Proskauer

FinCEN Formally Proposes Two-Year Delay of Investment Adviser AML Rule

September 23, 2025

What This Means for Advisers:

- FinCEN has formally proposed to delay the effective date of the investment adviser AML rule from January 1, 2026, to January 1, 2028.
- The amendment itself is narrowly tailored to delaying the effective date, leaving the substance of the rule intact. However, FinCEN has made clear that it may propose further substantive changes before the rule takes effect.
- Advisers should treat this as both regulatory relief and a signal that the contours of their future AML obligations remain unsettled.

* * *

On September 19, 2025, the Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) issued a notice of proposed rulemaking (NPRM) that would amend the investment adviser anti-money laundering (AML) rule adopted in 2024. The proposed amendment would push back the rule's effective date from January 1, 2026, to January 1, 2028. This move comes as no surprise: in July, Treasury announced its intention to postpone implementation for two years while it reconsiders the scope and design of the rule in coordination with the Securities and Exchange Commission (SEC).

Background: The 2024 Rule and Its Postponement

The 2024 AML rule was a landmark development for the industry, formally defining certain registered investment advisers and exempt reporting advisers as "financial institutions" under the Bank Secrecy Act. As such, if the rule were allowed to go into effect, covered advisers would be required to establish AML programs, file suspicious activity reports (SARs), and maintain related records. The rule was finalized last fall with an effective date of January 2026, giving advisers a little over a year to prepare for sweeping new compliance obligations. Treasury's July announcement effectively suspended that timeline, and the NPRM now seeks to codify the extension.

Narrow Scope of FinCEN's Proposal

The amendment is intentionally narrow in scope. It does not alter any of the rule's substantive provisions, but rather formalizes the two-year delay in implementation. FinCEN explains that the extension is meant to afford it "an opportunity to reduce any unnecessary or duplicative regulatory burden and ensure the IA AML Rule strikes an appropriate balance between cost and benefit." This signals that additional amendments may follow before the rule takes effect. Because the AML rule is already a final rule, any future changes would need to be proposed as separate amendments, each subject to its own notice-and-comment process. Depending on the nature of those changes, FinCEN could even determine that further extensions of the effective date would be necessary.

FinCEN's Broader Objectives

In announcing the delay, FinCEN reiterated that its objectives are to ensure that AML requirements for advisers are proportionate and appropriately tailored, that regulatory costs are balanced against the benefits of protecting the financial system, and that duplicative or unnecessary obligations are avoided. This broader reassessment mirrors themes from other regulatory initiatives under the current administration, where agencies have emphasized efficiency, cost-benefit alignment, and proportionality across diverse industry sectors.

Implications for the Joint FinCEN/SEC Customer Identification Program Rule

The companion customer identification program (CIP) rule, which FinCEN and the SEC had jointly proposed in 2024, remains in limbo. Treasury's July announcement indicated that the agencies intended to revisit that proposal as well, but the CIP rule has not yet been re-proposed. Given its close connection to the AML rule, most observers expect FinCEN and the SEC to proceed on a coordinated basis, though no timeframe has yet been announced.

Next Steps

Comments on the proposed amendment are due within 30 days of its publication in the Federal Register. Given the narrow scope of the amendment, adoption of the two-year delay seems likely. Advisers should, however, be attentive to the possibility of further amendments that could materially alter the final shape of the rule before it comes into effect.

The bottom line is that investment advisers have gained additional time before any AML obligations under this rule formally take effect, although the contours and applicability of those obligations remain in flux. While FinCEN's proposal to formalize the January 2028 extension provides immediate regulatory relief, substantive changes are still on the table. Advisers therefore should be prepared for further changes to emerge in the design and scope of FinCEN's investment adviser AML regime, as FinCEN reconsiders the rule.

Related Professionals

- **Robert H. Sutton**
  Partner
- **Nathan R. Schuur**
  Partner
- **Seetha Ramachandran**
  Partner