

Trump Administration Makes its Mark: IA AML Rule Delay and Other Developments

July 23, 2025

On July 21, 2025, the U.S. Treasury Department [announced](#) that its Financial Crimes Enforcement Network (“FinCEN”) anticipates delaying the effective date of the final rule imposing broad anti-money laundering (“AML”)/countering the financing of terrorism requirements on certain investment advisers (the “IA AML Rule”) from January 1, 2026, to **January 1, 2028**, revisiting the scope of the rule and also reviewing the proposed customer identification program (“CIP”) rule for investment advisers. This latest turn of events builds on a steady stream of AML-related actions taken in the first six months of the Trump Administration, highlighted most recently by FinCEN’s unprecedented orders barring U.S. financial institutions’ funds transfers to and from three well-known Mexican financial institutions identified as being of “primary money laundering concern.”¹ Below, we discuss the implications of Treasury’s announcement regarding the AML regulations for investment advisers and summarize other recent AML developments that may affect financial institutions.

IA AML Rule Delay and Reopening of IA AML and Proposed CIP Rules. As noted above, FinCEN intends to delay the IA AML Rule’s effective date to January 1, 2028. In the interim, FinCEN intends to undertake a broad review of the IA AML Rule, which FinCEN recognizes should be “effectively tailored to the diverse business models and risk profiles of the investment adviser sector.” FinCEN and the Securities and Exchange Commission (the “SEC”) also will revisit the joint proposed rule that would impose CIP requirements on investment advisers.

Since the IA AML Rule was finalized in September 2024, industry trade groups have engaged in ongoing discussions with staff at the relevant agencies regarding an extension to the IA AML Rule’s effective date and have sought interpretive guidance on

¹ Please see our previous client updates providing an overview of the orders issued by FinCEN under 21 U.S.C. § 2313a (codifying Section 7213A of the Fentanyl Sanctions Act, as amended by the FEND OFF Fentanyl Act): Debevoise In Depth, U.S. Prohibits Transactions with Three Mexican Financial Institutions for Cartel-Linked Money Laundering (June 30, 2025), <https://www.debevoise.com/insights/publications/2025/06/us-prohibits-transactions-with-three-mexican>; Debevoise Update, FinCEN Delays the Effective Date for Prohibitions Targeting CIBanco, InterCam, and Vector (July 11, 2025), <https://www.debevoise.com/insights/publications/2025/07/fincen-delays-the-effective-date-for-prohibitions>.

various aspects of the rule. According to Treasury's press release, FinCEN's extension of the effective date is intended to reduce regulatory uncertainty and potential compliance costs for industry participants.

As FinCEN reconsiders the IA AML Rule, investment advisers should continue to monitor regulatory developments and consider providing input to FinCEN regarding compliance obligations imposed under the IA AML Rule that are unclear in their application to investment advisers or are overly burdensome.

We are continuing to monitor developments in this area closely.

CIP Rule Exemption for Third-Party Taxpayer Identification Number ("TIN")

Collection. On June 27, 2025, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the National Credit Union Administration (together, the "Agencies"), with FinCEN's concurrence, issued an [order](#) (the "Order") providing an exemption from CIP rule requirements to permit those banks and credit unions supervised by the Agencies to obtain part or all of a customer's TIN from a third-party source, rather than from the customer, before opening any type of account.

The Order does not apply to banks not supervised by the Agencies or other covered financial institutions subject to CIP rule requirements, such as SEC-registered broker-dealers.

The exemption does not prescribe any specific alternative TIN collection method, and use of the exemption is optional. However, if a bank uses the exemption, the bank still must comply with the CIP rule and maintain risk-based procedures that enable the bank to collect TIN information before opening an account and to form a reasonable belief that it knows a customer's true identity.

Banks that plan to use the exemption should assess carefully any third-party sources for obtaining TIN information and ensure alternative TIN collection methods are appropriate based on the bank's assessment of its relevant risks. For example, banks may consider potential increased fraud risk resulting from collecting less than a full TIN from a customer.

In addition, notwithstanding the Order, banks may need to collect TINs directly from customers to meet other regulatory requirements, such as those related to Internal Revenue Service tax withholding and reporting, or to comply with internal compliance or operational procedures. Banks should establish and document appropriate protocols for the use of permitted alternative TIN collection methods, including processes to ensure consistency between TIN information obtained from third-party sources and that collected directly from a customer.

Addition of British Virgin Islands ("BVI") to Financial Action Task Force ("FATF")

Grey List. On June 13, 2025, the FATF updated its list of "Jurisdictions under Increased Monitoring" (the so-called FATF "grey list") to include the BVI and Bolivia. The grey list identifies jurisdictions identified by the FATF as having strategic deficiencies in their regimes to counter money laundering, terrorist financing and proliferation financing. At the same time, the FATF removed Croatia, Mali and Tanzania from the grey list.

The BVI is a commonly used jurisdiction for the formation of legal entities, including entities in investment fund structures. Many financial institutions may automatically classify entities from jurisdictions on the FATF's grey list as high risk and subject to certain enhanced due diligence measures, whether pursuant to their AML policies and procedures or under AML regulatory requirements in applicable jurisdictions. Accordingly, firms should review their potential exposure to BVI entities and any AML and related policies and procedures that reference FATF grey-listed jurisdictions to understand any due diligence measures that may now be triggered.

Firms may also wish to evaluate whether their AML policies and procedures provide appropriate flexibility and discretion to assign a lower risk rating to a BVI entity where warranted based on the firm's assessment of the relevant facts and circumstances.

FinCEN Advisories on Iranian and Cartel Oil Smuggling and Other Illicit Finance

Activity. Some of President Trump's first actions in the new administration were to re-impose the U.S. "maximum pressure" campaign against Iran, including to cut off Iranian oil trade revenues, and to call for the "total elimination" of certain drug cartels and transnational criminal organizations' presence in the United States. In support of these priorities, FinCEN has issued recent advisories alerting U.S. financial institutions to certain related risks.

On June 6, 2025, FinCEN issued an [advisory](#) identifying potential risks and red flags related to Iranian oil smuggling and sanctions evasion activity and associated Iranian "shadow banking" and weapons procurement networks. Among other red flags, the advisory highlights evolving Iranian illicit oil smuggling tactics, money laundering corridors and weapons procurement networks involving companies in key third-country jurisdictions such as China, including Hong Kong, the United Arab Emirates, Türkiye, Southeast Asia and other jurisdictions near Iran. Numerous rounds of U.S. sanctions designations by the Trump Administration also have targeted Iranian oil exports and Iran's shadow banking system.

Previously, on May 1, 2025, FinCEN issued an [advisory](#) warning U.S. financial institutions about red flags associated with Mexican cartel-run oil smuggling schemes across the U.S.-Mexico border involving U.S.-based oil and natural gas companies operating near the border. FinCEN's advisory also was accompanied by U.S. sanctions

designations of Mexican individuals and entities involved in oil smuggling operations at the U.S. southwest border.

Together, these FinCEN advisories signal the Trump Administration's continued emphasis on AML compliance as a means to further U.S. national security and foreign policy aims. Firms should ensure their customer due diligence and other risk-based AML programs appropriately account for the Trump Administration's priority focus areas and the detailed risk indicators identified in FinCEN's advisories.

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Please do not hesitate to contact us with any questions.



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