**Anti-Money Laundering in the U.S.**

**Introduction:-**

AML regulations in the U.S. expanded after the [Bank Secrecy Act](https://www.investopedia.com/terms/b/bank_secrecy_act.asp) (BSA) was passed in 1970. For the first time, financial institutions were required to report cash deposits of more than $10,000, collect identifiable information of financial account owners, and maintain records of transactions.

Additional legislation was passed in the 1980s amid increased efforts to fight drug trafficking, in the 1990s to enhance [financial surveillance](https://www.investopedia.com/terms/m/marketsurveillence.asp), and in the 2000s to cut off funding for terrorist organizations.

Banks, brokers, and dealers now follow a complex regulatory framework of conducting [due diligence](https://www.investopedia.com/terms/d/duediligence.asp) on customers and tracking and reporting suspicious transactions.101112 A written AML compliance policy must be implemented and approved in writing by a member of senior management and overseen by an AML compliance officer.

**Recent Expansions:-**

The [Anti-Money Laundering Act of 2020](https://www.fincen.gov/anti-money-laundering-act-2020)—the most sweeping overhaul of U.S. AML regulations since the Patriot Act passed after the 9/11 terrorist attacks in 2001—subjected [cryptocurrency exchanges](https://www.investopedia.com/tech/190-cryptocurrency-exchanges-so-how-choose/), arts and antiquities dealers, and private companies to the same CDD requirements as financial institutions.1314

The [Corporate Transparency Act](https://www.investopedia.com/corporate-transparency-act-8413903), a clause of the Anti-Money Laundering Act, eliminated loopholes for [shell companies](https://www.investopedia.com/terms/s/shellcorporation.asp) to evade anti-money laundering measures and economic sanctions.

FinCEN, a bureau of the U.S. Department of the Treasury, issues guidance and regulations that interpret and implement the BSA and other AML laws. FinCEN’s guidance and regulations provide detailed instructions for financial institutions on how to comply with AML requirements.

In addition to these federal laws, many states have their own AML statutes and regulations. These state laws often mirror the federal requirements but may include additional provisions.

**International Anti-Money Laundering:-**

The European Union (EU) and other jurisdictions had adopted similar anti-money laundering measures to the U.S. anti-money laundering legislation. Enforcement assumed greater global prominence in 1989 when a group of countries and nongovernmental organizations (NGOs) formed the [Financial Action Task Force](https://www.investopedia.com/terms/f/financial-action-task-force-fatf.asp) (FATF).

The FATF is an intergovernmental body that devises and promotes the adoption of international standards to prevent money laundering. In October 2001, following the 9/11 terrorist attacks, FATF’s mandate grew to combat terrorist financing.

Those standards—the FATF’s 40 Recommendations—provide a framework for AML and [Combating the Financing of Terrorism](https://www.investopedia.com/terms/c/combating-financing-terrorism-cft.asp) (CFT) regulations and policies in more than 190 jurisdictions worldwide, covering CDD, transaction monitoring, reporting of suspicious activity, and international cooperation.

Other important international organizations in the fight against money laundering include the International Monetary Fund (IMF) and the United Nations (U.N.), and programs include the Council of the European Union’s Anti-Money Laundering Directive (AMLD) and the [Basel Committee on Banking Supervision](https://www.investopedia.com/terms/b/baselcommittee.asp)’s Customer Due Diligence (CDD) for Banks.

The IMF has pressed member countries to comply with international norms thwarting terrorist financing.15 The U.N. added AML provisions to address money laundering associated with drug trafficking in the 1998 Vienna Convention, with international organized crime in the 2001 Palermo Convention, and with political corruption in the 2005 Meridian Convention.15

The Council of the European Union’s AMLD, a directive that sets out AML/CFT requirements for all EU member states, has been amended several times to reflect the changing risks of money laundering and terrorist financing. The Basel Committee on Banking Supervision’s CDD for Banks provides detailed recommendations for banks on how to identify and verify the identity of their customers.

**Anti-Money Laundering and Cryptocurrency:-**

Cryptocurrency has drawn increasing attention among AML professionals. Virtual coins provide anonymity to users, presenting criminals with a convenient way to store and move money.

According to cryptocurrency tracing firm Chainalysis, addresses connected to illicit activity sent nearly $23.8 billion worth of cryptocurrency in 2022, up 68% from 2021.16

The decentralized nature of cryptocurrency markets makes it challenging to implement and enforce AML regulations. Traditional AML frameworks are designed for centralized financial institutions but not so much for the decentralized cryptocurrency ecosystem.

[Blockchain](https://www.investopedia.com/terms/b/blockchain.asp) analysis and monitoring tools enable financial institutions and law enforcement to identify and investigate suspicious cryptocurrency transactions. Crypto forensic services like Chainalysis, Elliptic, and TRM Labs have the technology to flag [crypto wallets](https://www.investopedia.com/terms/b/bitcoin-wallet.asp), exchanges, and transactions tied to designated terrorist organizations, sanctions lists, political groups, government actors, and organized crime such as hacking, ransomware, scams, and contraband trafficking on darknet markets.

**Inside the U.S.**

In the U.S., cryptocurrencies are largely an [unregulated market](https://www.investopedia.com/terms/r/regulated-market.asp) in that few regulations explicitly target the asset class by name. Instead, AML enforcement actions, such as those against crypto exchanges Binance and FTX, have been prosecuted under existing laws and statutes, such as the Bank Secrecy Act and the [Foreign Corrupt Practices Act](https://www.investopedia.com/terms/f/foreign-corrupt-practices-act.asp) (FCPA).

Only recently, under the Anti-Money Laundering Act of 2020, did U.S. companies become legally required to comply with financial screening regulations that apply to [fiat currencies](https://www.investopedia.com/terms/f/fiatmoney.asp) and tangible assets. Businesses that exchange or transmit virtual currencies now qualify as regulated entities and must register with FinCEN, adhere to AML and CFT laws, and report suspicious customer information to financial regulators.17

**Outside the U.S.**

More formal rules on intervening in virtual currency money laundering are expected to be introduced in the U.S. and abroad. Recent steps include an Internal Revenue Service (IRS) proposal and several European bills for financial platforms to report digital asset payments and transactions to national and transnational regulatory bodies, law enforcement agencies, and industry stakeholders.18

On the global stage, the [Financial Action Task Force](https://www.investopedia.com/terms/f/financial-action-task-force-fatf.asp) (FATF) Travel Rule, an international AML framework that would require collecting and sharing beneficiary information for cross-border cryptocurrency flows, is being closely watched and gaining traction among regulatory bodies worldwide.

Several countries have implemented or are implementing the FATF Travel Rule in their civil and criminal codes to increase the transparency and accountability of cryptocurrency transactions.

**Conclusion:-**

Anti-Money Laundering (AML) regulations in the U.S. have evolved significantly since the Bank Secrecy Act (BSA) of 1970. These regulations, bolstered by subsequent laws and amendments, now require financial institutions to report large cash transactions, conduct due diligence on customers, and monitor suspicious activities. The AML framework has expanded to include various financial entities and private companies, driven by the Anti-Money Laundering Act of 2020 and the Corporate Transparency Act, which have closed loopholes and extended regulatory oversight to new sectors such as cryptocurrency exchanges.

FinCEN, alongside state-level regulations, guides compliance with these laws, ensuring financial institutions maintain robust AML policies. Internationally, organizations like the Financial Action Task Force (FATF), the International Monetary Fund (IMF), and the United Nations (U.N.) set global AML standards, encouraging worldwide cooperation and adherence to best practices.

The rise of cryptocurrency presents new challenges for AML efforts. Cryptocurrencies' decentralized nature and user anonymity complicate traditional AML enforcement. However, advancements in blockchain analysis tools and forensic services are helping to trace and monitor illicit activities in the crypto space. Recent U.S. regulations now mandate crypto exchanges to comply with AML laws, marking a significant step towards regulating the sector.

Globally, initiatives such as the FATF Travel Rule aim to enhance the transparency of cross-border cryptocurrency transactions. Countries are increasingly adopting these international standards to mitigate the risks associated with virtual currencies.

Overall, the continuous development of AML regulations in response to evolving financial landscapes, particularly with the advent of cryptocurrencies, underscores the importance of adaptive and comprehensive strategies to combat money laundering and terrorist financing.