AI, AML, and Digital Assets: Enhancing BSA/AML Compliance in an Evolving Financial Services Market

AML/CFT Regulatory Framework: Current State and Path Forward

Written BSA compliance program, which must, at a minimum:
- Provide for a system of internal controls to assure ongoing compliance with the BSA;
- Provide for independent testing for compliance to be conducted by bank personnel or by an outside party;
- Designate an individual or responsible for coordinating and monitoring day-to-day compliance; and
- Provide training for appropriate personnel.

Ongoing customer due diligence, which includes:
- Understanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile; and
- Conducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information.

Customer Identification Program

Suspicious Activity Reports

Currency Transaction Reports

Travel Rule reporting for funds transfers

AML/CFT Regulatory Framework: Current State and Path Forward

Treasury, FinCEN and the federal banking agencies have demonstrated a willingness to implement significant changes to the U.S. AML/CFT regulatory framework

"As part of our broader campaign to modernize illicit finance regulation, FinCEN and the bank regulators are hard at work on a new rule to define the requirements for an effective AML/CFT program. My expectation is that a proposal will recenter supervision where it should be: on the effective effectiveness of a bank's AML/CFT program. I likewise expect that proposal will position FinCEN as a gatekeeper for AML/CFT enforcement."

- Treasury Secretary Scott Bessent (Oct. 9, 2025)

"But when the agencies released a proposal to update the "Program Rule" in 2024,20 the proposal fell well short of the Act's goals . . . The goal is to enable banks to devote more time, talent, and technology to the areas that present the highest risk. With the Treasury Department leading the efforts, we have been developing a proposal to achieve these objectives, which I look forward to acting on soon."

- FDIC Chairman Travis Hill (Mar. 11, 2026)

AML/CFT Regulatory Framework: Current State and Path Forward

Treasury, FinCEN and the federal banking agencies have implemented several changes to existing AML/CFT compliance requirements

Exceptive relief from the requirement to identify and verify beneficial owners at each account opening

Order permitting banks to collect a customer's tax identification number (TIN) from a third party rather than a customer, provided the bank otherwise complies with the CIP Rule

New FAQs that address regulatory expectations relating to continuing activity reviews, structuring SARs, and documentation requirements for SAR decision-making

Stablecoins, Digital Assets, and the Emerging Regulatory Landscape

"Over the past 15 years, de novo chartering has completely stagnated. In the late 1990s, the OCC received over 100 de novo charter applications each year, and nearly 50 per year in the early 2000s. But from 2011 through 2024, the OCC received, on average, less than four charter applications per year. Following the financial crisis, there were years when the OCC received only one or two charter applications—as well as years when the OCC did not receive a single de novo application."

- OCC Comptroller Jonathan Gould (Dec. 8, 2025)

By the numbers (since Jan. 1, 2025):
- Over **25** new bank charter applications
- **12** conditional approvals
- **Three** effective charters

AI in AML Compliance: Adoption, Opportunities, and Emerging Risks

AI Use Cases	Description
SAR Reporting	AI tools can help banks prepare comprehensive SAR narratives, or at least first drafts, based on an extensive analysis of transaction and customer data
Customer Onboarding	Agentic AI tools can automate segments of the customer onboarding process, including the collection and analysis of CIP and CDD information
Transaction Monitoring	AI tools can continuously analyze transaction patterns to identify anomalies indicative of fraud or money laundering, improving real-time monitoring with reduced false positives
Negative News Screening	AI tools can scan hundreds of news sources for potential negative news involving potential and/or current customers
Customer Risk Rating & Due Diligence	AI tools can assist banks with analyzing customer behavior to inform customer risk ratings

AI in AML Compliance: Adoption, Opportunities, and Emerging Risks

IP & Commercial
— Ownership of output and lack of exclusivity

— Contractual considerations, including rights retained by AI providers

— Risk of infringement

— Open source software

Security
— AI data attacks

— Targeting of AI service providers and their vendors (e.g. exfiltration, injection, corruption)

— Vulnerabilities or flaws in AI-generated source code

AI Risks

Misuse & Reputation Impacts
— Output may be biased, inaccurate, infringing or otherwise flawed

— Susceptibility to misuse

— Workforce impacts

— "AI washing"

— Attribution requirements

Regulatory & Compliance
— Heightened legislative and regulatory attention will result in increased restrictions, burdens and costs

— Compliance risk under existing regulations and business risk based on regulatory uncertainty