

October 22, 2025

Andrea Gacki
Director
Financial Crimes Enforcement Network
U.S. Department of the Treasury
P.O. Box 39
Vienna, VA 22183

Submitted electronically via www.regulations.gov

Re: Delaying the Effective Date of the AML/CFT Program and SAR Filing Requirements for Registered Investment Advisers and Exempt Reporting Advisers (Docket Number FINCEN-2025-0072 and RIN 1506-AB58 and 1506-AB69)

Dear Director Gacki,

On behalf of the Financial Accountability and Corporate Transparency (FACT) Coalition,¹ this letter responds to the request by the Financial Crimes Enforcement Network (FinCEN) of the United States Department of the Treasury (Treasury) for comment on a notice of proposed rulemaking (NPRM) to delay the establishment of anti-money laundering (AML) and countering the financing of terror (CFT) regulations for U.S. investment advisers and exempt reporting advisers (hereafter, “IA AML Rule”).

We are writing in opposition to delaying the compliance date of the IA AML Rule. We are also writing to register our opposition to FinCEN’s intention to “rescope” the IA AML rule, which is already well-tailored to address long-standing illicit finance risks in the \$130 trillion sector.

[A Delay to the IA AML Rule Stalls Protections for U.S. Financial System Despite Sufficient Runway for Industry Compliance](#)

The IA AML rule, finalized last year, marks the fourth time that FinCEN has moved to institute anti-money laundering requirements for the sector. For more than two decades, the private investment sector has enjoyed “temporary” exemptions from establishing anti-money laundering

¹ The FACT Coalition is a United States-based, non-partisan alliance of more than 100 state, national, and international organizations promoting policies to build a fair and transparent global financial system that limits abusive tax avoidance and curbs the harmful impacts of corrupt financial practices. A full list of FACT members is available at: Financial Accountability and Corporate Transparency (FACT) Coalition (March 2024), “Coalition Members,” <https://thefactcoalition.org/about-us/coalition-members-and-supporters/>. The views presented in this comment are not necessarily endorsed by every member of the Coalition.

programs.² Industry compliance experts have called the IA AML rule a likely “reality.”³ This long runway to rulemaking has allowed industry plenty of time to assess the general compliance costs and reputational benefits of establishing AML/CFT programs. With the rule’s finalization in August 2024, registered investment advisers (RIAs) and exempt reporting advisers (ERAs) have had more than a year to design and implement their compliance programs. Many advisers already had a voluntary compliance program in place, forming the foundation upon which additional requirements from the rule could be added. We therefore agree with other commenters that the “proposed extension would not materially improve industry readiness. Instead, it would simply delay the necessary alignment of the adviser sector with longstanding AML/CFT expectations.”⁴

Other commenters cite the status of the Customer Identification Program Rule (“CIP Rule”) as a reason to justify the delay of the IA AML Rule. However, the IA AML Rule can be implemented independently of the finalization of the CIP Rule. Of the activities required by the IA AML Rule – establishing and testing AML/CFT programs, filing suspicious activity reports (SARs) and currency transaction reports (CTRs), complying with recordkeeping and travel rules – none relies directly on the disclosures from the CIP rule. Therefore, the SEC’s failure to finalize the CIP rule before the original January 2026 implementation timeframe should not be considered reasonable justification for a delay.

FinCEN’s Cost-Benefit Analysis Unduly Favors Industry over Public Interest

According to the proposed rule, FinCEN has determined that a compliance date delay may save industry as much as \$1.45 billion over the next two years, even though FinCEN acknowledges that, “a change in previously quantified costs may not fully represent the scope of economic effects of the proposed rule.”⁵ We believe that FinCEN’s cost-benefit analysis here fails to capture the full scope of economic effects that may ensue from the proposed rule, to the detriment of U.S. national security and economic interests.

Senior members of the Senate Banking and House Financial Services Committee have raised similar concerns, stating that “Treasury’s decision to delay the IA AML Rule compliance date—and potentially revisit the rule’s substance—once again raises significant questions about

² 31 C.F.R. § 103.170.

³ Bill Meyers, “Fincen Proposal Raises Compliance Floor,” Regulatory Compliance Watch, February 2024, <https://www.regcompliancewatch.com/fincen-proposal-raises-compliance-floor>.

⁴ James Clements, Comment on NPRM, October 14, 2025, <https://www.regulations.gov/comment/FINCEN-2025-0072-0011>.

⁵ Financial Crimes Enforcement Network, “Delaying the Effective Date of the Anti-Money Laundering/Countering the Financing of Terrorism Program and Suspicious Activity Report Filing Requirements for Registered Investment Advisers and Exempt Reporting Advisers” (NPRM), 90 F.R. 181, p. 45362, September 22, 2025.

the Administration’s plans to protect our financial system and the American people.”⁶ Their letter to Secretary Bessent, requesting further information on this decision, is included in the annex.

We recommend that FinCEN quantify or otherwise capture other considerations in its cost-benefit analysis, including harms to – U.S. national security and public safety; honest competition within and among capital market actors; and the ability of the U.S. to attract legitimate investment by complying with AML standards set by the Financial Action Task Force (FATF).

A Delay to the Rule Exacerbates Illicit Finance Risks that Jeopardize U.S. National Security, Public Safety

Unlike banks, broker-dealers, commodities brokers, and other financial institutions, **the private investment industry is currently the only major U.S. capital market actor without a legal obligation to implement AML/CFT programs**, let alone file suspicious activity reports, know their clients, or perform due diligence. This dynamic creates the opportunity for regulatory arbitrage, exacerbating the risks that opaque investments are part of larger schemes to move questionable funds into and through the U.S. financial system.

There is strong evidence that the opaque and complex private investment industry has become increasingly vulnerable to illicit finance involving criminals, kleptocrats, tax evaders, sanctioned persons, and U.S. adversaries.⁷ The Treasury Department has already conducted a comprehensive assessment of illicit finance risks in this sector and identified specific threat trends – such as sanctions evasion and foreign corruption, access by U.S. state adversaries to sensitive national security technology and services, and investor fraud.⁸ It then issued a well-tailored rule to address these risks.

The Administration’s agenda to deregulate or otherwise reduce impact on industry should not come at the expense of its responsibility to protect American national security and public safety. Further, Treasury’s failure to implement this rule on the designated timeline would be a self-inflicted wound, contradicting its own stated national security priorities.

⁶ “Warren, Kim, Waters Press Treasury Secretary on Delay and Potential Rollback of Anti-Money Laundering Rules for Multi-Trillion Dollar Investment Adviser Sector,” September 19, 2025, <https://www.banking.senate.gov/newsroom/minority/warren-kim-waters-press-treasury-secretary-on-delay-and-potential-rollback-of-anti-money-laundering-rules-for-multi-trillion-dollar-investment-adviser-sector>.

⁷ FACT Coalition, Global Financial Integrity, and Transparency International U.S., “Private Investments, Public Harm: How the Opacity of the Massive U.S. Private Investment Industry Fuels Corruption and Threatens National Security,” (“**Private Investments, Public Harm**,”), December 2021, <https://thefactcoalition.org/report/private-investments-public-harm>.

⁸ Department of the Treasury, “2024 Investment Adviser Risk Assessment,” February 2024 (**2024 Investment Adviser Risk Assessment**), p. 16, <https://home.treasury.gov/system/files/136/US-Sectoral-Illicit-Finance-Risk-Assessment-Investment-Advisers.pdf>.

Case Study: Delay Undermines Treasury Department Efforts to Counter Sophisticated Drug Trafficking Organizations Driving the Fentanyl Crisis

Delaying this rule will undermine the Treasury’s own stated priorities to urgently tackle the fentanyl crisis and curb the activities of drug trafficking organizations and newly designated foreign terrorist organizations. While drug cartels utilize a multitude of money laundering methodologies, many have relied on the Black Market Peso Exchange and, now increasingly, Chinese money laundering organizations (CMLOs) to move value from U.S. dollar-denominated criminal proceeds into their currency of choice. For both systems, there is evidence that U.S. private investment firms may wittingly or unwittingly get caught up in these schemes.

- An FBI memo leaked in 2020 cited cases in which Mexican cartels purportedly moved as much as \$1 million a week through U.S. hedge funds.⁹
- In another case, a boutique U.S. investment firm, Sefira Capital, settled in a case facing accusations that it invested as much as \$100 million for cartels through U.S. residential and commercial real estate as part of the Black Market Peso Exchange.¹⁰
- A recent FinCEN financial trend analysis cited a case that suggests, anecdotally, that U.S. investment companies can be leveraged in schemes by Chinese money laundering organizations.¹¹

Any Treasury move to counter drug trafficking organizations is primed to fail without concurrent efforts to tighten AML safeguards and prevent ability of these organizations to launder proceeds in and through the U.S. financial system.

A Delay Warps U.S. Capital Market Competition and Damages the Reputation of the U.S. Financial System

A delay in the compliance date for the IA AML Rule does not uniformly benefit firms in the U.S. private investment market. We share the view of another commenter that, “A two-year postponement would disadvantage firms that have proactively invested in compliance readiness, creating an uneven playing field across the industry.”¹² A delay should not punish firms that were proactive in their compliance.

Additionally, FinCEN’s cost-benefit analysis of the proposed delay does not account for the ongoing externalities and costs borne by other U.S. capital market actors in the absence of the IA

⁹ “Private Investments, Public Harm,” p. 25.

¹⁰ “Private Investments, Public Harm,” p. 30.

¹¹ Financial Crimes Enforcement Network, “Financial Trend Analysis: Chinese Money Laundering Networks: 2020 - 2024 Threat Pattern & Trend Information,” August 2025, <https://www.fincen.gov/system/files/2025-08/4000-10-INV-144549-S3F6L-FTA-CMLN-508.pdf>.

¹² James Clements, Comment on NPRM, October 14, 2025, <https://www.regulations.gov/comment/FINCEN-2025-0072-0011>.

AML Rule. As Treasury’s 2024 Risk Assessment on Investment Advisers states, “...because of the nature of the investment adviser business, the illicit finance risk of investment advisers will pass to broker-dealers and qualified custodians, who may lack the ability to assess the client of the investment adviser and the client’s source of funds...”¹³ Treasury should also quantify the additional costs borne by broker-dealers, qualified custodians, and other actors by not implementing the IA AML Rule in a timely fashion.

Finally, a cost-benefit analysis should account for the reputational damages dealt to the United States and its financial system should the IA AML rule not go into effect as scheduled, particularly as the U.S. faces evaluation by FATF next year (see below).

Beyond Delay, a “Rescope” Likely Opens the Door to Greater Illicit Finance Risks

The notice suggests that one reason for delaying the IA AML rule is to afford FinCEN a chance “to review the IA AML Rule and, as applicable, ensure the IA AML Rule is effectively tailored to the diverse business models and risk profiles of types of firms within the investment adviser sector.” It further suggests that FinCEN may seek “to reduce any unnecessary or duplicative regulatory burden and ensure the IA AML Rule strikes an appropriate balance between cost and benefit...”¹⁴

Given the Treasury Department’s recent rollbacks of other long-overdue updates to the U.S. AML infrastructure in the name of deregulation,¹⁵ we are deeply concerned that “rescoping” the IA AML Rule will only result in changes that will leave the United States more vulnerable to illicit finance risks. **We would oppose any rescope of the rule that would leave unaddressed the key vulnerabilities identified in the 2024 Investment Adviser Risk Assessment.**

More specifically, any version of the IA AML Rule must:

- Define those investment advisers exhibiting high risks of illicit finance¹⁶ – with greatest emphasis on ERAs working with hedge funds, private equity, and venture capital firms – as financial institutions under the Bank Secrecy Act.
- Require covered advisers to implement the full suite of AML/CFT obligations consistent with those required of analogous market actors (for instance, broker-dealers or banks).

¹³ 2024 Investment Adviser Risk Assessment, p. 28.

¹⁴ NPRM, p. 45361.

¹⁵ FACT Coalition, “Treasury Reopens the Floodgates to Dirty Money in the U.S.,” Press Release, March 3, 2025, <https://thefactcoalition.org/treasury-reopens-the-floodgates-to-dirty-money-cta>.

¹⁶ *Per the 2024 Treasury Risk Assessment, “This assessment finds that the highest illicit finance risk in the investment adviser sector is among ERAs (who advise private funds exempt from SEC registration), followed by RIAs who advise private funds, and then RIAs who are not dually registered as, or affiliated with, a broker-dealer (or is, or affiliated with, a bank).”* 2024 Investment Adviser Risk Assessment, p. 2.

- Reject calls for carveouts – for instance, for small firms or for firms advising only private funds, even those only servicing institutional investors – that would allow for further regulatory arbitrage.

These features are essential to ensure that the U.S. private investment sector is well protected. Further, they would finally align the U.S. with the standards laid out by the Financial Action Task Force, the global anti-money laundering standard setter. The U.S. faces an evaluation by FATF next year, which will have a bearing on the reputation and stability of the U.S. financial system. During the last FATF evaluation in 2016, the U.S. was found deficient under Recommendation 10 for its lack of customer due diligence requirements for investment advisers.¹⁷ Delaying and rescoping the rule may expose the United States to further censure by FATF, which could impact the attractiveness of U.S. markets for global investment.

Conclusion

For the reasons outlined above, we oppose both the delay and the rescope of the IA AML Rule and urge FinCEN to stay course on the current implementation pathway.

Thank you for the opportunity to comment. For questions, please contact Erica Hanichak (ehanichak@thefactcoalition.org).

Respectfully,

Ian Gary
Executive Director

Erica Hanichak
Deputy Director

¹⁷ Financial Action Task Force, “United States’ Measures To Combat Money Laundering And Terrorist Financing,” December 1, 2016, <https://www.fatf-gafi.org/en/publications/Mutualevaluations/Mer-united-states-2016.html>

Congress of the United States

Washington, DC 20515

September 18, 2025

The Honorable Scott Bessent
Secretary
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Secretary Bessent:

We write to request information regarding the Administration's decision to postpone and reopen a final rule designed to safeguard the multi-trillion dollar U.S. investment adviser sector from known misuse by criminals, foreign adversaries, and terrorist financiers.

On August 5, 2025, the Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) announced the postponement of the compliance date for their 2024 anti-money laundering rule (IA AML Rule) for investment advisers from January 1, 2026, to January 1, 2028.¹ The IA AML rule was designed to close a key vulnerability in U.S. anti-money laundering and countering the financing of terrorism (AML/CFT) requirements for the rapidly-growing investment adviser and private fund industries.² The decision to delay compliance leaves American national security and economic stability vulnerable.

The investment adviser sector is "one of the most significant gaps" in the United States' anti-money laundering regime, largely due to a lack of comprehensive AML/CFT regulations that apply across the industry.³ Advisers to small or private funds may accept investors without knowing the ultimate beneficial owners or sources of funds they manage, making the private funds industry "the only major U.S. capital market actor without a legal obligation to know their clients or perform due diligence."⁴ This regulatory gap enables criminals and fraudsters to enter our economic system largely unnoticed. Beyond the private funds industry, larger investment advisers face more regulation than smaller funds but still lack comprehensive AML/CFT requirements.⁵ Even when advisers voluntarily implement AML/CFT programs, bad actors may

¹ U.S. Department of the Treasury, "Treasury Announces Postponement and Reopening of Investment Adviser Rule," press release, July 21, 2025, <https://home.treasury.gov/news/press-releases/sb0201>; Financial Crimes Enforcement Network, U.S. Department of the Treasury, "Exemptive Relief Order to Delay the Effective Date of the Investment Adviser Rule," August 5, 2025, <https://www.fincen.gov/sites/default/files/shared/IA-Rule-Exemptive-Relief-Order.pdf>.

² 31 CFR Parts 1010 and 1032.

³ U.S. Department of the Treasury, "2024 National Strategy for Combating Terrorist and Other Illicit Financing," May 2024, p. 11, <https://home.treasury.gov/system/files/136/2024-Illicit-Finance-Strategy.pdf>.

⁴ FACT Coalition, "Treasury Exposes U.S. to Increased Risks of Dirty Money By Delaying, Reopening Private Investment Anti-Money Laundering Rule," Ian Gary and Erica Hanichak, July 21, 2025, <https://thefactcoalition.org/private-investment-aml-rule-delay-rescope/>.

⁵ U.S. Department of the Treasury, "2024 Investment Adviser Risk Assessment," February 2024, <https://home.treasury.gov/system/files/136/US-Sectoral-Illicit-Finance-Risk-Assessment-Investment-Advisers.pdf>.

be able to “shop around” for an adviser who follows less stringent AML/CFT protocols, ultimately resulting in the flow of illicit funds.⁶ As the industry continues to grow—with \$144.6 trillion in assets under management in 2024, a 12 percent increase from 2023 alone—so do the risks it poses to American citizens, our economic and national security, and our democracy.⁷

Investment advisers have also been a top target for foreign entities seeking to infiltrate the U.S. financial system and steal crucial developing technologies. In 2018, for example, the Department of Defense found that a Silicon Valley venture capital fund had invested in startups specializing in drones, cybersecurity, and artificial intelligence, with holdings in “some of the most sensitive technology sectors”—all while having been established and financed largely through the Chinese government.⁸ Treasury has also identified several U.S. venture capital firms with significant ties to Russian oligarch investors that have invested in firms highly relevant to U.S. national security, such as those developing autonomous vehicle technology and artificial intelligence systems as well as contractors to the U.S. government.⁹ All in all, Treasury estimates that some advisers may manage billions of dollars ultimately controlled by sanctioned entities—entities that threaten our national interests.¹⁰

To address these vulnerabilities, FinCEN issued the IA AML rule in September 2024 to “help safeguard investments in the United States and help prevent criminals and other illicit actors from laundering money through the U.S. financial system.”¹¹ Investment advisers were newly defined as “financial institutions” under the Banking Secrecy Act, making them subject to common-sense requirements already applied to all other major capital markets sectors.¹² The rule set minimum industry-wide standards for AML/CFT programs, helping to “level the regulatory playing field” and cutting off the cycle of regulatory arbitrage exploited by illicit finance.¹³ The rule also mandated advisers to report suspicious activity to FinCEN, providing key data to law enforcement and national security agencies to keep Americans safe.¹⁴

⁶ U.S. Department of the Treasury, “Fact Sheet: FinCEN Issues Final Rule to Combat Illicit Finance and National Security Threats in the Investment Adviser Sector,” August 28, 2024, <https://www.fincen.gov/sites/default/files/shared/IAFinalRuleFactSheet-FINAL-508.pdf>.

⁷ Investment Adviser Association, “Industry Statistics,” <https://www.investmentadviser.org/industry-snapshots/>.

⁸ FACT Coalition, “PRIVATE INVESTMENTS, PUBLIC HARM: How the Opacity of the Massive U.S. Private Investment Industry Fuels Corruption and Threatens National Security,” December 2021, https://thefactcoalition.org/wp-content/uploads/2021/12/TI_Private-Investments-Public-Harm-10.pdf.

⁹ FACT Coalition, “Treasury Exposes U.S. to Increased Risks of Dirty Money By Delaying, Reopening Private Investment Anti-Money Laundering Rule,” Ian Gary and Erica Hanichak, July 21, 2025, <https://thefactcoalition.org/private-investment-aml-rule-delay-rescope/>.

¹⁰ U.S. Department of the Treasury, “2024 Investment Adviser Risk Assessment,” February 2024, <https://home.treasury.gov/system/files/136/US-Sectoral-Illicit-Finance-Risk-Assessment-Investment-Advisers.pdf>.

¹¹ U.S. Department of the Treasury, “Fact Sheet: FinCEN Issues Final Rule to Combat Illicit Finance and National Security Threats in the Investment Adviser Sector,” August 28, 2024, <https://www.fincen.gov/sites/default/files/shared/IAFinalRuleFactSheet-FINAL-508.pdf>; 31 CFR Parts 1010 and 1032.

¹² U.S. Department of the Treasury, “Fact Sheet: FinCEN Issues Final Rule to Combat Illicit Finance and National Security Threats in the Investment Adviser Sector,” August 28, 2024, <https://www.fincen.gov/sites/default/files/shared/IAFinalRuleFactSheet-FINAL-508.pdf>.

¹³ *Id.*, p. 3.

Despite the importance of FinCEN’s rule, the agency announced the postponement of the compliance date for the rule from January 1, 2026, to January 1, 2028.¹⁵ FinCEN’s extension of the compliance date forgoes these needed protections for the next two years despite its mission to “safeguard the financial system from the abuses of financial crime, including terrorist financing, money laundering and other illicit activity.”¹⁶ Even more troubling, FinCEN also announced its plans to “revisit the substance of the IA AML Rule through a future rulemaking process” during the delay period, raising concerns that they may plan to significantly weaken the Rule or rescind it altogether.¹⁷

The Administration has already taken several steps to roll back illicit finance protections, including disbanding multiple Department of Justice teams tasked with protecting against money laundering and illicit finance¹⁸ and narrowing enforcement of U.S. foreign bribery laws.¹⁹ Treasury’s decision to delay the IA AML Rule compliance date—and potentially revisit the rule’s substance—once again raises significant questions about the Administration’s plans to protect our financial system and the American people. Therefore, we request answers to the following questions no later than October 3, 2025.

1. FinCEN’s August 5, 2025, Exemptive Relief Order notes that the reevaluation of the IA AML rule will ensure the rule is “effectively tailored to the diverse business models and risk profiles of the investment adviser sector.”²⁰ What are the specific segments of the investment adviser sector that drove Treasury’s decision to postpone this national security measure, and what information or evidence supports that decision?
2. What steps will the Treasury Department and FinCEN take to counter money laundering exploiting the investment adviser sector in the interim period before January 1, 2028, given that there are no standardized AML program requirements for investment advisers without the Final Rule?

¹⁴ *Id.*, p. 2.

¹⁵ U.S. Department of the Treasury, “Treasury Announces Postponement and Reopening of Investment Adviser Rule,” press release, July 21, 2025, <https://home.treasury.gov/news/press-releases/sb0201>; Financial Crimes Enforcement Network, U.S. Department of the Treasury, “Exemptive Relief Order to Delay the Effective Date of the Investment Adviser Rule,” August 5, 2025, <https://www.fincen.gov/sites/default/files/shared/IA-Rule-Exemptive-Relief-Order.pdf>.

¹⁶ Financial Crimes Enforcement Network, “History of Anti-Money Laundering Laws,” <https://www.fincen.gov/history-anti-money-laundering-laws>.

¹⁷ U.S. Department of the Treasury, “Treasury Announces Postponement and Reopening of Investment Adviser Rule,” press release, July 21, 2025, <https://home.treasury.gov/news/press-releases/sb0201>.

¹⁸ Just Security, “The Anti-Corruption Tracker: Mapping the Erosion of Oversight and Accountability,” Dani Schulkin et al, July 23, 2025, <https://www.justsecurity.org/117267/anti-corruption-tracker/>.

¹⁹ Reuters, “Trump loosens enforcement of US law banning bribery of foreign officials,” Steve Holland and Nandita Bose, February 11, 2025, <https://www.reuters.com/world/us/trump-loosen-enforcement-us-law-banning-bribery-foreign-officials-2025-02-10/>.

²⁰ Financial Crimes Enforcement Network, U.S. Department of the Treasury, “Exemptive Relief Order to Delay the Effective Date of the Investment Adviser Rule,” August 5, 2025, <https://www.fincen.gov/sites/default/files/shared/IA-Rule-Exemptive-Relief-Order.pdf>.

3. Which external parties did Treasury communicate with or receive input from regarding reevaluation of the IA AML rule? Please provide any and all external communications and documents related to this reevaluation.
4. What are the agency's plans to "revisit the substance of the IA AML Rule through a future rulemaking process?"²¹
5. Will you commit to upholding the new January 1, 2028, deadline for compliance with the IA AML rule? If not, explain.
6. Does FinCEN's August 5, 2025, Exemptive Relief Order comply with the Administrative Procedure Act? Explain.

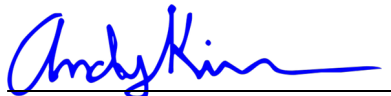
Sincerely,



Elizabeth Warren
Ranking Member
Committee on Banking,
Housing, and Urban Affairs



Maxine Waters
Ranking Member
Committee on Financial
Services



Andy Kim
Ranking Member
Subcommittee on National
Security and International
Trade and Finance
Committee on Banking,
Housing, and Urban Affairs
United States Senate

²¹ US Department of the Treasury, "Treasury Announces Postponement and Reopening of Investment Adviser Rule," press release, July 21, 2025, <https://home.treasury.gov/news/press-releases/sb0201>.