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Proposal and Comment Information

Title: Anti-Money Laundering and Countering the Financing of Terrorism Programs, R-1835

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Submitter Information

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Organization Type: Organization

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Please see enclosed.

Best regards,
Mayra Rodriguez Valladares

Managing Partner
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July 9, 2026

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Comments on Proposed Rule — Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Program Requirements

Docket No. R-1835 and RIN 7100-AG78

Dear Ms. Misback,

I appreciate the opportunity to comment on the Board of Governors of the Federal Reserve System's ("the Board") proposed rule to revise the anti-money laundering and countering the financing of terrorism (AML/CFT) program requirements applicable to Board-supervised institutions, issued July 7, 2026 (the "Proposal"). I very much appreciate the Board's stated attention to AML/CFT supervision.

I am concerned that, as drafted, several elements of the Proposal would weaken the Board's practical ability to hold banks accountable for maintaining effective AML/CFT programs, without a corresponding, well-defined mechanism to ensure that risk-based discretion is not used to ignore compliance or to not allocate the necessary resources to compliance and auditing departments. I respectfully urge the Board to address the shortcomings described below before finalizing the rule.

I. Summary of Concerns

Money Laundering issues continue to be a problem which require serious attention from bank regulators, legislators, credit analysts, and investors. Money laundering through the banking system is not a marginal concern. The UN Office on Drugs and Crime (UNODC) estimates that the amount of money laundered globally each year equals 2–5% of global GDP — roughly $800 billion to $2 trillion — and that less than 1% of these illicit financial flows is currently being seized or frozen by authorities worldwide. Banks sit at the center of this problem because they serve as the primary gateway between criminal proceeds and the legitimate financial system; the 2020 “FinCEN Files” leak, which involved $2 trillion in transactions, illustrated how some of the world’s largest banks have allowed criminals to move illicit funds through their systems despite available red flags.

The enforcement record in the exhibit below represents only a fraction of this underlying volume. In the United States, since the 2007–08 financial crisis, an estimated $69 billion in AML-related enforcement actions has been levied against financial institutions and individuals. This is a substantial sum, but modest relative to the hundreds of billions to trillions of dollars believed to move through the financial system illicitly each year, and small enough that it is properly understood as a cost of doing business rather than a deterrent. Recent data also shows global AML fines declining for a second consecutive year in 2025, with some researchers noting it was the first year in over two decades that no U.S. bank faced a major AML penalty. This gap between the scale of the problem and the scale and consistency of enforcement is precisely why the practical enforceability of bank AML/CFT programs — not merely their formal design — must be preserved in any revision to the Board's supervisory framework.

Selected Anti-Money Laundering / Bank Secrecy Act and Sanctions-Related Enforcement Actions Against U.S. and Foreign Banks (Ordered by Year)

Bank	Year	Fine	Nature of Violation
Credit Suisse	2009	$536 million	Altered wire-transfer information to evade U.S. sanctions screening on transactions with Iran, Sudan, and other sanctioned countries.
Lloyds TSB	2009	$350 million	Stripped identifying information from wire transfers to help sanctioned Iranian and Sudanese clients evade U.S. filters.
ABN AMRO (later Royal Bank of Scotland N.V.)	2010	$500 million	New York branch willfully failed to maintain an adequate AML program; altered payment messages to evade OFAC filters for Iran, Libya, Sudan, and Cuba.
Barclays	2010	$298 million	Stripped identifying data from payments to help clients in Iran, Cuba, Libya, Sudan, and Burma evade U.S. sanctions screening.
Wachovia Bank (later part of Wells Fargo)	2010	$160 million	Enabled Mexican drug cartels to launder an estimated $378–390 billion via bulk cash and wire transfers between 2004–2007.
HSBC	2012	$1.9 billion	Laundered money for Mexican and Colombian drug cartels and sanctioned countries via its U.S. operations; resolved via deferred prosecution agreement.
Standard Chartered	2012–2019 (multiple settlements)	~$1.1 billion (aggregate)	Stripped identifying data from wire transfers to evade U.S. sanctions screening for Iranian and other sanctioned clients across multiple settlements.
BNP Paribas	2014	$8.9 billion	Pleaded guilty to processing billions in transactions for sanctioned countries (Sudan, Iran, Cuba) through the U.S. financial system, disguising transactions to evade U.S. sanctions/BSA screening.

Bank	Year	Fine	Nature of Violation
JPMorgan Chase	2014	$2.6 billion	Failed to flag and report Bernie Madoff's Ponzi scheme activity moving through its accounts for years despite red flags.
Commerzbank	2015	$1.45 billion	Processed transactions for Iranian and Sudanese entities in violation of U.S. sanctions; AML program deficiencies at its New York branch.
U.S. Bancorp / U.S. Bank N.A.	2018	$613 million (combined)	Willfully capped the number of alerts its transaction-monitoring system could generate to save money, failing to report suspicious activity.
Rabobank, N.A.	2018	$369 million	Pleaded guilty to obstructing a federal bank exam and concealing deficient AML controls that let suspicious cash from Mexico move through Southern California branches.
Goldman Sachs	2020	~$2.9 billion (U.S. portion; ~$7.2B globally)	1MDB Malaysian sovereign wealth fund scandal — helped raise bond proceeds later shown to be looted, with inadequate AML/anti-bribery scrutiny.
Capital One, N.A.	2021	$390 million	AML program failures in its check-cashing business unit; failed to file thousands of required suspicious activity/currency transaction reports.
USAA Federal Savings Bank	2022	$140 million (combined)	Failed to keep its AML program's growth in pace with the bank's own growth; failed to timely and accurately report suspicious activity.
Danske Bank	2023	~$2.0 billion	Pleaded guilty in the U.S.; its Estonian branch enabled roughly $228 billion in suspicious flows, mostly originating from Russia, to move through the U.S. financial system.
UBS	2023	$1.4 billion	AML control failures tied to high-risk clients moving funds through U.S.-linked accounts.
TD Bank, N.A.	2024	$3.09 billion	Pleaded guilty to BSA violations after employees were bribed to help launder drug-trafficking proceeds; largest BSA-specific penalty ever against a U.S. bank.

Notes:

1. Several fines listed above (e.g., BNP Paribas, Commerzbank, Standard Chartered, Credit Suisse, ABN AMRO, Lloyds TSB, Barclays) principally involve U.S. sanctions-evasion violations (IEEPA/OFAC) rather than pure Bank Secrecy Act violations, but are included because the underlying conduct — stripping identifying data from wire transfers to defeat U.S. dollar-clearing AML/sanctions filters — overlaps substantially with AML control failures and is frequently charged alongside BSA violations in the same enforcement action.

2. Several institutions listed above are foreign-headquartered; they appear on this list because any institution clearing U.S. dollars — including through a single New York branch — is subject to U.S. Bank Secrecy Act and OFAC jurisdiction. These are not violations of foreign law but of the same U.S. rules applicable to domestic institutions.

3. Fine amounts reflect aggregate settlements across relevant U.S. authorities (e.g., DOJ, Treasury/OFAC, FinCEN, Federal Reserve, OCC, and state regulators) where actions were resolved jointly and may include forfeitures in addition to civil or criminal penalties.

4. One industry analysis of material (>$10 million) AML- and sanctions-related fines found that such penalties totaled approximately $45.7 billion from 2000 through 2024, with U.S. dollar correspondent banking alone generating roughly $6 billion in AML-related fines and $18 billion in sanctions-related fines across 47 cases.

My principal concerns with the Proposal are that it:

- Introduces a new, undefined "significant or systemic" standard for issuing Matters Requiring Attention (MRAs) and pursuing enforcement actions, without specifying how examiners are to determine when an implementation failure crosses that threshold;
- Relies on institutions' own risk assessments to determine the adequacy of AML/CFT resourcing, without establishing any floor or objective benchmark against which examiners can test whether an institution's self-assessed risk allocation is reasonable;
- Raises the practical bar for supervisory and enforcement action against implementation failures at exactly the point in the compliance lifecycle — ongoing maintenance — where illicit finance risk actually materializes;
- Rests on a cost-benefit analysis that assumes near-total existing compliance and no material increase in ongoing costs, an assumption in tension with the Proposal's own description of the reforms as a "fundamental" overhaul; and
- Leaves unresolved how the Board's supervisory and enforcement authority will interact with FinCEN's proposed notice-and-consultation framework, creating a gap in interagency coordination relative to the parallel OCC/FDIC/NCUA proposal.

Below, I discuss each concern in turn and, in Section III, propose specific changes that would preserve the Proposal's stated goals of efficiency and risk-based prioritization while restoring the Board's ability to enforce program maintenance in practice.

II. Detailed Shortcomings

A. The "Significant or Systemic" Enforcement Standard Is Undefined

Under the Proposal, once an institution has established an AML/CFT program that satisfies the four required pillars, the Board generally would not issue an MRA or pursue an enforcement action for implementation failures unless those failures are "significant or systemic." Neither the proposed rule text nor the accompanying release defines this standard, and the Board's own request for comment asks the public how examiners should determine when a failure meets this threshold — effectively acknowledging that the operative enforcement trigger of the rule is not yet defined.

Governor Michael S. Barr's July 7, 2026 statement declining to support the Proposal identifies this as the central defect: the introduction of a new, undefined standard for MRAs and enforcement actions creates uncertainty about the Board's practical ability to substantiate noncompliance, even where an institution's program is not being maintained as required. We share this concern. An enforcement standard that examiners cannot consistently apply is not merely a drafting gap — it is a structural weakness that will produce inconsistent supervision across institutions and regions, invite protracted disputes over whether a given deficiency is "significant or systemic," and, in practice, deter examiners from citing deficiencies that fall short of an undefined threshold.

B. Self-Assessed Risk Allocation Lacks an Objective Floor

The Proposal directs institutions to allocate compliance attention and resources according to their own risk assessments and instructs examiners not to substitute their judgment for an institution's risk-based resourcing decisions. We support risk-based prioritization in principle. However, the Proposal does not pair this discretion with any objective minimum standard — such as a benchmark ratio of compliance staffing to institution size and risk profile, or a requirement that risk assessments be validated against an external reference point — against which an examiner could test whether a self-assessed risk allocation is reasonable rather than merely convenient. Absent such a floor, an institution seeking to minimize compliance costs has a structural incentive to characterize higher-risk business lines as lower-risk in its own risk assessment, and the Proposal gives examiners limited tools to challenge that characterization.

C. The Raised Enforcement Threshold Shields Ongoing Implementation Failures

By limiting enforcement to "significant or systemic" implementation failures, the Proposal effectively shields smaller or recurring maintenance failures from consequence, so long as an institution's program was properly established at the outset. This is precisely backward from a risk-management standpoint: money laundering and terrorist financing typically are not discovered until after the underlying control has already failed in practice, often through the accumulation of smaller, uncorrected gaps in execution. A framework that defers enforcement until failures become "significant or systemic" risks allowing exactly the kind of gradual erosion in maintenance that the four-pillar program was designed to prevent.

D. The Cost-Benefit Analysis Understates the Proposal's Practical Effect

The Board's regulatory impact analysis assumes that institutions are already generally in compliance with the proposed requirements and anticipates no material increase in ongoing compliance costs. This assumption is difficult to reconcile with the Proposal's characterization elsewhere as a fundamental reform of AML/CFT supervision. If the assumption is correct, the Proposal's practical effect is limited to loosening the enforcement standard described above, without a corresponding articulated benefit; if the assumption is incorrect, the cost-benefit analysis has understated the compliance costs institutions will actually bear in redesigning risk assessments and governance processes to the new two-pronged framework. We recommend the Board revisit this analysis and, at minimum, explain which outcome it expects and why.

E. Unresolved Interagency Coordination

The parallel OCC, FDIC, and NCUA proposal incorporates a requirement that those agencies provide FinCEN advance notice before taking a significant supervisory or enforcement action, allowing FinCEN to review and provide input consistent with its statutory role as BSA administrator. The Board's Proposal does not include an analogous provision, and the Board has requested comment on whether one should be added. Until this question is resolved, institutions supervised by the Board face uncertainty about whether Board enforcement actions will be subject to the same interagency check contemplated by other prudential regulators, and about how consistent supervisory outcomes will be across the banking agencies more broadly.

III. Recommendations to Strengthen the Proposal

I recommend the Board make the following changes before finalizing the rule:

1. Define "Significant or Systemic" With Objective Criteria

The final rule should define "significant or systemic" implementation failure with reference to concrete, examinable factors — for example: (a) the volume or dollar value of transactions or customers affected by the failure; (b) whether the failure recurred after a prior examination finding on the same issue; (c) whether the failure involved a government-identified AML/CFT priority area; or (d) whether the failure resulted in a demonstrable gap in suspicious activity reporting. Providing a non-exhaustive list of factors, similar to the approach taken in other supervisory guidance, would give examiners a workable standard while preserving flexibility across institution types and sizes.

2. Pair Risk-Based Discretion With a Resourcing Floor

The final rule should require that an institution's compliance resourcing be periodically benchmarked — whether through peer comparison, a staffing-to-risk-profile metric, or a requirement that the board of directors or senior management formally certify that resourcing is adequate relative to the institution's own risk assessment. This would preserve risk-based flexibility in how resources are deployed while giving examiners an objective basis to challenge a self-assessment that appears designed to minimize cost rather than to address actual risk.

3. Preserve Graduated Supervisory Tools Below the Enforcement Threshold

Even where the Board declines to pursue a formal enforcement action for an implementation failure that is not "significant or systemic," the final rule should explicitly preserve examiners' ability to issue lower-severity supervisory findings (e.g., matters requiring attention short of enforcement, or documented supervisory recommendations) so that smaller or recurring gaps are tracked, disclosed to the institution's board, and remediated before they compound into significant or systemic failures.

4. Revise and Substantiate the Cost-Benefit Analysis

The Board should republish its regulatory impact analysis with a clear statement of whether it expects the rule to be cost-neutral because institutions are already compliant, or to require meaningful new investment in risk assessment and governance processes — and should support that conclusion with data (e.g., survey results, supervisory findings from recent examination cycles) rather than assumption alone.

5. Align Interagency Coordination With the Concurrent OCC/FDIC/NCUA Proposal

The final rule should incorporate a FinCEN notice-and-consultation requirement before significant Board supervisory or enforcement actions, consistent with the concurrent proposal from the OCC, FDIC, and NCUA. Doing so would promote consistent AML/CFT supervisory outcomes across all federally supervised financial institutions regardless of which agency serves as primary regulator and would ensure FinCEN's statutory role as BSA administrator is respected uniformly.

6. Require Periodic Reassessment of the Two-Pronged Framework

Given the significant uncertainty inherent in a newly bifurcated "establish/maintain" framework, we recommend the Board commit to a mandatory review of the rule's practical effects within 24 to 36 months of the effective date, including an assessment of whether the "significant or systemic" standard has been applied consistently across institutions and whether enforcement referrals have declined in a manner inconsistent with underlying risk.

IV. Conclusion

I share the Board's interest in a more effective, risk-based AML/CFT supervisory framework. However, I believe that goal is best achieved not by loosening the standard for enforcement, but by pairing risk-based flexibility with clear, objective, and consistently applied criteria for when a program has failed to be properly maintained. I urge the Board to adopt the changes outlined above before finalizing the rule.

Respectfully submitted,

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