Statement for the Record

On Behalf of the

American Bankers Association

Before the

House Financial Services Committee

Subcommittee on National Security, Illicit Finance, and International Financial Institutions

July 21, 2026

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The American Bankers Association (ABA) appreciates the opportunity to provide a Statement for the Record for this hearing, *Oversight of the Financial Crimes Enforcement Network*. ABA is the voice of the nation's $26.1 trillion banking industry, which is composed of small, regional and large banks that together employ over 2 million people, safeguard $20.5 trillion in deposits and extend $13.7 trillion in loans.

Overview. ABA applauds the important steps taken so far by Treasury and its Financial Crimes Enforcement Network (FinCEN) and the federal banking agencies to modernize the U.S. anti-illicit finance regime. Yet, more work is needed to fully realize the critical reforms passed by Congress over five years ago.[1] Modernizing and revising these Bank Secrecy Act (BSA) and anti-money laundering and countering the financing of terrorism (AML/CFT) rules is an essential step to protect the U.S. financial system, our communities, and the banks that serve them from illicit finance risk and the bad actors who misuse the U.S. financial system.

We appreciate the many positive steps taken to improve these outdated rules, such as the customer due diligence (CDD) rule exceptive relief order,[2] the suspicious activity reporting FAQs,[3] and the customer identification program (CIP) rule exceptive relief orders,[4] but to ensure the success of the AML/CFT program rule reforms, and actually allow banks to make common sense decisions where to best allocate their compliance resources to combat real illicit finance risk, we respectfully request FinCEN, in coordination with the federal banking agencies, complete the following reforms:

- Finalize a revised AML/CFT program rule supporting a true risk-based approach to protecting the U.S. financial system against illicit finance risk and bad actors;
- Revise the CDD rule and complete beneficial ownership relief;
- Reform BSA reporting rules, including currency transaction reports (CTRs) and suspicious activity reports (SARs); and
- Improve feedback provided to banks.

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[1] Anti-Money Laundering Act of 2020 (AMLA), Pub. Law 116-283, Div. F, §6001 *et. seq.* (Jan. 1, 2021).

[2] FinCEN's Exceptive Relief from Requirement to Identify and Verify Beneficial Owners at Each Account Opening (Feb. 13, 2026); https://www.fincen.gov/system/files/2026-02/FinCEN-Order-CCDExceptiveRelief.pdf.

[3] FinCEN, FRB, FDIC, NCUA, OCC Frequently Asked Questions Regarding Suspicious Activity Reporting Requirements (Oct. 9, 2025); https://www.fincen.gov/system/files/2025-10/SAR-FAQs-October-2025.pdf.

[4] Exemption Order Related to TIN Collection and Customer Identification Program Requirements (OCC, FDIC, and NCUA (June 27, 2025), https://www.fincen.gov/system/files/2025-08/CIP-TIN-Exemption-Order-final508.pdf; Exceptive Relief Order by the FRB with the concurrence of FinCEN regarding TIN collection requirements (July 31,
2025); https://www.fincen.gov/system/files/2025-08/CIP-TIN-Exemption-Order-Board-only-508.pdf.

We stand ready to provide additional information that may be helpful, and to assist in the execution of the priorities identified below.

BSA AML/CFT Program Rule Reform. We ask that FinCEN, in coordination with the federal banking agencies, complete the proposed reforms to banks' AML/CFT program rule obligations. This year, FinCEN and the federal banking agencies issued proposals that would, for the first time: expressly permit banks to allocate BSA compliance resources based on risk —away from lower-risk activities to devote them to higher-risk activities; establish a new safe harbor from significant supervisory and civil enforcement actions for rule-compliant banks; and reduce unnecessary paperwork. [5] These reforms would ensure successful programs will not be over-penalized for minor, isolated, or technical issues, support innovative approaches, and reflect a welcome shift toward highly useful outcomes rather than prescriptive processes.

As part of our request to finalize these program rule reforms, ABA recommended several important additions to the final rules,[6] including incorporating helpful clarifying language from the preambles and sharpening definitions to allow banks to confidently rely on the new safe harbor. To fully realize the benefits of these reforms, however, FinCEN, in coordination with the federal banking agencies, must reform the individual BSA operational rules, including CDD and BSA reporting requirements discussed below —which, in current outdated form, tie up too many compliance resources in lower-risk activities, preventing the allocation of these resources toward higher-risk activities and higher-value uses.

As Congress directed, we continue to seek actionable feedback from the end-users of the reports banks submit, including updated national AML/CFT priorities. These reforms also cannot be fully realized without timely and corresponding bank examination reforms and examiner training. Examiner second-guessing could effectively unwind these reforms and remove the efficiencies they create. The success of the new AML/CFT program rules will require the priority reforms outlined below and mandated by Congress in AMLA.

CDD Rule Revision and Beneficial Ownership Relief. Meaningful CDD program relief is foundational to successful AML/CFT program reform, as the proposals incorporate current CDD risk assessment requirements directly into a new, supersized internal controls pillar.[7] To adopt a true risk-based approach, banks need regulatory certainty regarding their CDD compliance

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[5] *See* FinCEN's Anti-Money Laundering and Countering the Financing of Terrorism Programs Notice of Proposed Rulemaking, 91 Fed. Reg. 18704 (Apr. 7, 2026); https://www.federalregister.gov/documents/2026/04/10/2026-07033/anti-money-laundering-and-countering-the-financing-of-terrorism-programs; OCC, FDIC, and NCUA's Anti-Money Laundering and Countering the Financing of Terrorism Programs Notice of Proposed Rulemaking 91 Fed. Reg. 18304 (April 10, 2026); https://www.federalregister.gov/documents/2026/04/10/2026-06948/anti-money-laundering-and-countering-thefinancing-of-terrorism-programs; FRB's Anti-Money Laundering and Countering the Financing of Terrorism Programs Notice of Proposed Rulemaking, 91 Fed. Reg. 42363 (July 9, 2026); https://www.federalregister.gov/documents/2026/07/09/2026-13919/anti-money-laundering-and-countering-the-financing-of-terrorism-programs.

[6] ABA letter to FinCEN, FDIC and OCC on AML/CFT Program Rule NPRMs (June 9. 2026); https://www.aba.com/-/media/documents/comment-letter/clprogramrule20260609.pdf?rev=7e92819e27de4433b2fbcc0afc150cc9.

[7] *See proposed* 31 C.F.R. § 1020.210(b)(1)(iii); FinCEN BSA Program Rule NPRM, 91 Fed. Reg. 18704, 18752; *see also proposed* 12 C.F.R. § 21.21(c)(1)(i)(C)(iii), OCC, FDIC, NCUA BSA Program Rule NPRM, 91 Fed. Reg. 18304, 18326 and 12 C.F.R. § 326.8(c)(1)(C)(iii), 91 Fed. Reg. 18304, 18327; *see also proposed* 12 C.F.R. § 208.63(c)(1)(i)(C)(iii), FRB BSA Program Rule NPRM, 91 Fed. Reg. 42363, 42381.

requirements. In AMLA, over five years ago, Congress directed changes to the CDD rule.[8] FinCEN took an important step toward meaningful CDD reform this February, by issuing the exceptive relief order[9] which freed banks from the obligation to re-collect beneficial ownership information from legal entity customers at every new account opening —which was an endlessly duplicative burden, as banks open new accounts between 140-160 million times each year.[10] As FinCEN stated in the exceptive relief order, the beneficial ownership information collection reform was intended to inform its revision to the 2016 CDD rule.[11] We ask that relief be incorporated into the final rule.

As FinCEN finalizes revisions to its 2025 beneficial ownership reporting rule, as stated in our letter to FinCEN,[12] we ask FinCEN to exempt banks, and any trusts they administer and operate, from the definition of "beneficial owner" and "company applicant," just as they are exempt from the definition of "reporting company." Banks and their trust operations are regulated, regularly examined, and fully transparent. Second, we request FinCEN provide the same regulatory relief to individuals who received FinCEN Identifiers – unique numbers used to simplify the beneficial ownership reporting process – that FinCEN extended to approximately 33 million U.S. small businesses. Banks alone cannot carry the burden to identify beneficial ownership of foreign-owned or foreign-controlled shell company structures that pose the highest illicit finance risk.

Finally, we ask for clarity regarding the information in FinCEN's possession. We would like confirmation that FinCEN deleted the millions of beneficial ownership reports filed with FinCEN[13] prior to the IFR amending the definition of "reporting company." We also ask FinCEN to amend the access rule to provide updated information on when and how banks may optionally choose to access beneficial ownership information for foreign reporting companies that remain subject to the current rule.

BSA Reporting Reform. We renew our call for essential BSA reporting reform, including both CTRs[14] and SARs.[15] To comply with current BSA reporting rules, every year, financial institutions file over 20 million CTRs, and nearly 5 million SARs.[16] In this outdated form, BSA reporting obligations consume disproportionate compliance resources and effectively prevent banks from allocating compliance resources away from lower-risk customers and activities to higher-risk areas. CTR filings in current form pose a particular burden. Over a quarter of ABA members responding to a survey in March 2024 reported spending *between 25% and 50% of all*

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[8] AMLA, Pub. Law 116-283 at title LXIV, the Corporate Transparency Act (CTA).
[9] FinCEN's Exceptive Relief from Requirement to Identify and Verify Beneficial Owners at Each Account Opening (Feb. 13, 2026); https://www.fincen.gov/system/files/2026-02/FinCEN-Order-CCDExceptiveRelief.pdf.
[10] ABA Letter to FinCEN on the CIP PRA Renewal (Aug 19, 2024) at 2; https://www.aba.com/advocacy/policyanalysis/ltr-omb-cip-pra-notice-2024.
[11] FinCEN's Exceptive Relief from Requirement to Identify and Verify Beneficial Owners at Each Account Opening at 6 (Feb. 13, 2026); https://www.fincen.gov/system/files/2026-02/FinCEN-Order-CCDExceptiveRelief.pdf.
[12] ABA Letter to FinCEN on the Beneficial Ownership Reporting Rule IFR (May 27, 2025), https://www.aba.com/advocacy/policy-analysis/letter-to-fincen-on-rfc-interim-final-boi.
[13] We understand as of March 2026, there were approximately 16.4 million reports remaining in the database administered by FinCEN. GAO-26-108182, Illicit Finance: Status of Treasury's Safeguards for Providing Access to Information on Corporate Ownership (June 23, 2026); https://www.gao.gov/products/gao-26-108182.
[14] *See* ABA Letter to FinCEN on Information Collection Requirements relating to Currency Transaction Reports (Apr. 5, 2024); https://www.aba.com/advocacy/policy-analysis/letter-to-fincen-on-ctr-pra-2024.
[15] *See* ABA Letter to OMB on CTR and SAR Reports (July 1, 2024); https://www.aba.com/advocacy/policy-analysis/ltr-omb-ctr-sar-forms.
[16] FinCEN Year in Review for Fiscal Year 2025 at 10; https://www.fincen.gov/system/files/2026-05/FinCEN-Year-inReview-2025.pdf.

their BSA compliance costs on CTR filings in 2023[17] —which a GAO report indicated less than 6% of which were accessed by law enforcement.[18] Furthermore, these respondents reported that between 25% and 50% of all SARs they filed in 2023 were structuring SARs,[19] which appear to receive minimal attention from law enforcement and do not correspond with higher-value national illicit finance priorities. Banks want law enforcement to have the information they need to conduct lawful investigations, but the sheer number of these reports expends substantial compliance resources. If law enforcement and national security agencies are hunting for needles in the proverbial haystack, over fifty years after the 1972 CTR rule was issued, it is functionally now requiring banks to focus on adding endless bales of hay, at the expense of highlighting the suspicious activity needles.

For this reason, ABA and all state bankers associations support the Financial Reporting Threshold Modernization Act (H.R. 1799), led by Rep. Barry Loudermilk (R-GA) and the STREAMLINE Act (S. 3017), led by Sen. John Kennedy (R-LA) and Chairman Tim Scott (R-SC) as a critical part of a broader BSA reporting reform initiative to modernize rules and guidance to allow banks, the federal financial regulators, and law enforcement to better focus on real illicit finance risks including combating scams, drug trafficking, and terrorism.[20] These bills would increase BSA reporting thresholds both for CTRs and SARs, as the current reporting levels produce a flood of data that does not maximize utility to law enforcement and represents growing privacy concerns for law-abiding bank customers. However, in addition to threshold adjustment, we strongly support a broader suite of reporting reforms, including:

- Eliminating complex aggregation requirements;
- Reducing the amount of information banks are required to collect and report beyond what is necessary, and required by rule, to know their customers;
- Extending the short 15-day filing window; and
- Streamlining the CTR and SAR electronic filing forms to eliminate boxes and fields that are unnecessary in the age of AI and only pose compliance traps for banks.

Meaningful CTR and SAR reform will balance essential law enforcement needs and U.S. customer privacy concerns, and permit banks to make risk-based allocations of AML/CFT compliance resources.

Improve Feedback to Banks. Banks expend considerable compliance resources for the public good, protecting the U.S. financial system from illicit financial risk, a fact Congress recognized in AMLA. Banks need enhanced feedback in order to produce highly useful reports.[21] In order to make effective risk-based decisions consistent with U.S. government priorities, banks would benefit from FinCEN refreshing the national AML/CFT priorities determined and updated by relevant executive branch agencies, in accordance with AMLA's directive.[22]

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[17] Letter to FinCEN on Information Collection Requirements relating to Currency Transaction Reports at 2 (Apr. 5, 2024); https://www.aba.com/advocacy/policy-analysis/letter-to-fincen-on-ctr-pra-2024.
[18] GAO Report on Currency Transaction Reports: Improvements Could Reduce Filer Burden While Still Providing Useful Information to Law Enforcement, GAO-25-106500 (Dec. 11, 2024); https://www.gao.gov/products/gao-25-106500.
[19] *Id.* at 4.
[20] Joint ABA and State Bankers Associations Letter to Congress on CTR and SAR Thresholds (Nov. 20, 2025); https://www.aba.com/advocacy/policy-analysis/letter-to-congress-on-ctr-sar-thresholds.
[21] AMLA at §6101.
[22] *Id.*

We appreciate the insights FinCEN derives from BSA reporting in financial trend reports directed by AMLA, such as the 2025 trend analyses on Fentanyl-Related Threat Patterns and Trends,[23] and on Iranian Shadow Banking,[24] and would benefit from seeing additional such reporting. To enhance actionable feedback, we recommend that banks who supply the SAR reports reviewed for these analyses receive private acknowledgement and recognition from FinCEN that their reports provided the basis for the analyses.

ABA applauds IRS-CI both for annually releasing useful statistics on its use of CTR and SAR reports[25] and for its CI-FIRST initiative, a valuable public-private partnership focused on narrowing the gap between law enforcement and banks by providing actionable feedback on SARs filed by banks[26]. However, much more remains to be done. We encourage other law enforcement agencies to provide similar statistics on law enforcement use of SARs and CTRs.

We also request greater identification, development, and distribution of illicit finance typologies. We stand ready to assist in their production and distribution, but without actionable typologies to identify potentially suspicious activity, individual banks often lack the context needed to zero in on illicit activity. Banks will always flag and report potentially illicit activity when they can identify it, including when their customers are being victimized by illicit actors, such as in cases of suspected elder financial exploitation and investment or romance scams. However, banks operationalize their suspicious activity screening by tuning software, which is more accurately informed by a greater pool of data than any one bank has internally. Actionable typologies translate to highly useful reports.

Finally, we encourage Treasury to use all its powerful national security tools to combat known illicit finance risks such as national epidemic of scams and fraud, to which the FTC estimates Americans may have lost up to $196 billion in 2024 alone.[27] This would include the increased use of sanctions to combat foreign-enabled fraud, broader use of special measures by FinCEN to identify jurisdictions, institutions and classes of transactions as being of primary money laundering concern, and increased use of existing section 314(a) authorities by law enforcement and FinCEN to alert financial institutions to individuals, entities, or accounts of concern.

Conclusion. ABA appreciates the Subcommittee's attention to these important issues and urges Treasury, FinCEN, and the federal banking agencies to complete the reforms Congress directed in AMLA. A modernized, risk-based AML/CFT framework—paired with meaningful CDD rule, BSA reporting, and feedback reforms—will better protect the financial system, support law enforcement and national security priorities, and allow banks to focus compliance resources

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[23] FinCEN Issues Analysis of Fentanyl-Related Threat Patterns and Trends in Bank Secrecy Act Reports (April 9, 2025) https://www.fincen.gov/system/files/shared/FinCEN-FTA-Fentanyl.pdf.
[24] Iranian Shadow Banking: Trends in Bank Secrecy Act Data (Oct. 23, 2025); https://www.fincen.gov/system/files/2025-10/FTA-Iranian-Shadow-Banking.pdf.
[25] IRS-CI data shows BSA filings are used in nearly all its investigations (Feb. 24, 2026); https://www.irs.gov/compliance/criminal-investigation/irs-ci-data-shows-bsa-filings-are-used-in-nearly-all-itsinvestigations.
[26] IRS-CI releases FY24 BSA metrics, announces CI-FIRST initiative (Mar. 28, 2025); https://www.irs.gov/compliance/criminal-investigation/irs-ci-releases-fy24-bsa-metrics-announces-ci-first-initiative.
[27] Protecting Older Consumers 2024–2025 A Report of the Federal Trade Commission at 28 (Dec 1. 2025) ("Given these assumptions, the estimated 2024 overall loss, adjusted to account for underreporting, was $195.9 billion,83 with an estimated $81.5 billion lost by older adults.") https://www.ftc.gov/system/files/ftc_gov/pdf/P144400-OlderAdultsReportDec2025.pdf.

where they are most needed. ABA stands ready to work with Congress, Treasury, FinCEN, and the federal banking agencies to achieve these shared goals.