

## Trump Administration Plans to Introduce New AML Requirements for Cryptocurrencies

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Treasury Secretary Steven Mnuchin remarked before a hearing of the Senate Finance Committee three weeks ago that “significant new requirements at FinCEN” for cryptocurrencies would be introduced quickly, in response to Senator Maggie Hassan’s (D-NH) question regarding the Treasury Department’s proposed use of budget increases for anti-money laundering (AML) and counterterrorism efforts (video of the Senate Finance committee [available here](#), Senator Hassan’s question begins at 58:05). Mnuchin’s remarks reflect the government’s continued focus on AML and counterterrorism efforts. In October of last year, leaders of the Commodity Futures Trading Commission (CFTC), the Financial Crimes Enforcement Network (FinCEN) and the Securities and Exchange Commission (SEC) issued a joint statement regarding such efforts (explored in our post [here](#)).

Mnuchin’s comments reflect the same concerns he made in a [statement](#) last summer during a White House briefing regarding Libra, the cryptocurrency proposed by Facebook. Then, he stated that “... Libra could be misused by money launderers and terrorist financiers”. He also reiterated that “cryptocurrency money transmitters are subject to compliance examination just like every other U.S. bank” under the Bank Secrecy Act. The same concerns prompted the Financial Action Task Force to update their [standards](#) last June to recommend “virtual asset service providers” (including online trading platforms and digital asset custodians) to verify the originator and beneficiary information, including for any transfers of \$1,000 or more.

Regulators’ concerns about the link between cryptocurrencies and criminal activity, such as money laundering, are substantiated by the growing illicit use of cryptocurrencies. According to a [report](#) released in January by Chainalysis, the amount of cryptocurrencies spent on “dark net markets” rose 70 percent in 2019 to an all-time high of \$790 million. The New York Times recently [highlighted](#) the growth in ransomware attacks demanding Bitcoin.

Enforcement is also on the rise. Earlier this month, federal law enforcement arrested Larry Harmon, CEO of Coin Ninja, for allegedly participating in a \$300 million money-laundering conspiracy by operating Helix, a “tumbler” that concealed the source or owner of Bitcoins. The [indictment](#) charged him with (i) conspiracy to launder monetary instruments, (ii) operating an unlicensed money transmitting business and (iii) money transmission without a license.

The U.S. government continues to focus on the use of digital assets for illicit means. While AML rules have traditionally applied to actors in the financial sector, some of which have applied to companies in the digital asset industry, we expect to see additional rules and regulations addressing illegal use. Companies should ensure compliance with current AML and counterterrorism rules and regulations, and should be prepared to take additional action in the future.

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