

## **Private Fund Sponsors Get Reprieve From AML Requirements**

### **July 30, 2025|Broker-Dealers, Federal Regulatory Compliance**

On July 21, 2025, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) announced the postponement of the effective date for the Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Program and Suspicious Activity Report Filing Requirements (IA AML Rule), giving SEC-registered investment advisers and exempt reporting advisers two additional years to implement the requirements. The effective date of the IA AML Rule has been delayed from January 1, 2026, to January 1, 2028.

The purpose of the IA AML Rule is to prevent money laundering and terrorist financing by requiring investment advisers establish and maintain a risk-based AML/CFT program, which includes ongoing training for employees; independent testing of the program; due diligence on customers; and reporting suspicious activities through the filing of Suspicious Activity Reports (SARs) with FinCEN and complying with other Bank Secrecy Act currency reporting obligations.

According to FinCEN, the delay is intended to allow for a broader review of the rule's scope and substance to ensure it is "effectively tailored to the diverse business models and risk profiles" existing in the investment adviser sector.[1] The extension will also help ease compliance costs faced by the industry, while allowing for greater regulatory certainty after FinCEN's expanded review of the IA AML Rule's requirements. FinCEN will utilize the rulemaking process to extend the effective date and will provide appropriate exemptive relief to investment advisers that will ultimately become subject to the IA AML Rule.

FinCEN states that the delay is justified because the IA AML Rule once effective will impose significant new compliance obligations, on private fund sponsors subject to registration requirements as investment advisers, including establishing and maintaining a risk-based AML/CFT Program, ongoing training, independent testing, due diligence of customers, and reporting suspicious activities, policies and procedures they had not previously undertaken.

Certain private fund sponsors that will be exempted from the IA AML Rule. For instance, RIAs that only register with the SEC because they are Mid-Sized Advisers, Multi-State Advisers, or Pension Consultants and RIAs that do not report any Assets Under Management on Form ADV are exempted from the rule. Foreign private fund sponsors are exempt even if their investors include "U.S. persons." [2] It remains to be seen how foreign sponsors gain a leg up from these exemptions.

While postponement of the IA AML Rule's effective date is intended to allow for revisions that improve efficiency and fine-tune applicability, the savings in compliance costs may be the proverbial tail that is wagging the dog. What is gained by RIAs from the delay has the potential to increase risks for investors in private funds.

Overall, while the postponement offers some immediate financial relief, investment advisers will still need to implement compliance measures to meet future requirements.

Firms can take several proactive steps to prepare for future compliance with the IA AML Rule:

**Conduct a Risk Assessment:**

- Evaluate the firm's current risk exposure to money laundering and terrorist financing.
- Identify areas that may require enhanced controls and monitoring.

**Develop a Comprehensive AML/CFT Program or Expand Existing Policies and Procedures:**

- Design a risk-based AML/CFT program tailored to the firm's specific business model and risk profile.
- Include policies and procedures for customer due diligence, transaction monitoring, and reporting suspicious activities that conform with the Bank Secrecy Act and FINRA Rule 3310.[3]
- Ensure that the AML program is approved in writing by a member of senior management.
- Register the firm's designated AML compliance person with FINRA if required. For instance, FINRA Rule 1220(a)(3) requires that each person designated as a Chief Compliance Officer as specified in FINRA Rule 3130 must register with FINRA as a Compliance Officer.
- Provide FINRA with the contact details of the AML compliance person and update this information whenever changes are made.
- Ensure compliance with the customer identification program[4] to obtain accurate information regarding beneficial ownership of legal entity requirements.[5]

**Invest in Employee Training and Education:**

- Provide ongoing training for employees to ensure they understand AML/CFT requirements and their roles in compliance.
- Keep staff updated on regulatory changes and emerging risks.

**Implement Technology Solutions:**

- Utilize software and tools for transaction monitoring, data analysis, and reporting.
- Ensure systems are capable of adapting to future regulatory requirements.

**Engage Compliance Experts:**

- Consult with legal and compliance professionals to stay informed about regulatory developments.
- Seek guidance on internal policies and procedures required by federal regulations and implement best practices and strategies for effective compliance.

### **Prepare for Independent Testing:**

- Plan for regular independent testing of the AML/CFT program to identify and address any weaknesses.
- Implement changes to the AML/CFT Program based on those findings to continuously improve the program.

By taking these steps, firms can build a robust compliance framework that will help them meet future regulatory requirements and mitigate risks. To get started with a risk assessment and compliance review, contact me at [tiffanyrowe@parkerpoe.com](mailto:tiffanyrowe@parkerpoe.com).

[1]Press Release, U.S. Dep't of the Treasury, Treasury Announces Postponement and Reopening of Investment Adviser Rule (July 21, 2025), <https://home.treasury.gov/news/press-releases/sb0201>.

[2]FinCEN, Fact Sheet: FinCEN Issues Final Rule to Combat Illicit Finance and National Security Threats in the Investment Adviser Sector (Aug. 28, 2024), <https://www.fincen.gov/sites/default/files/shared/IAFinalRuleFactSheet-FINAL-508.pdf>.

[3]Other applicable FINRA requirements are addressed in FINRA's release, Frequently Asked Questions (FAQ) regarding Anti-Money Laundering (AML), <https://www.finra.org/rules-guidance/key-topics/aml/faq>.