



What's Been Happening?

With the new Russo-Ukraine conflict taking full effect in Eastern Europe, many western nations have started to wage a “Financial War” on Russian leadership and Oligarchs. The West has been using sanctions to target crucial assets and financial systems in the heart of Russia, as well as freeze oligarchs’ investments and seize their personal assets.

The Administration took steps toward setting up the future framework of digital asset regulation in the U.S., while the SEC turned its attention to the fast-growing NFT marketplace. The longstanding SEC-Ripple standoff is case in point for the need of clearer regulation.

This month's notable fine came from insurance subsidiary USAA Federal Savings Bank for failing to live up to its 2017 commitment to improve its AML program.

Say "No" To Regulation By Enforcement



Ripple and the U.S. Securities and Exchange Commission (“SEC”) have been embroiled in a lawsuit as to whether Ripple’s XRP cryptocurrency is a security. The SEC’s decision to treat XRP as a security significantly impacted Ripple’s ability to operate RippleNet in the US. RippleNet is a network of banks, payment providers and others that use XRP to facilitate cross-border payments in real time, offering businesses and consumers a massive discount compared to traditional international wire fees.

Ripple – and much of the industry – has long complained the SEC never gave them “fair notice” that these sorts of token sales violated securities laws. Rather, they argue, the SEC is engaging in “regulation by enforcement.” In a minor win for the industry, a US District Court dismissed the SEC’s claim that Ripple should be precluded from arguing it didn’t have

New Executive Order Addresses Cryptocurrency Confusion



U.S. President Joe Biden signed a long-awaited executive order on March 9th, which called for an analysis of the risks and benefits of digital assets. This is the first step to laying the groundwork for future regulation of cryptocurrencies and digital assets in the U.S.

The measures announced will focus on six key areas:

1. Implementing consumer and investor protection,
2. Maintaining financial stability,
3. Curbing illicit activity,
4. Setting the U.S. to remain competitive globally,
5. Promoting financial inclusion, and
6. Supporting responsible innovation.

The topic of stablecoins was absent

“fair notice.” The judge held that “[a] fundamental principle in our legal system is that laws which regulate persons or entities must give fair notice of conduct that is forbidden or required” and continued by stating that there are questions of both law and fact as to whether Ripple had fair notice that XRP was a security.

In addition to the case against Ripple, this holding has further implications both on the many cases in which the SEC has made similar claims, as well as private lawsuits including, for example, the class action lawsuit against Coinbase alleging that it’s operating an unregulated securities exchange.

You can access the District Court’s ruling in the SEC v. Ripple Labs, Inc. [here](#).

from the White House’s announcement. There have been increasing concerns over the role played by stablecoins, which are digital tokens pegged to the value of currencies like the U.S. dollar.

The president has called for an “unprecedented focus of coordinated action” from federal agencies in mitigating security risks posed by digital assets.

Following Russia’s invasion of Ukraine, authorities are concerned about the possible use of crypto in helping Russian individuals and companies evade the sanctions.

SEC Taking Aim at NFTs

As the Biden administration focuses on enhancing rules around cryptocurrencies to strengthen the impact of the Russian sanctions, the SEC looks to be taking efforts to in part regulate one of the fastest-growing markets globally – NFTs. Sales of NFTs grew from an estimated \$95 million in 2020, to \$25 billion in 2021. While this market is completely unregulated and characterized by high instances of fraud, that’s not the SEC’s focus. Rather, the question they’re grappling with is whether the sale of ‘fractional’ NFTs (i.e., the breaking down of an NFT into sub-parts that can be bought and sold) is in fact an offer and sale of securities. Given the prior rulemaking on the topic, it wouldn’t be surprising for the SEC to conclude that, yes, the sale of fractional NFTs is an offering of securities. Stay tuned. And for more background on this topic, check out this article from [Bloomberg](#). More to come!



Russia Sanctions Forcing Banks to Quickly Adapt



Navigating sanctions against Russia are murky waters for U.S. banks to tread through. The list of requirements to ensure lawful payment flow to conflict-involved countries is consistently proliferating as the

FinCEN Announces \$140 Million Penalty



The Financial Crimes Enforcement Network (FinCEN) announced it assessed a \$140 million penalty against USAA Federal Savings Bank (USAA) for violations of the Bank Secrecy Act (BSA), despite committing to the OCC in 2017 that

fighting progresses.

Financial institutions had built a strong compliance system for years, based on the U.S.'s concurrent use of sanctions as a foreign policy tool. These recent efforts never had the depth to meet the challenge of a wide-scale financial war on Russia, with many new, complicated challenges presenting themselves amid the chaos.

Daniel Gutierrez, the co-chair of the legal and regulatory affairs committee at the Financial & International Business Association trade group, said challenges range from validating individuals and entities to working with complicated banking relationships.

To comply with sanctions, financial institutions rely on vendors for blacklists to screen their clients and transactions. But questions remain about how fast the lists are revised, industry experts said.

Read more [here](#).

their AML program would be improved.

This however was not the case, and USAA's business grew faster than its Compliance program, which resulted in failing to meet its commitments to the OCC. USAA acknowledged its shortcomings and admitted, "that it willfully failed to implement and maintain an anti-money laundering (AML) program that met the minimum requirements of the BSA from at least January 2016 through April 2021".

As regulators continue to increase their oversight, it becomes even more essential to ensure that business initiatives don't outpace investment in the AML infrastructure needed to support those initiatives.

To see the Consent Order, click [here](#)

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