

Insights

THE EFFECTS OF US UPDATES TO ANTI-MONEY LAUNDERING (AML) LAWS ON FINANCIAL INSTITUTIONS

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SUMMARY

The United States is beefing up its AML controls and the financial sector will be expected to play its part. But while recent changes will increase scrutiny, they may also help financial institutions deal with risks.

Late in 2020, Congress added four titles to the Defense authorization bill, each updating and strengthening AML controls in the U.S. financial sector. There will be new regulations that financial institutions will have to address, but many requirements of the new laws are aimed at helping the government and financial institutions streamline current practices and optimize results.

Financial institutions will see changes in regulations regarding:

- **Technology and cryptocurrencies.** For example, the new law directs FinCEN examine how the use of cryptocurrency can be regulated so as to prevent money laundering.
- **Currency Transaction Reports and Suspicious Activity Reports.** The reporting obligations may be overhauled in an effort to streamline reporting so as to achieve real-time use of the information contained in them by law enforcement and national security authorities.
- **Foreign banks** that maintain correspondent accounts in the US will be more vulnerable to subpoena.
- **Beneficial ownership information** for certain “reporting companies” will need to be provided directly to FinCEN.

The passage of these amendments will focus government attention on enforcement of anti-money laundering laws. Financial institutions will need to keep up with regulations issued by Treasury and FinCEN relating to their AML duties. Yet many of the changes may make their compliance programs more efficient and in the end strengthen them.

Mark Srere wrote about this in our Emerging Themes in Financial Regulation 2021 publication.

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