PRINCETON STRATEGY GROUP, SRINIVAS PERI

Proposal and Comment Information

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

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Subject

Docket No. R-1835; RIN 7100-AG78

Submitter Information

Organization Name: Princeton Strategy Group

Organization Type: Company

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Please find attached the comment of Princeton Strategy Group on Docket No. R-1835, RIN 7100-AG78.

Respectfully submitted,

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August 24, 2026

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

Re: Docket No. R-1835; RIN 7100-AG78 — Proposed amendments to AML/CFT program requirements for Board-supervised banks

Dear Ms. Misback:

Princeton Strategy Group appreciates the opportunity to comment on the Board's proposed amendments to Regulation H implementing the Anti-Money Laundering Act of 2020. We write from a specific vantage point: we build ARIA (Agentic Risk Intelligence for AML), a self-hosted artificial-intelligence system for AML investigation work, and our daily work is with the institutions and compliance teams that this rule will govern in practice. We support the proposal's shift to risk-based, effectiveness-oriented program requirements, and we offer three observations aimed at making that shift achievable across the full range of Board-supervised institutions — including the smallest, whose circumstances are least often represented in rulemaking dockets.

1. Effectiveness requires capacity, and capacity at small institutions will come from technology, not headcount.

FinCEN's published SAR statistics show that filings by depository institutions grew from roughly 839,000 in 2014 to over 2.0 million in 2024. Filings by Board-supervised institutions specifically grew more than threefold over that period. Compliance staffing at community institutions did not grow on that curve, and cannot: the marginal compliance hire competes with lending and operations staff at institutions where every position matters. In our observation, analysts at small institutions spend roughly ninety percent of investigation hours on assembly — gathering transactions, formatting case files, clearing false positives, with alert false-positive rates that industry analyses commonly place at ninety percent or higher — and ten percent on the judgment that produces the useful reporting the proposal seeks. A risk-based standard that demands better outcomes without addressing this arithmetic will be met, at many institutions, with exhaustion rather than effectiveness. Nor is this arithmetic confined to small institutions: at larger banks the same ratio persists across teams of twenty or two hundred analysts — scale changes the denominator, not the proportion. Small institutions simply have the least slack to absorb it. We encourage the Board to state expressly, in the final rule or accompanying guidance, that the reasonable use of technology and automation — including institution-hosted artificial intelligence — is a legitimate means of achieving program effectiveness, and that examiners should evaluate such tools by their outcomes and documentation rather than by their novelty. This would harmonize with FinCEN's proposal, which contemplates that a financial institution's adoption of innovative approaches would be considered in evaluating program effectiveness.

2. "Highly useful information" is a property of the report, and it can be engineered.

The proposal's purpose language — programs that culminate in highly useful information for law enforcement and national security agencies — names the right goal. In practice, the usefulness of a suspicious activity report depends heavily on whether the facts that drive law-enforcement triage (politically exposed persons, sanctions-screening hits, national-priority typologies such as human trafficking and elder financial exploitation, geographic risk exposure) are presented clearly, rather than buried in narrative prose. We encourage the Board, in coordination with FinCEN, to treat the quality and usability of reporting as measurable dimensions of program effectiveness, and to remain open to industry innovation in how reports present decision-relevant information to their law-enforcement consumers. Improvements in report quality may do more for the statute's purpose than increases in report volume.

3. Risk-based programs should be able to adopt AI without creating data-confidentiality exposure.

Analysts want AI assistance, and where programs do not provide it, staff will eventually improvise with consumer tools — placing case detail and SAR-adjacent information into third-party services outside any controlled arrangement. Deployment architecture is therefore a supervisory question, not merely a procurement one: systems that operate inside the institution, on infrastructure the institution controls, allow programs to obtain the capacity benefits of AI while keeping case data and filing-related information within the institution's walls. We encourage examiners evaluating AI adoption under the final rule to weigh where case data transits as a central factor, and to view institution-hosted deployment as consistent with the confidentiality expectations that surround suspicious activity reporting.

We commend the Board for pursuing genuine reform rather than incremental adjustment, and we would welcome any opportunity to be useful to the Board's work on these questions.

Respectfully submitted,

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