WHITE PAPER

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Navigating the delayed FinCEN investment adviser AML rule

A roadmap for RIAs, ERAs and financial services firms

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Foreword

The delay of Financial Crimes Enforcement Network's investment adviser AML rule to 2028 should not be mistaken for a retreat from regulatory expectations. For insurance companies with embedded registered investment advisers (RIAs), the delay creates a critical opportunity to thoughtfully build AML/CFT capabilities before the rule ultimately takes effect. The rule, first finalized in 2024, would formally bring RIAs under the Bank Secrecy Act framework, requiring AML programs, suspicious activity reporting, customer due diligence, and related controls. Regulators and global standard setters continue to view the investment adviser sector as a major vulnerability in the U.S. financial crime regime due to its scale, complex ownership structures, and documented exploitation by sanctioned actors and illicit finance networks.

For insurance companies operating hybrid insurance–asset management models, the challenge is particularly significant. Existing AML programs designed around insurance products often lack the monitoring, customer risk management, and network visibility capabilities required for investment advisory activity.

Siloed compliance functions, fragmented data, and reliance on traditional monitoring approaches create material blind spots, especially around sanctions evasion, beneficial ownership concealment, and complex investor structures. As regulators increasingly emphasize effectiveness, continuous risk alignment, and intelligence-driven compliance, firms should use the implementation delay as a strategic build window rather than a pause. Investments in adaptable transaction monitoring, entity resolution, network analytics, investor-level due diligence, and AI-driven risk detection will position institutions to meet future expectations more effectively while strengthening overall financial crime risk management.

For large insurance companies that also house an RIA, the past year has been something of a regulatory rollercoaster. The landmark FinCEN rule that was supposed to bring RIAs formally into the Bank Secrecy Act framework by January 1, 2026 never actually hit. But that doesn't mean the pressure has eased, if anything, the current uncertainty makes a proactive posture more important, not less.

Here's where things stand, why the IA sector ended up in regulators' crosshairs in the first place, and what insurance companies with embedded RIAs should be doing right now.

The Rule that almost was and still will be

When FinCEN finalized its AML/CFT rule for registered investment advisers and exempt reporting advisers (ERAs) in August 2024, it was a genuinely historic development. For the first time, the rule formally defined certain RIAs and ERAs as "financial institutions" under the Bank Secrecy Act, bringing with it requirements to establish AML programs, file suspicious activity reports (SARs), and maintain related records.

The compliance deadline – January 1, 2026 – felt urgent. But it didn't last. On August 5, 2025, FinCEN issued an order exempting covered investment advisers from the requirements of its final rule through January 1, 2028, following Treasury's July 2025 announcement that it would delay implementation and conduct a new rulemaking process to consider potential changes. FinCEN confirmed the two-year delay in December 2025, noting its continuing intent to tailor the rule's scope before it becomes effective.

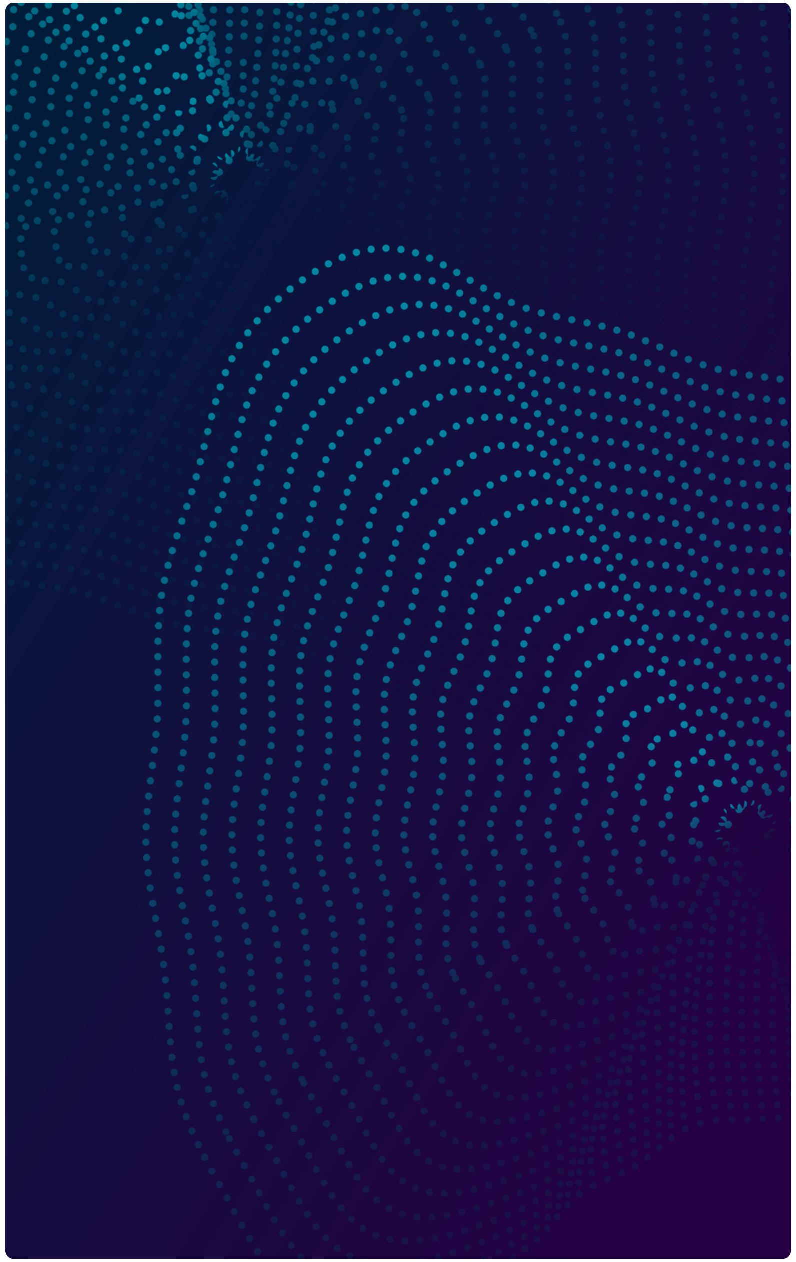
The stated rationale is pragmatic: FinCEN chose to move forward with the delay to promote the administration's deregulatory policies focused on reducing unnecessary or duplicative regulatory burden, while also ensuring the rule strikes an appropriate balance between cost and benefit. FinCEN has also committed to reviewing the rule's substance to ensure it is effectively tailored to the diverse business models and risk profiles across the investment adviser sector.

Critically, the joint FinCEN-SEC proposed Customer Identification Program (CIP) rule – originally put out for comment in May 2024 – also remains unfinalized and is being reassessed alongside the AML rule. FinCEN plans to reassess the CIP rule in coordination with its broader review of the AML rule.

What does this mean in practice?

The rule's substance hasn't changed – only the effective date. The underlying obligation to eventually build a full AML/CFT program, with five-pillar requirements, SAR filing, CDD, and CIP, remains intact. And changes to the final rule appear likely, meaning expected requirements under the rule and the CIP remain unsettled, advisers may consider continuing progress on compliance items unlikely to change while avoiding over-investment in elements subject to revision.

The delay is an opportunity to build thoughtfully, not an excuse to wait.



Why investment advisers are still in the spotlight

The two-year delay shouldn't be mistaken for a retreat. The underlying drivers that put IAs in regulators' sights haven't changed.

A $146 trillion industry that outgrew its regulatory framework

As of 2024, SEC-registered investment advisers collectively managed $146 trillion in regulatory assets under management – a 12.8% year-over-year increase from 2023. The number of SEC-registered advisers rose 3.1% to 15,870, serving 68.4 million clients. High-net-worth individuals, who represent the highest-risk client tier for AML purposes, continue to dominate the individual investor category.

Regulatory AUM	Registered advisers	Clients served
$146T	15,870	68.4M
+12.8% YoY	+3.1% YoY	Individual & Institutional

That scale matters enormously from a risk standpoint. An industry managing assets of this magnitude, with minimal AML oversight until now, represents one of the largest remaining gaps in the U.S. financial crime framework.

FATF pressure isn't going away

2016
FATF flags IA AML coverage as priority action item

2022
Revised 5th-round methodology adopted — effectiveness focus

2024
5th-round evaluations commence; U.S. evaluation approaching

NOW
FinCEN has acknowledged that illicit finance risks associated with investment advisers remain, even as it works through the deregulatory review.

The Financial Action Task Force (FATF) has flagged the IA coverage gap in U.S. AML regulation for years, including in its 2016 Mutual Evaluation of the United States, where it called out IA AML coverage as a priority action item. FATF commenced its 5th round of mutual evaluations under a revised 2022 methodology in 2024, with a significantly stronger emphasis on demonstrable effectiveness, not just technical compliance on paper. The U.S. will face its own evaluation under this framework, and the continued absence of meaningful AML coverage for a $146 trillion industry will be difficult to defend. FinCEN has acknowledged that illicit finance risks associated with investment advisers remain, even as it works through the deregulatory review.

The Russian oligarch problem hasn't been solved

20+

IAs with direct illicit ties

60+

IAs with oligarch investors

$B+

per single investor in some cases

One of the primary catalysts for the 2024 rulemaking was a granular look at how IAs have been exploited. According to FinCEN's 2024 Investment Adviser Risk Assessment, IAs and the private funds they advise have served as entry points into the U.S. financial system for wealthy Russians seeking to obscure their ownership of U.S. assets. SARs filed between January 2019 and June 2023 identified more than 20 U.S. IAs advising private funds with significant ties to Russian oligarch investors or Russian-linked illicit activities, with an additional 60 IAs managing private funds in which Russian oligarchs had invested.

The mechanism is often sophisticated: a member of the Russian elite, or a trusted proxy, invests through a wealth management firm typically located in an offshore jurisdiction such as Bermuda, the Cayman Islands, or Cyprus — then routes those funds into U.S. technology companies in fields like biotechnology and AI. The scale can reach billions of dollars for a single investor. Delay or no delay, this vulnerability hasn't closed.

What the rules actually require

The core obligations of the FinCEN AML rule – whatever final form it takes – are well established and unlikely to change materially at their core.

The AML/CFT program rule

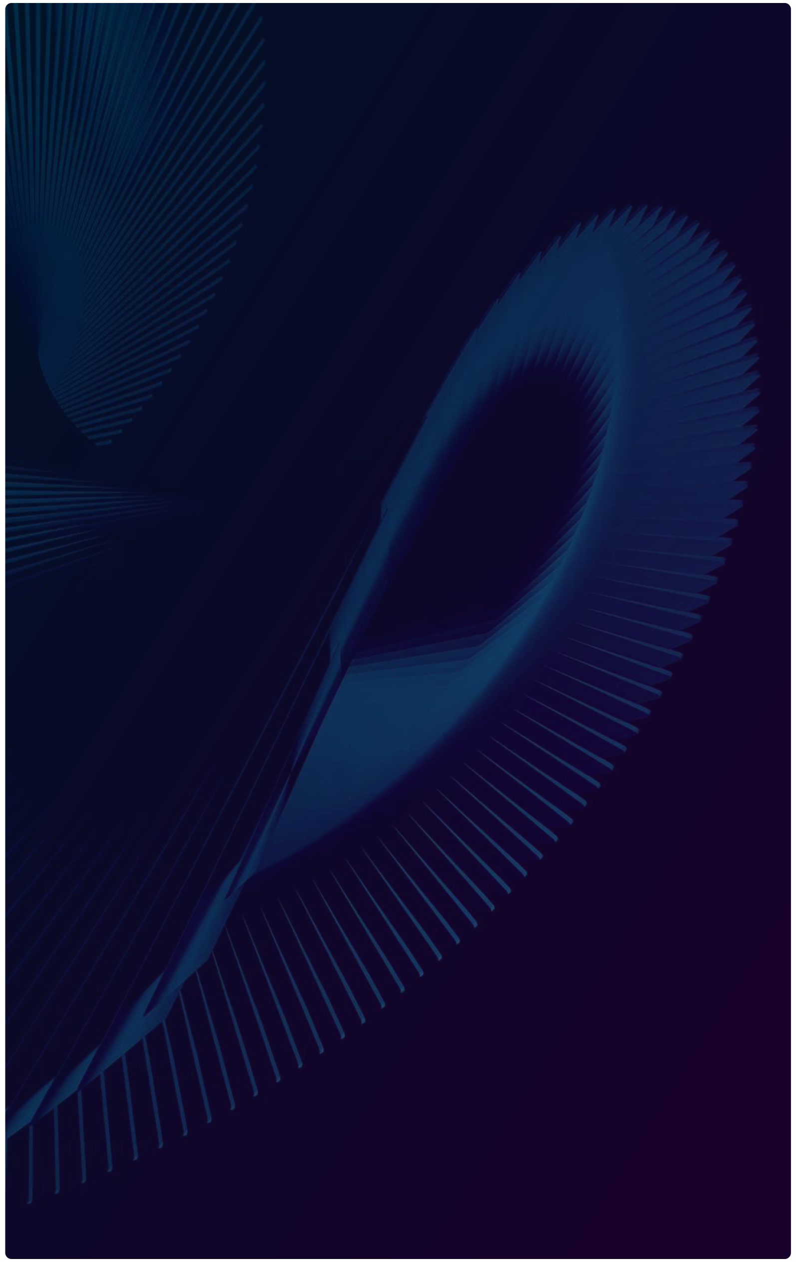
Under the framework, covered IAs would be defined as financial institutions under the BSA and required to implement a full AML/CFT program, including the five pillars: internal policies and controls, independent testing, a designated AML compliance officer, ongoing customer due diligence, and training. Beyond the program itself, covered advisers would need to monitor for suspicious activity and file SARs and Currency Transaction Reports (CTRs); comply with the Recordkeeping and Travel Rule; comply with Special Measures under Section 311 of the PATRIOT Act; conduct due diligence or enhanced due diligence on foreign private bank accounts and correspondent accounts under Section 312; receive 314(a) information requests; and participate in the 314(b) information-sharing program.

The rule permitsnarrow,ually delegate certain elements of their program to a third party, but the IA remains fully responsible and legally liable for compliance. Delegation decisions deserve verification and, particularly around whether a delegated program can support a genuinely risk-based approach.

The CIP rule

The joint FinCEN-SEC proposed CIP rule would require advisers to develop a customer identification program appropriate to their size and business type – sufficient to form a reasonable belief about the true identity of each customer. It includes risk-based procedures for customer identification and verification and permits reliance on another financial institution for CIP if specific criteria are met, which can meaningfully reduce the burden.

One critical unresolved question: the current proposed rule does not include fund investors as customers of the IA. The account holder, typically the fund itself, is treated as the customer. FinCEN has solicited comments on whether this definition is too narrow, and the answer almost certainly is yes, at least for purposes of meaningful AML risk management. How this is resolved in the eventual revised rule will have significant operational implications.



Why this is especially important for insurance companies

For large insurance companies that don't currently incorporate their RIA into their broader AML program, the window for easy catch-up is narrowing. The two-year delay buys time to build right, not time to defer the question.

Several structural features of the insurance-plus-RIA model make integration challenging and important:

Existing AML programs built around insurance products were designed for a different risk profile. The transaction patterns, customer types, and typologies relevant to investment advisory activity require materially different monitoring approaches and scenario design. Siloing these programs creates blind spots on both sides.

RIAs may already collect certain identifying information to support sanctions and export control compliance. That's a foundation, but it falls well short of a CIP-compliant process, and even further short of what genuine CDD and beneficial ownership identification requires.

The highly intermediated nature of RIA relationships - prime brokers, fund administrators, custodians, sub-advisers – creates a complex information chain. Detecting suspicious activity in this environment requires a clear communication and data-sharing framework across counterparties, not just internal monitoring.

The CDD data gap is particularly acute. Even where investors are not explicitly included in current CIP definitions, they are essential to meaningful SAR analysis. Institutions that wait to build investor-level due diligence programs until the rule compels them to will find themselves trying to retrofit that capability under deadline pressure.

AML program approval governance deserves attention as well. Under the rule, the RIA's board of directors or, where no board exists, the equivalent senior governing body must formally approve the AML program. For insurance companies with RIA subsidiaries, this governance alignment between the parent and the RIA entity requires deliberate structural work.

Technology priorities for an effective investment adviser AML program

Technology: Getting this right the first time

Perhaps more than in any other financial institution segment, the right technology choices will determine whether a RIA's AML program is effective or merely compliant. The combination of low transaction volumes, highly intermediated counterparty chains, and complex investor structures means that off-the-shelf solutions calibrated for banks or broker-dealers will frequently miss the mark.

Transaction monitoring and suspicious activity detection

Given the unique nature of RIA activity and the intermediated chain of relationships with prime brokers, custodians, and other financial entities, advisers need solutions that are adaptable, configurable, and transparent. The flexibility to develop institution-specific rules is critical – the risk typologies in the RIA space are still being actively mapped, and a monitoring program that can evolve as those typologies are better understood is far more valuable than one locked to static scenarios.

Entity resolution and network visualization

Relationships in the RIA business can be extremely complex, and the typologies most associated with risk, particularly sanction evasion through investment vehicles, often involve few actual transactions.
The significance lies in the path: which entities are involved, in what jurisdictions, and through what structures. Funds-of-funds and nested investment structures amplify this challenge. Entity resolution and network visualization capabilities are not optional for this sector – they are the primary detection mechanism for many of the highest-risk patterns.

CDD and customer risk rating

Even given current regulatory uncertainty about how investors will ultimately be treated under CIP and CDD requirements, customer information is already a critical input to suspicious activity analysis. A robust due diligence and risk rating solution – one that can accommodate both the entity (the fund) and the underlying investors – is foundational infrastructure regardless of where the rule ultimately lands.

AI-powered capabilities

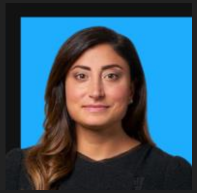
AI tools that can surface trends, patterns, and unknown risk relationships will be especially valuable for RIAs coming to AML obligations for the first time.

New monitoring programs almost always generate significant noise in their early stages – the detection logic hasn't been tuned to the institution's specific risk profile yet. AI-driven analytics can compress that calibration cycle, reduce false positives, and help compliance teams build a genuine understanding of their institution's risk exposure faster than traditional approaches allow.
The FinCEN investment adviser AML rule isn't dead, it's delayed and under revision. FinCEN has confirmed that while the effective date has moved to January 1, 2028, the rule's scope and substance remain intact for now, and FinCEN intends to reconsider and further tailor the rule before it becomes effective. Insurance companies with embedded RIAs that interpret the delay as permission to stand down are misreading the situation.

The underlying risks that drove the rulemaking – massive industry scale, FATF scrutiny, documented exploitation by sanctioned actors — haven't changed. What has changed is that there is now meaningful time to build an AML program that actually fits the RIA business model, rather than one assembled under deadline pressure.

The firms that will be best positioned when the revised rule goes effective and when FATF evaluators come calling are the ones treating 2026 and 2027 as a build window, not a waiting room.

About the Author



Elizabeth Callan is a recognized leader and innovator in the fight against money laundering and financial crime with over 25 years of experience across intelligence, law enforcement, and the private sector.

At SymphonyAI, she is at the forefront of redefining the future of financial crime compliance and risk management. She drives strategy and innovation, developing groundbreaking AI-led, intelligence-driven solutions that are transforming how global institutions detect, disrupt, and prevent money laundering, sanctions evasion, and other sophisticated financial crimes. Her work is helping shift the industry approach from reactive, technical compliance to proactive, risk-aligned, and highly effective risk management.

Prior to SymphonyAI, Elizabeth served in the U.S. intelligence and law enforcement communities. As a Senior Intelligence Analyst at the U.S. Department of the Treasury, she shaped high-impact U.S. policy and enforcement actions — including Section 311 designations — while directly advising senior officials at OFAC and FinCEN on critical threats and national security strategies. She also served as Intelligence Liaison and Senior Advisor to the DEA’s Special Operations Division, where she led complex, large-scale money laundering investigations, enhanced intelligence collection efforts, trained law enforcement agents and analysts, and forged strong international partnerships.

In the private sector, Elizabeth has held leadership roles in financial institutions and consulting firms, where she built and managed investigations teams, designed robust AML and sanctions programs, and developed risk management strategies for complex products and services.

A recognized subject matter expert, Elizabeth teaches AML and sanctions courses at the university level. She holds a master's degree in economics and the prestigious ACAMS Advanced Certification in Financial Crimes Investigations (CAMS-FCI).

About SymphonyAI

SymphonyAI, is building the leading enterprise AI SaaS company for digital transformation across the most critical and resilient growth verticals, including retail, consumer packaged goods, finance, manufacturing, media, and IT/enterprise service management. SymphonyAI verticals have 2000 leading enterprises as clients globally. Since its founding in 2017, SymphonyAI has grown rapidly to 3,000 talented leaders, data scientists, and other professionals. SymphonyAI is an SAI Group company, backed by a $1 billion commitment from Dr. Romesh Wadhwani, a successful entrepreneur and philanthropist.

SymphonyAI provides AI-focused SaaS solutions developed from the ground up for fighting financial crime. An end-to-end offering compiled from more than 25 years of knowledge in tackling money laundering and fraud, our award-winning product ecosystem comprises an innovative and modern approach to financial crime investigation using world-leading predictive and gen AI. From KYC/CDD and transaction monitoring through to payments fraud, entity resolution, and sanctions, PEP, and adverse media screening, SymphonyAI is a trusted name in finance technology with more than a third of the world's top 100 banks enjoying the power, efficiency, effectiveness and productivity that our solutions provide.

SymphonyAI

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Get in touch to discuss how your organization can build a more effective, scalable, and continuously aligned financial crime program across insurance and investment advisory operations using AI-enabled screening, monitoring, network analytics, and intelligent automation.

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