

What's Been Happening?

July saw the crypto markets marginally improve after a highly volatile June, and countries are taking steps to develop a more comprehensive crypto and NFT regulatory framework. The month also featured impactful regulatory developments, with the House passing the ENABLERS Act that, if made into law, will expand the industries and professions subject to the BSA and AML laws.

Regulators also continued to ramp up scrutiny of financial institutions of all sizes. We've seen hefty fines and penalties (and in one case criminal action against executives) for BSA/AML violations by companies such as AMEX Bank, Nigerian payments company Flutterwave, and money transmitter Ping Express.

Free 'Know Your Wallet' Tool

One of the most challenging aspects of the on/off ramp between crypto and fiat is validating customers' wallets. The US is one of the few jurisdictions that specifically adds wallet addresses to the OFAC sanction lists. The failure to prevent a sanctioned wallet from connecting to an account held at a financial institution or exchange creates enormous legal, reputational, and financial risk. To help our friends and clients mitigate this risk, as announced last month DigiPli provides a **free tool** on its website to check whether a wallet address was sanctioned by OFAC. We can also offer this service via APIs. We hope you find it useful!



[Learn More](#)

House Passes ENABLERS Act: Adds More Industries Subject to AML Laws

An amended version of the ENABLERS Act, known as the "Gatekeepers Amendment," cleared the House on Thursday, July 14, 2022. If enacted into law, the US would follow the lead of other countries in imposing AML requirements on professional "gatekeepers" who provide financial-related services such as attorneys, accountants, and other non-banking professionals.



Flutterwave Denies Kenyan Regulator's AML Claims

There are numerous potential downsides once regulators suspect AML infractions – operational, reputational, financial, and more. Flutterwave, a digital payments FinTech with headquarters in Nigeria and San Francisco, has been **accused** by Kenya's High Court of AML improprieties. The court froze the company's bank accounts holding more than \$40 million. The money, held in 52 accounts in three banks, can't be moved or withdrawn for a period of 90 days. Flutterwave strongly denies any wrongdoing. However, the company is effectively at a standstill for transacting business in Kenya. This is a powerful reminder of regulators' ability to cause material business disruption.



NFT Platforms Subject to AML Laws in EU?

The European Union (EU) reached a political agreement on a set of laws known as the Markets in Crypto Assets Regulation (MiCA), designed to harmonize digital asset regulation across the EU. While NFT (non-fungible token) trading platforms were originally excluded from MiCA, subsequent amendments proposed that NFT platforms should also be captured. It'll be interesting to see how this impacts NFT Marketplaces such as OpenSea – the largest NFT Marketplace – and what AML or KYC controls they'll need to implement. Check out more details [here](#).

OFAC Fines AMEX Bank for Sanction Violations

American Express National Bank (Amex) agreed to a \$430,500 **settlement** regarding 214 violations of OFAC's Kingpin sanctions. In particular, over a two-month period Amex processed transactions for an account holder – Walter Alexander Del Noyal Marquez – who was linked to illegal drug distribution and money laundering. By way of background, the Kingpin sanctions attempt to combat international narcotics trafficking by imposing US sanctions on foreign persons and entities involved in the drug trade. Criminal penalties for corporate officers may include up to 30 years in prison and fines up to \$5 million. Criminal fines for corporations may reach \$10 million.



Global Crypto Regulation Coming

Global regulators are **exploring** creating a joint body within the next year to coordinate crypto rules. Key risks on which they're focusing include operational resilience, cybersecurity, and lack of transparency. Each of these risks warrant a level of global attention akin to climate change and COVID, stated the International Organization of Securities Commissions (IOSCO). In similar news, IOSCO published its **Crypto-Asset Roadmap for 2022-2023**, in which it will prioritize policy-focused work on crypto-asset markets and activities over the next 12 to 24 months.



Pleads Guilty to AML Violations

Ping Express – a Texas payments company that transferred millions of dollars from the US to Africa on behalf of its clients – **pleaded guilty** to failure to combat money laundering relating to approximately \$167 million in money

transfers. Ping Express developed internal controls designed to cap transactions over certain amounts, although it failed to block transactions for 1,500 customers who exceeded the cap. It also failed to investigate and report these suspicious transactions to regulators as required. Further, Ping Express conducted a money transfer business in states in which it was not licensed. While the company claimed to have software that could detect and prevent transactions initiated from States where it wasn't licensed, the software wasn't functional. Moreover, Ping Express' CEO, COO, and IT/Business Development Manager each pleaded guilty to knowingly transmitting illegally-derived funds. The CEO and COO were sentenced to 27 months in federal prison, while the IT/Business Development Manager received a prison sentence of 42 months.

Why this is important. This payments company knowingly failed to follow its internal procedures, implement systems designed to ensure that it remained compliant with its licensing status, and file suspicious transaction reports – all of which are avoidable with the right systems. It also highlights the continued regulatory focus on non-bank financial institutions like payment companies, and the fact that individuals will be held personally liable for AML failures of the companies for which they work.

We're empowering FinTechs and other digital financial institutions to rapidly deploy or upgrade AML infrastructure

Want to chat?



DigiPli | 9424 Baymeadows Road, Jacksonville, FL 32256 www.digipli.com

[Unsubscribe team@digipli.com](mailto:team@digipli.com)

[Update Profile](#) | [Our Privacy Policy](#) | [Constant Contact Data Notice](#)

Sent by team@digipli.com