Banking and Finance Law Daily Wrap Up, BANK SECRECY ACT—FinCEN withdraws unhosted-wallet CVC proposal, CVC-mixing finding and proposal, (Oct. 5, 2026)

Banking and Finance Law Daily Wrap Up

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The wallet proposal would have required banks and money services businesses to report covered transactions above $10,000 and keep records for those above $3,000.

The Financial Crimes Enforcement Network (FinCEN) is withdrawing its 2020 proposal for certain transactions involving convertible virtual currency (CVC) or digital assets with legal-tender status, as well as its 2023 finding and proposed special measure for international CVC mixing. Both withdrawals take effect upon Federal Register publication on October 6, 2026. FinCEN will take no further action on the wallet proposal, but it will continue monitoring CVC mixers for signs of money laundering, terrorist financing, and other illicit-finance activity.

2020 proposal. The 2020 proposal (see *Banking and Finance Law Daily*, Jan. 4, 2021) covered certain deposits, withdrawals, exchanges, payments, or transfers conducted by, through, or to a bank or money services business when an unhosted or otherwise covered wallet was involved. It would have combined reporting and recordkeeping duties with customer identity verification for covered activity. The scope extended to CVC and digital assets with legal-tender status and depended on the involvement of an unhosted or otherwise covered wallet.

Under the proposal, an institution would have filed a report when a transaction involving a counterparty using an unhosted or otherwise covered wallet exceeded $10,000. It also would have kept records for covered transactions exceeding $3,000. Because the requirements never became final, banks and money services businesses will not have to implement these particular reporting and recordkeeping thresholds under the withdrawn proposal.

FinCEN said it is ending the notice of proposed rulemaking, published in December 2020, as part of the Trump Administration's effort to ensure that digital-asset regulations are fit for purpose. The agency also made the proposal's status definitive by stating that it will take no further action on the rulemaking.

Mixing proposal. The companion withdrawal, involving an action under Section 311 of the USA PATRIOT Act, ends both FinCEN's finding that international CVC mixing is a class of transactions of primary money laundering concern and the proposed special measure based on that finding. The 2023 proposal would have required covered financial institutions to report specified information when they knew, suspected, or had reason to suspect that a CVC transaction involved mixing within or through a jurisdiction outside the United States.

FinCEN said commenters helped shape its decision. They warned that the proposal's expansive definition of CVC mixing could chill legitimate activity and impose a large reporting burden on covered financial institutions. A July 2025 President's Working Group report likewise acknowledged that illicit actors use mixers to obscure and launder funds, while lawful users may use them for financial privacy on public blockchains. The report said the Administration supports lawful users' ability "to privately transact on a public blockchain."

The agency did not retreat from its assessment of illicit use. FinCEN maintains that illicit actors continue using mixers and other tools and methods to hinder law-enforcement investigations. It said it will monitor mixer activity for indications of money laundering, terrorist financing, or other illicit finance and may take appropriate future steps. The withdrawal thus closes the pending finding and reporting proposal without foreclosing later action directed at mixer

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activity.

The two withdrawals become operative on October 6, 2026. The wallet notice ends that rulemaking, while the mixing notice leaves continued monitoring and possible future measures open.

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