Bite Stream Insider

Future-proofing your firm
Tackling FinCEN's AML rules for 2026 & beyond

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With FinCEN's new and final anti-money laundering (AML) regulations set to take effect in 2026, investment advisors, including RIAs and ERAs, face intensified compliance requirements. This article explores the steps firms must take - leveraging people, processes, and technology - to build a robust, scalable compliance program that mitigates risk and ensures future regulatory readiness.

The U.S. Financial Crimes Enforcement Network ("FinCEN") recently broadened its definition of "financial institutions," expanding to include a wider range of investment advisors. This shift now encompasses both Registered Investment Advisors ("RIAs") and unregistered exempt reporting advisors ("ERAs"), bringing them under a new set of regulatory requirements. As FinCEN ramps up enforcement, private market players will need to reassess their compliance strategies, especially concerning anti-money laundering (AML) and counter-terrorist financing (CFT) efforts.

What does the new FinCEN rule mean for advisors?

Starting in just over a year's time, on January 1, 2026, the new rule will require RIAs and ERAs to implement a comprehensive AML and CFT program. At its core, the new program must be risk-based, designed to identify, prevent, and mitigate risks associated with money laundering and terrorism financing. The U.S. Securities and Exchange Commission (SEC) will enforce the rule, giving it significant regulatory weight.

Here are the key obligations for advisors under the FinCEN rule:

- **Risk-based AML/CFT programs:** Advisors must design programs tailored to their specific risk profiles, encompassing initial and ongoing due diligence, Know Your Customer (KYC) protocols, and enhanced identity verification.
- **AML/CFT compliance officer:** Each firm must appoint one or more officers responsible for overseeing the program.

- **Recordkeeping:** Firms must adhere to stringent recordkeeping requirements, including identity verification, fund transfers, subscription documents, and protocols for sharing information internally and externally.

- **Suspicious Activity Reports (SARs):** Advisors will need to submit SARs and meet other reporting requirements to FinCEN.

- **Ongoing training and testing:** Firms must maintain regular AML/CFT training for staff and conduct periodic independent testing of their programs.

Although 2026 may seem distant, investment advisors must act now to prepare, as the cost of non-compliance can be severe, both financially and reputationally. In fact, the U.S. Treasury estimates the new rules could cost private fund managers up to $9.3 billion over the next decade.

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Immediate action: Using the PPT framework to prepare

Investment firms should not delay in preparing for the 2026 FinCEN requirements. Leveraging the **PPT framework** - People, Process, and Technology – can be instrumental in ensuring a smooth transition to compliance.

1. People: Is your team ready?

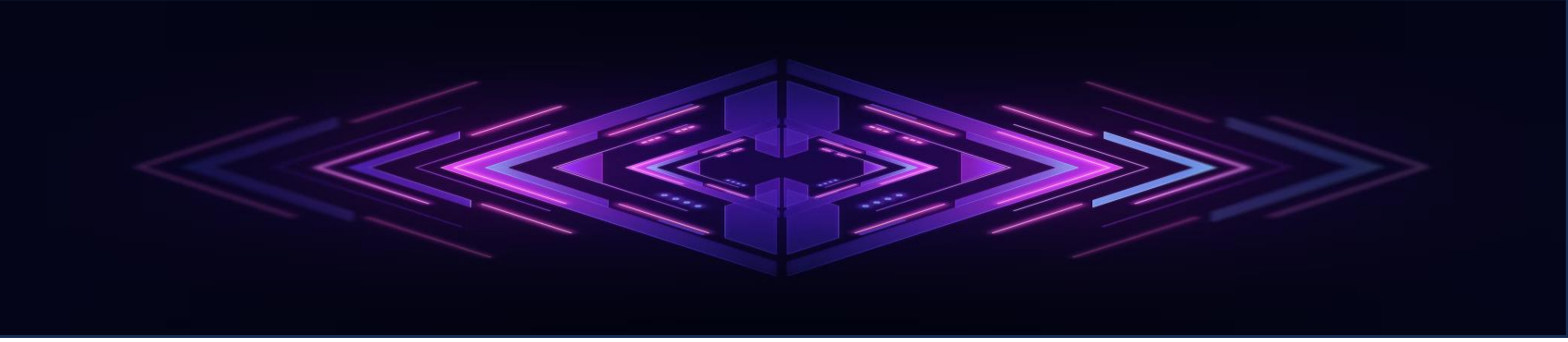
Effective AML/CFT programs rely heavily on having the right expertise in-house. Firms must assess whether they have the necessary talent to design, implement, and maintain their programs. This may involve hiring new compliance officers or upskilling existing teams. Note that when outsourcing parts of the process, your firm remains legally responsible for compliance, making it critical to ensure all personnel are adequately trained.

2. Process: Filling the gaps

The new FinCEN rules will likely force many advisors to rethink their operational processes. Do you have the right mechanisms in place to comply with the new requirements, or will you need to leverage third-party providers? From managing KYC to submitting SARs, understanding where you can streamline your operations or outsource components is key to keeping compliance manageable without overwhelming your internal teams. However, even outsourced processes require diligent oversight to mitigate risks.

3. Technology: Building a future-proof compliance infrastructure

Too often, compliance teams underestimate the role of technology, but in today's evolving regulatory landscape, it's essential—perhaps the most critical element of the entire strategy. As regulatory requirements grow more complex, RIAs and ERAs need an integrated, scalable technology stack that can handle evolving compliance complexities.



The FinCEN requirements mandate extensive recordkeeping and reporting processes, and manual systems will not be able to keep up with the volume of data that will need to be tracked and verified. Automating key processes, such as KYC, transaction monitoring, and SAR submissions, can not only reduce human error but also ensure that your firm can scale its operations as regulatory demands grow.

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Technology solutions can also help enhance transparency, facilitate easier auditing, and allow firms to respond more quickly to regulatory inquiries. Platforms like Bite Stream offer sophisticated tech-driven solutions tailored to meet the needs of the private market industry. By leveraging cloud-based solutions, firms can integrate their AML/CFT systems into a seamless workflow, reducing operational friction and lowering costs.

Conclusion: Preparing for 2026 and beyond

The upcoming FinCEN regulations mark a significant shift for RIAs and ERAs, with major implications for private fund managers. While compliance will require upfront investment in people, processes, and technology, starting preparations now will minimize future disruption. In our experience, the firms that start early with preparations not only avoid future headaches but also find competitive advantages in enhanced efficiency and trust from investors.

Firms that embrace a proactive approach - building a strong AML/CFT framework and leveraging modern technology platforms - will be well-positioned to navigate these new requirements while continuing to grow their businesses in the years to come.

Additional information can be found via FinCEN's Fact Sheet describing the key elements of the final rule here. To learn how Bite Stream can help your firm seamlessly meet FinCEN's upcoming AML requirements, book a demo today and discover how to future-proof your compliance strategy.

Get in touch and schedule a demo to learn more about Bite Stream's features and find a solution that suits your needs.

Schedule a demo

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