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$125M Wake-Up Call: FinCEN Hammers Broker-Dealer for Repeat Bank Secrecy Act Failures

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KEY POINTS

- FinCEN assessed a record $125 million civil money penalty against a U.S. broker-dealer for willful, repeat violations of the Bank Secrecy Act — the largest BSA penalty ever imposed on a broker-dealer.
- The institution's failure to remediate automated transaction monitoring deficiencies identified in a 2018 Consent Order — resulting in more than 50,000 unmonitored foreign currency wires totaling over $10 billion — was a central basis for the penalty.
- FinCEN found that deficient customer due diligence on high-risk customers with ties to Russia and Latin America, including failure to act on negative news reports, contributed to hundreds of untimely suspicious activity report filings.
- FinCEN's independent AML review targets four national security priority areas: U.S. Southwest border and narcotics trafficking, Iran, Russia, and Venezuela.
- Institutions subject to prior BSA consent orders must treat remediation commitments as ongoing obligations; FinCEN has signaled that recidivism will result in sharply escalated penalties.

On August 3, 2026, the Financial Crimes Enforcement Network (FinCEN) assessed a $125 million civil money penalty against a major U.S. broker-dealer for willful violations of the Bank Secrecy Act (BSA) — the largest BSA penalty ever imposed against a broker-dealer. This landmark enforcement action carries significant implications for all financial institutions subject to BSA and anti-money laundering (AML) compliance obligations, particularly those providing wealth management services to high-risk customers.

This action marks FinCEN's second enforcement action against the same institution. In December 2018, FinCEN entered into a Consent Order with the firm, assessing a $14.5 million civil money penalty for BSA violations, including failures to adequately monitor foreign currency wire transactions due to weaknesses in its automated monitoring system.

According to FinCEN, despite assurances that it would remediate the identified deficiencies, the institution subsequently:

- Failed to appropriately monitor more than 50,000 foreign currency wires totaling more than $10 billion in aggregate value;

- Failed to disclose these ongoing failures to FinCEN, which only learned of them through a subsequent investigation it initiated following a regulatory examination; and

- Failed to timely file hundreds of suspicious activity reports (SARs), depriving law enforcement of critical intelligence.

The institution has admitted to willfully violating the BSA, including failure to implement and maintain an adequate AML program and failure to file required SARs.

KEY FINDINGS

FinCEN's investigation identified several critical compliance failures:

1. Failure to Monitor Foreign Currency Transactions

Notwithstanding a prior Consent Order specifically addressing deficiencies in automated transaction monitoring, the institution continued to fail to appropriately monitor foreign currency transactions for many years — without undertaking remediation efforts until FinCEN's investigation was already underway.

2. Deficient Customer Due Diligence (CDD)

The institution failed to perform appropriate CDD on high-risk customers with ties to Russia and Latin America, including:

- Failing to adequately consider and mitigate money laundering and illicit finance risks associated with customers' source of wealth;

- Ignoring or inadequately addressing negative news reports indicating alleged ties to corruption, fraud, and money laundering among certain customers; and

- Proceeding with customer relationships even when the institution's own affiliates raised concerns about such negative news.

3. Failure to Report Suspicious Transactions

The monitoring and CDD failures described above had a direct downstream consequence: the institution failed to timely file hundreds of SARs on suspicious transactions that should have been reported to FinCEN. By failing to identify, escalate, and report these suspicious transactions, FinCEN found, the institution deprived law enforcement of critical intelligence needed to detect and disrupt potential money laundering, corruption, and other illicit financial activity. The institution has admitted this constituted a willful violation of its BSA obligations.

TERMS OF THE CONSENT ORDER

The Consent Order requires the institution to:

- Conduct a lookback with the assistance of a third party to identify and report suspicious transactions that went undetected due to the above failures;

- Undergo an independent review of its AML program, focused specifically on deficiencies that contributed to the violations, including assessment of the program's effectiveness with respect to: (1) the U.S. Southwest border, cartels, and possible narcotics trafficking; (2) Iran; (3) Russia; and (4) Venezuela; and

- Implement all recommendations arising from the independent review.

Notably, FinCEN has indicated it will waive up to $15 million of the $125 million penalty upon the institution's satisfactory completion of the independent AML review and implementation of the third party's recommendations — a meaningful incentive for genuine, substantive remediation and cooperation.

This second action against a "recidivist" financial institution was enforced in cooperation with the Commodity Futures Trading Commission (CFTC), the U.S. Securities and Exchange Commission (SEC), and the Financial Industry Regulatory Authority (FINRA).

KEY COMPLIANCE TAKEAWAYS FOR FINANCIAL INSTITUTIONS

- This enforcement action highlights several important compliance principles that financial institutions — including broker-dealers, wealth managers, and other covered entities — should carefully review:

- Recidivism Will Be Treated Severely. FinCEN has made clear that repeat violations of the BSA will result in dramatically escalated penalties. Institutions that have previously been subject to consent orders or enforcement actions must treat prior findings as ongoing, living obligations — not resolved matters.

- Remediation Commitments Must Be Honored Promptly. Assurances made to regulators carry significant weight. Failure to follow through on remediation commitments — or delaying meaningful remediation until an investigation is already underway — will be viewed as an aggravating factor in any future enforcement action.

- Proactive Disclosure Is Expected. Institutions that identify ongoing or recurring compliance failures — particularly those related to prior enforcement actions — are expected to affirmatively disclose such issues to their regulators. Concealment, even if not deliberate, will compound exposure.

- High-Risk Customer Due Diligence Must Be Robust and Risk-Based. Institutions providing wealth management services to foreign persons in, or deriving wealth from, high-risk jurisdictions must conduct robust and risk-based CDD — both at onboarding and on an ongoing basis throughout the customer relationship. Superficial "papering" of risk dispositions is insufficient. Effective AML programs must be calibrated to the size, structure, risk profile, and complexity of the institution, with proportionate controls and monitoring for high-risk customer relationships — particularly those involving foreign nationals with connections to jurisdictions such as Russia, Venezuela, Iran, or Latin American narcotics trafficking networks.

- Automated Monitoring Systems Must Be Validated and Maintained. Transaction monitoring is only as effective as the systems and controls supporting it. Weaknesses in automated monitoring must be identified and remediated promptly, and institutions should have processes to identify gaps in system coverage.

This penalty is a clear sign that FinCEN will act aggressively and take strong action against institutions that treat prior enforcement action outcomes as optional rather than mandatory. Financial institutions subject to a Consent Order for prior violations of the BSA must undertake genuine cultural and operational change. The scope of the independent AML review — specifically targeting narcotics trafficking, Iran, Russia, and Venezuela — also reflects FinCEN's national security priorities and the expanding lens through which regulators assess AML program adequacy.

Financial institutions should treat this action as a critical data point in evaluating the adequacy of their own AML programs, particularly with respect to:

- The robustness and coverage of automated transaction monitoring systems;
- The quality and depth of CDD on high-risk customers; and
- The integrity of their SAR filing processes and escalation protocols.

For questions about BSA/AML compliance obligations, enforcement exposure, or how this action may affect your institution's AML program, please contact Ryan Last, Edward M. Nogay, or Michael S. Lowe, or visit our Anti-Money Laundering and White Collar Litigation + Investigations practice pages to learn how Troutman Pepper Locke can help.

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