

Treasury Proposal Maps Compliance Road For Stablecoins

By **Christopher Allen, Kevin Toomey and Anthony Raglani** (May 26, 2026)

The U.S. Department of the Treasury's Financial Crimes Enforcement Network and the Office of Foreign Assets Control recently issued a joint proposed rulemaking that would implement the anti-money laundering and sanctions program requirements of the Guiding and Establishing National Innovation for U.S. Stablecoins, or Genius, Act.[1]

If adopted as proposed, the new program requirements would apply to "permitted payment stablecoin issuers," or PPSIs, as defined by the Genius Act, and would become effective 12 months after publication of the final rule.

In addition to seeking general comments on the proposal, FinCEN and OFAC solicited feedback on nearly 60 specific questions. Comments are due by June 9.

The April 8 proposal, which follows an advance notice of proposed rulemaking from fall 2025, would impose five general categories of obligations on PPSIs, as discussed below.[2]

These categories, taken together, create a comprehensive framework for PPSIs to design and implement banklike anti-money laundering and sanctions compliance programs.

Depository institutions that choose to become PPSIs through a subsidiary, as contemplated by the Genius Act, should be able to rely substantially on their existing compliance programs, while nonbank entities may need to develop new programs from the ground up.

In either case, given the money-laundering potential of digital assets generally, a strong compliance function will be critical for PPSIs.

Written AML/CFT Compliance Program

The anti-money laundering and countering the financing of terrorism, known as AML/CFT, program would feature several policies and procedures, including a mandatory risk assessment process, independent testing, ongoing training and designation of an AML/CFT officer.

The proposal largely mirrors the proposed revisions to existing Bank Secrecy Act and AML program requirements for most financial institutions, including banks and broker-dealers, recently issued by FinCEN, including the formalization of the risk assessment requirement, the incorporation of the previous fifth pillar (customer due diligence) into the "policies and procedures" pillar, and the redesignation of the program's title from "BSA/AML" to "AML/CFT."

PPSIs would also be subject to the due diligence and enhanced due diligence requirements applicable to certain private banking and correspondent accounts under the USA PATRIOT



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Act, as well as any "special measures" that FinCEN imposes under Section 311 of that act.

The AML/CFT program would require board-level, or similar, approval.

Significantly, the proposal would adopt FinCEN's new approach to supervision and enforcement, whereby neither FinCEN nor the relevant prudential regulator would take a significant enforcement or major supervisory action against a PPSI for an AML/CFT program violation unless the failure constituted "a significant or systemic failure" to maintain that program.

Suspicious Activity Reporting

PPSIs would be required to file suspicious activity reports to advise law enforcement of suspected violations of law.

Notably, the requirement would apply only to transactions occurring on the PPSI's primary market, i.e., transactions in which the PPSI is directly involved, not to transactions occurring on the secondary market for the PPSI's stablecoin offering.

This limitation will significantly reduce the monitoring burden on PPSIs. As with the suspicious activity report rule applicable to banks, a \$5,000 threshold would apply.

Recordkeeping and Information Sharing

PPSIs would be subject to recordkeeping requirements similar to those of other financial institutions, including the recordkeeping rule and the travel rule, regarding certain funds transfers and the conveyance of payment details to other institutions, respectively.

Certain cross-border transfers of assets, as well as certain extensions of credit, would also be covered. A five-year retention period would apply.

PPSIs would also be expressly covered by Sections 314(a) and (b) of the USA PATRIOT Act.

Section 314(a) requires institutions to provide certain information to FinCEN upon request. Section 314(b) permits institutions, on a voluntary basis, to share information among themselves to assist with identifying and reporting possible money laundering or terrorist activity.

Effective Sanctions Compliance Program

PPSIs would be required to adopt and maintain a sanctions compliance program with five key elements, which are based on OFAC's Framework for OFAC Compliance Commitments, published in 2019:

- Senior management and organizational commitment, including that the program be fully integrated in the PPSI's payment stablecoin operations and apply to all payment stablecoin activity; allow for sufficient authority, autonomy and resources; and routinely provide updates and testing reports to senior management and other appropriate personnel;
- Periodic holistic sanctions-related risk assessments, updated as circumstances warrant, to be used to inform and update the PPSI's sanctions compliance program;

- Risk-based internal controls to identify and take appropriate action in response to payment stablecoin transactions — on both primary and secondary markets — that would violate U.S. sanctions laws;
- Independent testing and auditing with appropriate accountability, resources, expertise and authority; and
- Ongoing risk-based training tailored to the institution and its relevant personnel and stakeholders (standard OFAC recordkeeping and reporting requirements would apply).

This requirement is notable in that it would be the first time Treasury has imposed an explicit legal obligation to maintain a sanctions compliance program, which is distinct from existing obligations for U.S. persons to comply generally with sanctions laws and regulations.

Ability to Block, Freeze and Reject Certain Specified or Impermissible Transactions

PPSIs would be required to have "technical capabilities, policies, and procedures to block, freeze, and reject specific or impermissible transactions that violate Federal or State laws, rules, or regulations," according to the proposal.

Such capability would need to include the ability to comply with any "lawful order," as the proposal puts it.

As with the sanctions compliance program, and unlike the proposed suspicious activity reports rule, this requirement covers both a PPSI's primary and secondary markets.

This requirement is also notable in that it is unique to the Genius Act regulations and demonstrates a focus on tailoring PPSIs' AML/CFT programs to the specific threats posed by digital assets.

Takeaways

Although the proposal incorporates new material such as the formalized risk assessment process and the mandatory sanctions compliance program, in many ways it adheres to existing regulations and supervisory expectations.

However, FinCEN has had to tailor existing regulations significantly to adapt the proposal to the unique circumstances of PPSIs and payment stablecoins, and industry participants should take particular note of the technical aspects of the proposal and offer feedback where appropriate.

Also, in addition to numerous questions about the proposal's specific provisions, FinCEN has asked for comments on how, for PPSIs that are subsidiaries of financial institutions, the proposed requirements will or will not integrate effectively into existing organizational AML/CFT programs. It has also asked whether any of the proposal's provisions should be extended to foreign payment stablecoin issuers.

These proposed regulations represent the first federal attempt to craft an AML/CFT framework specifically for issuers of a digital asset. As it will presumably serve as a starting point for future rulemakings in this area, interested parties should review it carefully and offer comments where appropriate.

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[1] Treasury, Treasury Proposes Rule to Implement the GENIUS Act's Requirements to Counter Illicit Finance (Apr. 8, 2026).

[2] GENIUS Act Implementation, 90 Fed. Reg. 45159 (Sept. 19, 2026).