NASDAQ VERAFIN, STEPHANIE CHAMPION

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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Comment letter from Nasdaq Verafin attached.

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September 8, 2026

Benjamin W. McDonough, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Docket No. R-1835 and RIN 7100-AG78. Proposal To Amend Requirements For Banks To Maintain Anti-Money Laundering Programs

Dear Secretary McDonough:

Nasdaq, Inc. ("Nasdaq") appreciates the opportunity to provide comments to the Board of Governors of the Federal Reserve System on its proposed amendment to the requirements for banks to establish and maintain anti-money laundering and countering the financing of terrorism (AML/CFT) programs.

Nasdaq is a global technology company serving corporate clients, investment managers, banks, brokers, and exchange operators as they navigate and interact with the global capital markets and the broader financial system. A trusted partner to the financial system, we aspire to deliver world-leading platforms that improve the liquidity, transparency, and integrity of the global economy.

Nasdaq's Financial Crime Management Technology ("Nasdaq Verafin") is deeply committed to helping our clients prevent financial crime and thereby safeguarding the financial system from nefarious crimes such as elder abuse, fraud scams, human trafficking, drug trafficking, and terrorist financing. Our industry-leading Financial Crime Management solutions are offered to financial institutions through a cloud-based software platform that includes tools for Fraud Detection and Management, AML/CFT Compliance and Management, High-Risk Customer Management, Sanctions Screening and Management, and Information Sharing. Nasdaq Verafin combines a pioneering consortium data approach and cross-sector industry insights with advanced analytics, artificial intelligence ("AI"), and machine learning to uncover hidden connections and emerging threats. Its network of more than 2,800 financial institutions leverages intelligent, data-driven fraud detection.

We support the Board's efforts to modernize the AML/CFT regulatory framework by advancing a more risk-based, outcomes-focused approach that emphasizes program effectiveness, aligns resources to areas of greatest risk, enhances the value of information provided to law enforcement and national security agencies and supports responsible innovation within appropriate governance, risk management, and oversight frameworks. This approach can help financial institutions better detect, prevent, and disrupt financial crime, while supporting public safety and the protection of victims.

We respectfully offer the following comments and recommendations for consideration as the Board

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finalizes the proposed amendment and we would welcome continued engagement with the Board as the rulemaking process progresses.

As a trusted partner for more than 20 years to thousands of financial institutions, Nasdaq Verafin's comments focus primarily on the practical implementation of these requirements within depository institutions, with particular emphasis on enabling effective, technology-driven approaches to financial crime detection and prevention.

Thank you for consideration of our comments.

Sincerely,

Stephanie Champion
Executive Vice President, Head of Nasdaq Verafin

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An "Effective" AML/CFT Program (IV.B)

1 The proposed rule sets forth the conditions for an effective AML/CFT program. Is the description of an effective program sufficiently clear or is there anything further that the Board should consider in the final rule adding to clarify program effectiveness?

Nasdaq Verafin strongly supports the Board's proposed shift toward an outcomes-based framework that prioritizes the effectiveness of AML/CFT programs over technical compliance. We believe this represents a critical and necessary evolution in advancing the overarching objectives of the Bank Secrecy Act ("BSA"), particularly in improving the quality and utility of information provided to law enforcement and national security agencies.

While the proposed rule establishes an important foundation, additional clarity would be beneficial to support effective implementation across financial institutions of varying size and complexity. Furthermore, alignment of supervisory approaches with changing program expectations is critical to ensure consistent supervisor interpretation.

1. Clarification of Effectiveness Through Illustrative Indicators

To support consistent application, the Board should consider providing non-exhaustive examples of indicators that may demonstrate program effectiveness, organized around the core capabilities of an effective, risk-based AML/CFT program. These could include:

Risk Assessment and Risk-Based Resource Allocation:

- Demonstrated ability to adapt to changing risk conditions and respond in a timely manner to emerging threats
- Demonstrated capability to detect and respond to high-risk activity, including emerging threats and complex crime patterns
- Evidence of risk-based reallocation of resources, including measurable outcomes tied to higher-risk customers and activities
- Effective governance, including board and senior management oversight, training, and alignment with institutional risk appetite

Data, Technology, and Analytics:

- Use of advanced technologies, including AI and data-driven analytics, to enhance detection and investigative outcomes
- Integration of consortium or cross-institutional data sources, where available, to identify patterns that extend beyond a single institution's visibility
- Effective incorporation of advisory guidance, typology indicators, and law enforcement priorities into program design and execution

Information Sharing:

- Meaningful information sharing with peer institutions, including through appropriate mechanisms such as 314(b) frameworks
- Timely responses to law enforcement requests and participation in public-private partnership ("PPP") initiatives

Reporting and Outputs:
- Production of highly useful Suspicious Activity Reports ("SARs") aligned to national AML/CFT priorities and relevant typologies

Law Enforcement Feedback and Outcomes:
- Ongoing feedback loops with law enforcement, enabling continuous program tuning and improved outcomes

Providing such examples would help align industry and examiner expectations and ensure that effectiveness is evaluated in a practical, outcomes-oriented manner.

2. Reinforcing the Purpose of Effectiveness

The Board should further clarify that the central objective of an effective AML/CFT program is the production of highly valuable, actionable intelligence for law enforcement and national security agencies. This purpose should be consistently reinforced across regulatory text, supervisory guidance, and examination processes to ensure alignment between regulatory intent and real-world evaluation.

3. Clarifying What Effectiveness Is - and Is Not

To reduce variability in interpretation, the Board should explicitly state and reinforce that:
- An effective program should not require complete detection or elimination of illicit activity.
- Effectiveness should be assessed based on reasonable, risk-based outcomes, rather than isolated deficiencies or technical errors.
- Institutions should not be penalized for adopting innovative or experimental approaches, including the use of advanced technologies, where such approaches are responsibly implemented. This approach is consistent with supervisory guidance that supports responsible innovation and affirms that institutions will not face criticism or penalty for testing or deploying innovative solutions, provided they do so responsibly and within effective compliance programs.[1]

In parallel, the Board should clarify that effectiveness should not be evaluated based on:
- Volume of BSA reporting, absent of consideration of quality and usefulness of such reports
- Minor or technical errors in reporting or information-sharing processes
- Rigid adherence to procedural frameworks that do not reflect the institution's unique risk profile
- Supervisory expectations that discourage innovation or delay timely detection and response to emerging threats

Providing this distinction would help ensure supervisory practices remain aligned with the intended shift away from a "check-the-box" compliance model.

4. Maintaining a Flexible, Risk-Based Framework

Finally, it is essential that the Board preserve flexibility in how effectiveness is demonstrated while maintaining clear expectations for governance, risk management, oversight, and accountability. A holistic, risk-based approach tailored to an institution's size, complexity, and risk profile will be critical to achieving meaningful outcomes.

Avoiding overly prescriptive or rigid measures of effectiveness will enable institutions to design programs that are both defensible and responsive to evolving threats.

2 The proposed rule reflects a determination by the Board that banks are best placed to identify risks and allocate resources, and that providing them with greater discretion in these areas will improve the quality of AML/CFT compliance and reporting to law enforcement. Is this correct or should the Board consider adding more requirements regarding allocation of resources? How might banks assess changes in the total allocation of resources devoted to an AML/CFT program in a changing risk and cost environment?

Nasdaq Verafin agrees with the Board's determination that banks are best positioned to identify their unique risk exposures and reallocate AML/CFT resources accordingly. We strongly support a risk-based framework that provides banks with the flexibility to direct efforts toward the areas of greatest illicit finance risk and to produce more meaningful outcomes for law enforcement.

1. Affirming Risk-Based Discretion, with Clarification on Expectations

While this principle is sound, additional clarity from the Board would help ensure it is effectively operationalized in practice. In particular, the Board should:

- Clarify supervisory expectations regarding how institutions should document and evidence resource allocation decisions, including the rationale linking resource deployment to identified risks
- Confirm that defensible de-prioritization of lower-risk activities—when grounded in a robust risk assessment—will not result in supervisory or enforcement risk
- Reinforce that resource allocation decisions should be evaluated based on reasonableness, documentation, and good faith, rather than through retrospective or outcome-based hindsight

Without this clarity, many institutions may continue to over-invest in lower-value, procedural compliance activities, limiting the intended benefits of a risk-based approach.

2. Anchoring Resource Allocation to National and Law Enforcement Value

The Board's determination appropriately recognizes that banks understand their own risks; however, the Board also plays a critical role in defining National Priorities and articulating what constitutes valuable intelligence to law enforcement.
To strengthen alignment, the Board should:

- Emphasize that the National AML/CFT Priorities should serve as the core organizing framework for AML/CFT programs—not as an additive layer to existing compliance requirements
- Provide additional examples of the types of outputs and activities that are most useful to law enforcement, enabling banks to better align resources toward these outcomes
- Clarify how banks should proceed in cases where a given priority is not materially relevant to their specific risk profile

This clarity will help banks shift resources with confidence and ensure that resource allocation decisions are directly tied to national objectives.

3. Elevating the Role of Technology and Advanced Analytics

Modern AML/CFT programs increasingly rely on advanced analytics, automation, and AI technologies to manage growing volumes and complexity of financial data, against an increasingly sophisticated risk landscape. When implemented responsibly, with appropriate governance, controls, and oversight, these capabilities are essential to enabling effective risk-based resource reallocation and to strengthening institutions' ability to detect, prevent, investigate, and disrupt financial crime.

The Board should explicitly recognize that:

- Advanced analytics and automation are critical enablers of efficient and effective resource reallocation while also improving detection, prevention, and investigative outcomes.
- Technology, including AI, can support the reallocation of human resources away from lower-risk, manual processes toward higher-value investigative and intelligence-generating activities.
- AI is not only a compliance enabler, but an increasingly necessary response to evolving threats, as bad actors are actively leveraging AI tools to evade detection, scale fraud, and facilitate financial crime; banks must therefore be able to adopt equally advanced technologies to identify and disrupt this activity, subject to appropriate guardrails.
- AI technology, including the latest advancements in generative and agentic AI, may present new opportunities to address resource constraints, and enable greater effectiveness, efficiency, innovation, flexibility, and responsible experimentation in risk-based programs where such use is appropriately governed, tested, monitored, and aligned with the institution's risk profile and compliance obligations.

Recognition of these capabilities will support responsible innovation and help institutions achieve the intended shift toward outcomes-based effectiveness while preserving appropriate expectations for governance, risk management, oversight, and accountability.

4. Assessing Changes in Resource Allocation Over Time

In a dynamic risk and cost environment, banks should assess changes in AML/CFT resource allocation through a combination of risk-based, outcome-oriented measures. These may include:

- Alignment of resources to National AML/CFT Priorities and emerging threat typologies, including the deployment of controls to areas identified through risk assessments and published red flags
- Demonstrated shift of resources from traditional compliance activities to those generating actionable intelligence, particularly in higher-risk areas of AML/CFT exposure
- Use of feedback from law enforcement and participation in PPPs as indicators of program effectiveness, rather than reliance on the volume of BSA reporting
- Ongoing governance and oversight processes, including periodic assessments of staffing, technology investment, and investigative capacity, aligned to changes in the bank's risk profile

Importantly, banks should be permitted to tailor these assessments to their size, complexity, and risk environment.

5. Maintaining Flexibility and Avoiding Prescriptive Requirements

Finally, the Board should avoid introducing overly prescriptive requirements related to resource allocation. A flexible, principles-based approach grounded in risk, supported by documentation, and evaluated based on outcomes will be critical to enabling banks to adapt to evolving threats and operational realities.

Establishing and Maintaining an AML/CFT Program (IV.C)

Response to Questions 3–7:

Nasdaq Verafin supports the Board's proposed distinction between "establishing" an AML/CFT program (program design) and "maintaining" a program through effective implementation. This distinction is both practical and necessary to advance a more outcomes-based supervisory framework, enabling banks to design risk-based programs while allowing flexibility in how those programs are executed and continuously improved.
However, further clarification will be critical to ensure consistent interpretation and to avoid unintended consequences that could inhibit innovation or reinforce process-driven compliance behaviors.

1. Distinguishing between Establishment and Maintenance

In practice, banks do distinguish between program design and program implementation. This distinction is particularly valuable in supporting:

- Continuous improvement of analytics, models, and technology capabilities
- Flexibility for banks to shift resources and priorities as risk conditions evolve
- Holistic evaluation of effectiveness, as opposed to reliance solely on technical or procedural benchmarks

To reinforce this framework, the Board should emphasize that maintaining a program is inherently dynamic, including:

- Integration of law enforcement feedback and emerging threat intelligence
- Continuous calibration of controls, typologies, and detection capabilities
- Use of advanced analytics, automation, and evolving technology solutions, subject to appropriate guardrails
- Ongoing reallocation of resources toward higher-value, risk-aligned activities

2. Clarifying "Significant or Systemic Failure" vs. Isolated Issues

Additional clarity is needed regarding what constitutes a "significant or systemic failure" in program implementation.

The Board should provide:

- Scenario-based examples illustrating when deficiencies rise to the level of a significant or systemic failure
- Materiality thresholds or qualitative factors that distinguish systemic issues from isolated or low-impact deficiencies

Such clarification should explicitly recognize that:

- Isolated operational issues, minor errors, or control gaps do not constitute systemic failure
- Consistent with supervisory expectations, AML/CFT programs, particularly analytics-driven programs, are iterative by nature and should be evaluated in light of their ongoing enhancement and risk-based effectiveness rather than an expectation of perfection
- Good-faith, risk-based decisions that are documented and reasonable should not result in supervisory action if outcomes differ from expectations

Without this clarification, there is a risk that banks will default to conservative, process-heavy approaches, limiting the intended benefits of the proposed framework.

3. Defining "Failure to Establish" an AML/CFT Program

The Board should also provide greater clarity on what constitutes—and does not constitute—a "failure to establish" an AML/CFT program.

Positive definitions could include:

- Failure to implement core program elements required under the rule (e.g., risk assessment processes, governance structures, controls aligned to risk)
- Failure to align program design with the bank's risk profile or with National AML/CFT Priorities

Equally important, the Board should define what does not constitute a failure to establish a program, such as:

- Variability in how banks design and structure risk-based programs
- Differences in chosen technologies, analytics, or operational approaches
- Iterative changes to program design as institutions refine methodologies or incorporate new threat intelligence and feedback from law enforcement

Providing both positive and negative examples is essential to reduce ambiguity and prevent overly broad supervisory interpretation, including through Matter Requiring Attention (MRA) or similar mechanisms.

4. Supporting Risk-Based Implementation and Institutional Flexibility

To ensure the distinction between establishment and maintenance achieves its intended purpose, the Board should reinforce that:

- Banks must retain flexibility to reallocate resources and adjust controls based on evolving risk assessments
- Accountable individuals must have the authority to prioritize high-value risk areas, including shifting resources away from lower-risk or lower-impact activities
- Implementation should focus on systemic effectiveness, rather than technical compliance or isolated control performance
- Importantly, supervisory approaches should avoid retrospective judgment of implementation decisions where those decisions were:
    - Risk-based
    - Reasonably documented
    - Made in good faith

This approach will support more confident adoption of innovative practices, including the use of advanced analytics and emerging technologies where those practices are responsibly designed, tested, monitored, and governed.

5. Aligning Implementation with National Priorities and Law Enforcement Outcomes

Finally, the Board should continue to reinforce that both program establishment and maintenance should be centered on producing actionable, high-value intelligence for law enforcement, particularly in support of National AML/CFT Priorities.

This includes:

- Integrating National Priorities into risk assessment, control design, and resource reallocation
- Leveraging feedback from law enforcement to continuously refine program effectiveness
- Enabling banks to respond dynamically to emerging threats, including complex, cross-institutional financial crime activity

To operationalize this effectively, the Board should provide timely, clear guidance on evolving AML/CFT risks, National Priorities, and the intelligence most valuable to law enforcement. Enhanced sharing of threat intelligence and typologies will be critical to helping banks align resources and respond effectively to emerging threats.

8 How should the proposed rule ensure that the regulations issued by FinCEN, the Board, and the Agencies function harmoniously? How should the proposed rule differentiate between the Secretary

of the Treasury's responsibility for regulations on establishing AML/CFT programs and the Board's responsibilities for regulations on establishing and maintaining programs?

The proposed rule should clearly establish FinCEN as the coordinating authority responsible for ensuring alignment between the Secretary's regulations and those issued by the Board and the Agencies. It should do so through clear role definitions and a structured consultation process.

When FinCEN, Board and Agency requirements are not aligned, financial institutions must devote unnecessary resources to satisfying overlapping or inconsistent expectations—resources that would be better directed toward identifying and disrupting financial crime. Given FinCEN's unique statutory responsibility for administering the BSA and its direct engagement with law enforcement, FinCEN should set the core AML/CFT program requirements. The Board and Agencies should implement and supervise those requirements within their respective authorities in a manner that is consistent with, and does not impose additional substantive obligations beyond, FinCEN's direction.

Risk Assessment Processes (Generally) (IV.D.1.i), Risk Assessment Processes (AML/CFT Priorities) (IV.D.1.i.b), & Risk Assessment Processes (Updates) (IV.D.1.i.c)

Response to Questions 10–16: Risk Assessment Processes and Program Adaptation

Nasdaq Verafin supports the Board's emphasis on risk assessment processes as the foundation of an effective, modern AML/CFT program. The proposed framing appropriately reflects how banks operate in practice today, where risk identification, monitoring, and mitigation occur as part of an integrated and dynamic system rather than through static or periodic exercises.

However, additional clarity will be critical to ensure that the rule fully aligns with operational realities, promotes consistency in supervisory interpretation, and enables institutions to take full advantage of data-driven and technology-enabled approaches.

At its core, risk assessment should be understood as a continuous, iterative process, rather than a discrete or periodic obligation. Modern AML/CFT programs rely on a combination of transaction monitoring, typology detection, customer risk segmentation, and advanced analytics to identify and respond to evolving risks in a timely manner. These processes collectively inform a bank's understanding of its risk exposure and drive decisions related to controls, resource reallocation, and investigative focus. The Board should explicitly recognize that risk assessment processes may be ongoing, multi-dimensional, and embedded across program components, provided they are demonstrably effective in identifying and managing risk.

In this context, the Board should also clarify and reinforce that there is no single prescribed

methodology for risk assessment. Banks should retain flexibility to determine the design, frequency, scope, and integration of their risk assessment processes based on their size, complexity, and risk profile. This includes the ability to leverage multiple data-driven processes in combination, rather than relying on a single, static risk assessment framework. Providing this flexibility will better reflect the diversity of institutions and encourage more effective, tailored approaches.

At the same time, further guidance would be beneficial to support consistent implementation. In particular, the Board should provide additional clarity on what constitutes timely or "prompt" updates to risk assessments. In a dynamic threat environment, updates may occur continuously through system outputs, model recalibration, and investigative feedback rather than through formal, periodic reviews. Recognizing this reality will allow banks to demonstrate responsiveness without defaulting to unnecessary documentation cycles that do not improve outcomes.

The incorporation of National AML/CFT Priorities into risk assessment processes is also a critical component of the proposed rule. Nasdaq Verafin supports this approach, however, further guidance is needed to ensure practical and consistent application. The Board should clarify how banks should proceed in cases where a given priority is not materially relevant to their specific risk profile. In such cases, institutions should be permitted to document their rationale for de-prioritization and focus resources on areas of greater risk. This approach will support risk-based decision-making while maintaining alignment with national objectives.

More broadly, the Board should reinforce that the National AML/CFT Priorities are not an additive compliance requirement, but rather a core organizing framework for AML/CFT programs. Risk assessments, controls, and resource allocation decisions should be anchored to these Priorities, as well as to emerging threats and typologies identified through internal analytics and external intelligence. Providing additional examples of how banks can align their programs to these Priorities—including the types of activities and outputs most valuable to law enforcement—would further strengthen this alignment.

The proposed rule should also explicitly recognize the role of advanced analytics, automation, and emerging technologies in enabling effective risk assessment processes. Banks increasingly rely on these capabilities to detect patterns, identify high-risk activity, and dynamically adjust controls. These capabilities also support earlier intervention, improved prevention of financial crime, and stronger public safety outcomes.
These tools allow institutions to move beyond manual, retrospective approaches and toward proactive, intelligence-driven models. The Board should ensure that the rule supports, and does not inadvertently discourage, the responsible use of such technologies, including by allowing for iterative development and deployment without imposing expectations of perfection.

In this regard, it is important to emphasize that effective risk assessment processes are inherently adaptive. Banks must be able to test, refine, and evolve their models, controls, and methodologies in response to new information, emerging threats, and feedback from law enforcement. Supervisory expectations should reflect this reality and should not penalize banks for making good-faith, risk-based

adjustments, even where those approaches continue to evolve over time.

Finally, the Board should reinforce that the ultimate measure of effective risk assessment is its ability to drive meaningful outcomes, particularly the identification and reporting of activity that is valuable to law enforcement. Banks should be encouraged to assess the effectiveness of their risk assessment processes based on indicators such as alignment to priority threats, responsiveness to emerging risks, and feedback from law enforcement, rather than adherence to prescriptive processes or documentation standards.

Written AML/CFT Program and Approval (IV.E)

19 The proposed rule standardizes the long-standing requirement that an AML/CFT program be written. Should the Board further clarify which specific elements of an institution's AML/CFT program must be written, or is this requirement generally understood in its current form? In particular: (a) which program components—such as risk assessment processes; internal policies, procedures, and controls; transaction monitoring rules and parameters; escalation and reporting protocols; independent testing results; training materials; and documentation of designated personnel—should be required in writing; (b) what form (e.g., narrative descriptions, checklists, system configurations, or electronic records) such documentation should take; and (c) what level of detail is appropriate for each component? Should the Board instead alter the requirement that an AML/CFT program be expressly required to be "written"? What would be the benefits or drawbacks of any such alterations to this requirement?

Nasdaq Verafin believes the requirement for a written AML/CFT program is generally well understood and already reflected in current industry practice, with banks maintaining board-approved policies and procedures covering all core program components.

However, as AML/CFT programs have become increasingly technology-driven, documentation has expanded to include system screenshots and detailed configuration records, which can create inefficiencies without improving oversight. The Board should provide flexibility for banks to rely on system configurations and electronic controls as acceptable forms of documentation, rather than requiring written descriptions of every technical parameter.

Maintaining the written program requirement remains appropriate but clarifying that electronic system-based documentation is sufficient would reduce unnecessary administrative burden while preserving program transparency and examiner access to key information. This would allow institutions to focus documentation efforts on information that supports effective detection, escalation, reporting, and financial crime prevention.

In addition, it would be helpful to clarify that approval of program components that have not changed since the last review may be streamlined and need not be fully reproduced in writing for Board (or equivalent) review.

20 The proposed rule would require that a bank's written AML/CFT program be approved by its board of directors, an equivalent governing body within the bank, or appropriate senior management. Should the Board further clarify which aspects of the AML/CFT program must be subject to such approval? In particular: (a) should approval be required for each of the core program components (e.g., the risk assessment processes framework; internal policies, procedures, and controls; transaction-monitoring and escalation frameworks; independent testing structure; training program; and designation of responsible personnel), or would approval of the overall program framework be sufficient; (b) should material revisions to particular components (such as significant changes to the institution's risk assessment methodology, monitoring architecture, or governance structure) require re-approval at the same level; and, (c) what level of specificity should the approving body be required to review and approve (e.g., high-level program architecture versus detailed procedures or parameter-level settings)? Should the Board instead eliminate the specified approval requirement, allowing banks flexibility in determining how leadership oversight of the AML/CFT program is structured? What would be the benefits or drawbacks of not prescribing a mandatory approval requirement in the regulation? If the Board does not eliminate the specified approval requirement, should the Board consider amending the requirement? Are there alternatives to board of directors or an equivalent governing body, such as "appropriate senior management" that would be more appropriate?

Nasdaq Verafin supports maintaining the requirement for board or equivalent governing body approval of AML/CFT programs, as this is critical for ensuring appropriate oversight and accountability. However, the Board should clarify that such approval should focus on high-level program architecture, rather than detailed operational components.

Approval should apply to elements such as the overall program framework, governance structure, and risk-based approach, including material changes to these areas. Requiring approval of granular components such as monitoring parameters, analytics tuning, or detailed procedures would limit banks' ability to adapt quickly to evolving threats and would introduce unnecessary operational burden.

As AML/CFT programs increasingly rely on advanced analytics and technology, banks must retain flexibility to continuously refine and optimize these capabilities without requiring repeated escalation for formal approval, subject to appropriate guardrails. Preserving this flexibility is essential to maintaining effective and responsive programs that can adapt quickly to emerging financial crime threats and better protect the financial system and potential victims.

In addition, the Board should ensure that the definition of "appropriate senior management" does not dilute board oversight or the authority of the BSA Officer. The current framework, focused on board-level awareness of program effectiveness and strategic direction, combined with operational authority at the BSA Officer level, appropriately balances governance with agility.

Overall, maintaining the approval requirement, while clearly defining and limiting to high-level program

elements and material changes, will support effective governance without impeding timely, risk-based program execution.

Supervision and Enforcement (IV.G)

Nasdaq Verafin supports the Board's efforts to establish a more consistent, transparent, and outcomes-focused supervision and enforcement framework. The proposed approach appropriately recognizes that supervisory and enforcement actions should focus on significant AML/CFT program deficiencies that materially impact a bank's ability to identify, assess, mitigate, and report illicit financial activity, rather than on isolated technical deficiencies or procedural imperfections. This represents an important step in advancing the broader objectives of the AML Act and reinforcing the transition toward effective, risk-based AML/CFT programs.

Overall, the supervision and enforcement framework should reinforce three core principles: regulatory clarity, supervisory consistency, and risk-based effectiveness. Banks that establish and maintain reasonably designed AML/CFT programs, document good-faith risk-based decisions, and continuously improve their capabilities should have confidence that supervisory evaluations will focus on meaningful program effectiveness and the production of valuable intelligence for law enforcement rather than procedural technicalities. This outcome is most consistent with the modernization objectives of the AML Act and the Board's broader effort to build a more effective AML/CFT regime.

21 Is clarification needed for banks to determine what constitutes a "significant or systemic failure" to implement an established AML/CFT program?

Nasdaq Verafin believes a "significant or systemic failure" should be limited to material deficiencies that demonstrate a failure to implement, in all material respects, a properly established AML/CFT program. Such failures may include the absence of required program components, fundamental breakdowns in governance or oversight, persistent failure to address known deficiencies, or deficiencies that materially impair the institution's ability to identify, assess, monitor, or report illicit financial activity. By contrast, isolated operational issues, technical errors, model performance limitations, control gaps, or good-faith risk-based implementation decisions should not be considered significant or systemic failures where the bank maintains a reasonably designed AML/CFT program and takes appropriate corrective action when issues are identified. Consistent with the risk-based and outcomes-focused objectives of the proposed amendment, supervisory assessments should focus on whether a deficiency reflects a material weakness in program implementation rather than an isolated or technical imperfection.

22 Is clarification needed for banks to determine what constitutes a "failure to establish an AML/CFT program"?

Nasdaq Verafin believes a "failure to establish" an AML/CFT program should be limited to circumstances where a bank has failed to implement the foundational program elements required by the rule, including appropriate governance structures, risk assessment processes, or controls reasonably designed to address the bank's risk profile. Failure to establish a program should not be interpreted to include differences in program design, analytical approaches, technology choices, or the ongoing refinement of risk-based controls. Banks must retain flexibility to design and evolve programs in a manner appropriate to their size, complexity, and risk profile, provided the resulting program is reasonably designed to achieve effective AML/CFT outcomes.

23 The Agencies included two provisions in their proposed rules that are not included in the Board's proposed rule regarding consultation and information sharing with FinCEN. Should the Board include the same or similar provisions in its rule?

Nasdaq Verafin supports inclusion of consultation and information-sharing provisions in the Board's final rule that are substantially similar to those included in the proposals issued by the OCC, FDIC, and NCUA. Consistent supervisory expectations are critical to the effectiveness of the proposed AML/CFT framework, and harmonized consultation requirements will help ensure that institutions supervised by different agencies are evaluated using comparable standards. Aligning these provisions across the Federal banking agencies would further support FinCEN's central role in administering the BSA, promote consistent interpretation of effectiveness-based requirements, facilitate coordinated supervisory decision-making, and reduce the potential for differing regulatory outcomes based solely on primary federal regulator.

24 The definition of significant AML/CFT supervisory action includes the term "any written communication." Is the term "any written communication" too broad? Are there downsides and negative consequences to including the term "any written communication" in the proposed regulatory text? If so, please describe. Should the term "any written communication" be more clearly defined or removed altogether?

We believe the phrase "any written communication" is overly broad and should be narrowed or more clearly defined. As drafted, the term could unintentionally encompass routine examination correspondence, supervisory observations, requests for information, preliminary findings, and other informal written communications that were never intended to constitute significant AML/CFT supervisory actions. Such an expansive interpretation could create uncertainty regarding when consultation requirements are triggered, increase administrative burden for both regulators and supervised institutions, and potentially discourage open supervisory dialogue during the examination process. The Board should instead limit the definition to formal supervisory directives, written enforcement actions, or other written determinations that identify material AML/CFT program deficiencies and require significant remedial action. A more targeted definition would provide greater clarity, improve consistency, and better align the consultation framework with its intended purpose.

26 Is the definition of the term "significant AML/CFT supervisory action" sufficiently clear? Does the inclusion of "unsafe or unsound practices or conditions" introduce confusion about what types of supervisory actions are covered, since those terms are not found in the BSA?

Nasdaq Verafin does not believe the definition of "significant AML/CFT supervisory action" is sufficiently clear as currently drafted. In particular, the inclusion of the phrase "unsafe or unsound practices or conditions" may introduce unnecessary ambiguity because those terms are traditionally associated with prudential supervision.

Without additional clarification, banks and examiners may reach different conclusions regarding which supervisory matters are intended to fall within the definition of a significant AML/CFT supervisory action. The use of broader prudential supervisory terminology could create uncertainty as to whether the definition is intended to capture only material AML/CFT program deficiencies or a wider range of supervisory concerns that are not directly tied to AML/CFT program effectiveness.

The Board should consider replacing or supplementing the phrase with terminology more closely aligned to the BSA and AML/CFT regulatory framework. For example, the definition could focus on material AML/CFT program deficiencies, violations of AML/CFT requirements, or failures to establish or implement an effective AML/CFT program. Doing so would provide greater clarity, improve consistency in application, and better align the definition with the purpose of the proposed rule.

Other Topics

28 Should the rule be revised to tailor program requirements or implementation timelines to the size, complexity, or risk profile of the bank?

Nasdaq Verafin believes the final rule should preserve a risk-based approach that allows program implementation to be tailored to a bank's size, complexity, and risk profile; however, the Board should avoid creating fundamentally different AML/CFT program requirements based solely on bank size.

The strength of the proposed rule is that it establishes a common effectiveness-based framework while allowing banks flexibility in how they achieve those outcomes. Banks vary significantly in their products, services, customer bases, geographic exposures, operational complexity, and risk environments. As a result, the manner in which banks design, implement, document, govern, and maintain their AML/CFT programs should remain proportionate to their individual risk profiles and operational realities. This principles-based approach is consistent with the broader objectives of the AML Act and supports more effective allocation of AML/CFT resources toward areas of greatest risk.

Rather than establishing separate regulatory requirements for different categories of banks, the Board should continue to focus on whether AML/CFT programs are risk-based, reasonably designed, and

effective. A smaller bank with a limited risk profile should not be expected to implement controls, governance structures, or technological capabilities identical to those of a large, complex bank operating across multiple business lines or jurisdictions. Conversely, larger and more complex banks should be expected to demonstrate that their AML/CFT programs are commensurate with the heightened risks they face. This flexibility is a foundational element of an effective risk-based framework.

Nasdaq Verafin also supports providing implementation flexibility where appropriate. Significant programmatic changes associated with the final rule, particularly those involving risk assessment processes, governance structures, data management, advanced analytics, or new technology deployments, may require additional planning, testing, and operational readiness activities. Allowing banks reasonable implementation timelines based on the scope and complexity of required changes would support successful adoption while avoiding disruption to ongoing AML/CFT operations. However, implementation flexibility should be tied to the complexity of the required changes rather than bank size alone.

Importantly, any tailoring should reinforce, rather than dilute, the rule's effectiveness objectives. All banks should remain accountable for maintaining reasonably designed AML/CFT programs that support the identification, escalation, and reporting of activity relevant to law enforcement and national security objectives. The standard of effectiveness should remain consistent across the industry, even when the methods used to achieve that standard appropriately vary based on a bank's size, complexity, and risk profile.

This approach would preserve regulatory consistency, support responsible innovation and risk-based decision-making, direct resources toward the detection and prevention of illicit finance and the protection of victims, and ensure that AML/CFT programs remain appropriately calibrated to the unique risks faced by each bank while advancing the Board's broader goal of creating a more effective and outcomes-oriented AML/CFT regime.

Reference

[1] Board of Governors of the Federal Reserve System, FDIC, FinCEN, NCUA, and OCC, *Joint Statement on Innovative Efforts to Combat Money Laundering and Terrorist Financing* (Dec. 3, 2018).