.-based AML/CFT Officer.** Consistent with the AML Act, the designated AML/CFT officer would be required to be located in the United States and accessible to, and subject to oversight and supervision by, FinCEN and the appropriate federal regulators. Personnel located outside the United States would still be permitted to perform certain AML/CFT functions. With these provisions, FinCEN's Proposal answered a question many financial institutions have been asking since the AML Act passed, and which was left open in the 2024 Proposal: how much on-shoring of AML/CFT compliance programs would be necessary?
- **Access to and Approval of Program.** The AML/CFT program would need to be in writing and made available, upon request, to FinCEN, the appropriate federal regulator, or their designees. Approval could come from the institution's board of directors, an equivalent governing body, or "appropriate senior management." This formulation would offer greater flexibility than the current rule for some institutions while harmonizing approval requirements across different types of financial institutions.
- **Recalibration of Bank Supervision and Enforcement.** Once an institution has properly established its AML/CFT program, any significant supervisory or enforcement action for implementation deficiencies would generally be limited to "significant or systemic failures," rather than "isolated, technical, or immaterial" issues.

Additionally, FinCEN's Proposal would, for the first time, require federal banking regulators acting under

FinCEN's delegated authority to provide FinCEN with at least 30 days' advance written notice, and to consult with FinCEN, before taking certain "significant AML/CFT supervisory actions."
This enforcement threshold and consultation framework would apply only to the bank supervisory process; no analogous consultation requirement is proposed for other entities, such as broker-dealers or money services businesses.

Banking Agencies' Proposal

Banks in the United States have long been subject to parallel AML/CFT compliance program rules: FinCEN's rules under the BSA, and each of the Banking Agencies' rules issued under its independent statutory authority. Although the two sets of rules have historically operated in tandem, they are legally distinct, and minor differences between them have created longstanding friction. The Banking Agencies' Proposal would align the Banking Agencies' rules with the framework proposed by FinCEN so that banks would no longer "be subject to any additional burden or confusion from needing to comply with differing standards between FinCEN and the [Banking] Agencies."

Significant substantive changes under the Banking Agencies' Proposal include:

- **CDD as a Regulatory Requirement.** The Banking Agencies' Proposal would add ongoing customer due diligence ("**CDD**") as a required component of the Banking Agencies' AML/CFT program rule. Incorporating risk-based procedures for ongoing CDD would mirror FinCEN's existing rule and codify long-standing supervisory expectations, formally resolving one of the discrepancies between the FinCEN and Banking Agencies rules.
- **Expanded Options for Program Approval.** The Banking Agencies' Proposal would permit approval of a bank's AML/CFT program by "the bank's board of directors or an equivalent governing body within the bank, or appropriate senior management." This would represent a meaningful governance change for banks, allowing what has historically been an exclusive board responsibility to be delegated.
- **Parallel Consultation Framework.** The Banking Agencies' Proposal would generally require each of the Banking Agencies to provide the FinCEN Director with written notice at least 30 days prior to taking an "AML/CFT enforcement action" or a "significant AML/CFT supervisory action," and to consider any input FinCEN provides. This conforms with a parallel provision in FinCEN's Proposal, as noted above.
- **Enforcement Threshold.** The Banking Agencies' Proposal would adopt the same enforcement threshold FinCEN is proposing. The Agencies could not bring an AML/CFT enforcement action or significant AML/CFT supervisory action against a bank that has properly established an AML/CFT program, absent a "significant or systemic failure" to implement such a program. Again, the Banking Agencies' and FinCEN's Proposals align on this point.

The FRB's decision not to join the OCC, FDIC, and NCUA in issuing the Banking Agencies' Proposal is notable. As a practical matter, bank holding companies, state member banks, and state-licensed branches and agencies of foreign banks supervised by the FRB would, at least for now, continue to be subject to the FRB's existing BSA compliance program rule, while their affiliated institutions supervised by the OCC, FDIC, and NCUA would be subject to the revised framework proposed in the Banking Agencies' Proposal. To some degree, the FRB's absence works at cross purposes with one of the primary goals of these proposals: to streamline AML/CFT compliance and eliminate varying requirements for different types of financial institutions.

Stablecoin Proposal

The Stablecoin Proposal would, as required under the GENIUS Act, bring PPSIs within the AML/CFT and sanctions compliance regime applicable to other regulated financial institutions, while augmenting those baseline obligations with PPSI-specific requirements.

The GENIUS Act directs Treasury to treat PPSIs as financial institutions for BSA purposes. To implement that directive, the Stablecoin Proposal would establish PPSIs as a new category of BSA-defined "financial institution" pursuant to FinCEN's authority under 31 U.S.C. § 5312(a)(2)(Y) to designate entities engaged in activities "similar to" or "related to" those of an enumerated financial institution, and would amend the definition of "money services business" under the BSA to carve out PPSIs. Treasury has emphasized that the proposed framework is intended to "mitigate potential illicit finance risks through an appropriately tailored regime that protects the U.S. financial system and national security interests."

Key features of the Stablecoin Proposal regarding PPSIs' AML/CFT and sanctions compliance program obligations include:

- **AML/CFT Programs.** PPSIs would be required to establish and maintain AML/CFT programs that largely mirror those proposed for traditional financial institutions under FinCEN's Proposal. The required programs would include risk-based internal controls (including risk assessment processes and, for certain PPSIs, ongoing CDD), independent testing, designation of a U.S.-based AML/CFT compliance officer, and an ongoing

employee training program. As with programs subject to FinCEN's Proposal, PPSI programs must be risk-based, directing more resources toward higher-risk customers and activities rather than lower-risk ones.

- **Core BSA Obligations.** PPSIs would be subject to core BSA obligations, including currency transaction reporting, SAR reporting, recordkeeping, and information-sharing requirements. The GENIUS Act's customer identification program requirement is referenced in the Stablecoin Proposal, but is deferred to a separate rulemaking.
- **Robust Sanctions Compliance Regime.** The Stablecoin Proposal would require PPSIs to maintain an "effective sanctions compliance program" built around five core elements: (1) senior management and organizational commitment; (2) risk assessments; (3) internal controls; (4) testing and auditing; and (5) training. By requiring these five core elements as a "minimum for an effective sanctions compliance program," FinCEN and OFAC designed the Stablecoin Proposal to set "a necessary floor for an effective sanctions compliance program while leaving space for PPSIs to take additional or refined compliance measures that account for the specific circumstances of individual PPSIs."

  Notably, this would represent the first formal rule requiring *any* financial institution to adopt a sanctions compliance program. To date, financial institutions have adopted such programs as a matter of prudent risk management—in light of OFAC's strict liability regime—and supervisory expectation.
- **Additional Technical Capabilities, Policies, and Procedures.** PPSIs would be required to have the "technical capabilities, policies, and procedures" necessary to "block, freeze, and reject specific or impermissible transactions" that violate law, and to comply with the terms of any lawful order (defined consistent with the GENIUS Act's definition of "lawful order").
- **Reporting and Recordkeeping Requirements.** PPSIs would be required to file SARs for suspicious transactions and to comply with applicable BSA recordkeeping and reporting requirements. In particular, PPSIs would be explicitly required to comply with the Recordkeeping Rule and Travel Rule, consistent with the GENIUS Act.

Taken together, these requirements would extend core AML/CFT and sanctions compliance expectations into the payment stablecoin ecosystem and align PPSIs more closely with the broader U.S. financial regulatory framework.

What Comes Next?

Each of the Proposals is subject to a 60-day comment period, ending for all three on June 9, 2026. Each proposes a 12-month implementation period following issuance of any final rule. The immediate implications of the Proposals are therefore limited, but institutions may wish to begin assessing whether their existing AML/CFT and sanctions compliance frameworks would satisfy the expectations set forth under the Proposals and, in doing so, anticipating the extent to which updates may be necessary during the subsequent 12-month implementation period.

Looking ahead, the Proposals together reflect a coordinated effort to modernize the U.S. illicit finance framework across both the traditional and emerging financial sectors, with a consistent emphasis on reforming AML/CFT and sanctions program requirements to enhance effectiveness, risk-based resource allocation, and supervisory consistency. The FRB's non-participation in the Banking Agencies' Proposal, however, introduces near-term uncertainty for the largest U.S. bank holding companies and foreign banks operating in the United States, and will bear close watching in the coming months.

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We will continue monitoring these developments and provide additional updates as warranted.