



## ANNUAL COMPLIANCE REVIEW

# 2023

*The crypto reckoning: Binance, beneficial ownership, and the cost of speed*

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## A Note from the Founder

Every year I write this review I try to pick the single moment that captured the year. For 2023, it was November 21. That was the day Binance, the largest crypto exchange in the world, agreed to a 4.3 billion dollar global settlement with FinCEN, OFAC, the DOJ, and the CFTC. Its founder pleaded guilty in person. The company accepted a monitor. The settlement was larger than any single AML resolution in US history.

The Binance settlement was the headline, but it was not the only signal. Deutsche Bank paid 186 million dollars to the Federal Reserve in July for unresolved AML deficiencies, six years after the Russian mirror trades case. Crown Resorts paid 450 million Australian dollars in July. And FinCEN was preparing the Beneficial Ownership Information rule to go live on January 1, 2024. The combined message of the year was that the regulator was now both willing to bring whole-of-government cases and willing to require executive accountability at scale.

What this review is for is the compliance leader who needs to brief a board on what the regulator is signaling. The signal in 2023 was simple: the regulator is willing to bring whole-of-government cases, willing to require monitors, willing to demand executive accountability, and unwilling to accept repeat failures as a cost of doing business. Programs that were merely adequate at the start of 2023 were materially behind by year-end. The bar moved.

### Trends and Year-over-Year Comparison

Compared to 2022, the shift was from sanctions surge to broad-spectrum enforcement. 2022's sanctions tempo continued (the OFAC SDN list grew by another roughly 4,000 entries through the year), but the year was defined by aggregate enforcement totals. Federal and state authorities imposed approximately 3.96 billion dollars in penalties and seizures in 2023, roughly flat with 2022 but materially higher than any pre-2022 year.

The trend moving into 2024 was that BSA officer accountability had become real. Multiple 2023 actions named individuals. The Binance plea included a 50 million dollar personal penalty for Changpeng Zhao. The case against Bittrex's former CCO progressed. For boards, this changed the calculus on hiring, compensation, and program investment for the BSA officer role. Indemnification clauses were renegotiated. Tail liability insurance entered the conversation for senior compliance roles.

A second trend worth naming: the crypto sector's regulatory perimeter consolidated. Binance, Kraken (SEC staking action), Bittrex, Poloniex, and others all resolved cases during the year. By December, the question of whether crypto exchanges were within the BSA perimeter had effectively been answered. The remaining open questions (the legal treatment of decentralized protocols, the status of stablecoin issuers, the application of US law to non-US crypto operators) would continue to drive enforcement through 2024 and beyond.

## The Five Most Important Items of 2023

This is the short list. If a Chief Compliance Officer reads nothing else in this review, these are the five developments that mattered most in 2023, why they mattered, and what they meant for a working AML program.

### 1. Binance pleads guilty in a 4.3 billion dollar global resolution

On November 21, 2023, Binance Holdings Limited pleaded guilty to BSA violations, sanctions violations, and operating an unlicensed money transmitting business. The resolution included 1.81 billion in criminal forfeiture, 1.51 billion in fines, and parallel resolutions with FinCEN (3.4 billion in penalty), OFAC (968 million), and the CFTC (2.7 billion). Changpeng Zhao stepped down, pleaded guilty individually, and was later sentenced to four months in federal prison in April 2024.

The case was the largest AML resolution in US history. Beyond the dollar amount, the conduct findings were striking: Binance had knowingly served US customers without registering, had processed transactions for SDN-listed parties, had filed almost no SARs for years of activity, and had documented internal communications acknowledging the gaps. The monitor installed under the resolution will report to FinCEN and OFAC for five years. For every other crypto operator, the Binance resolution drew an explicit operational template of what compliance is required to look like, and a vivid picture of what happens when it does not.

### 2. Deutsche Bank pays 186 million dollars for unresolved deficiencies

On July 19, 2023, the Federal Reserve fined Deutsche Bank 186 million dollars for ongoing failures to address AML and sanctions deficiencies, including those identified in prior consent orders. The case is the canonical example of why remediation timelines matter, and why second-round penalties for the same root cause carry reputational damage that exceeds the fine itself.

The Fed's findings were detailed: areas of the consent order that should have been closed years earlier remained open, with no clear path to completion. The settlement included specific remediation milestones and reporting requirements. For other institutions under consent orders, the message was direct. Regulators will return. Open items will be re-examined. Promises made years earlier will be tested against current performance. Compliance leaders began treating consent order remediation tracking as a quarterly board-level metric.

### 3. Beneficial Ownership Information rule finalized for January 2024 launch

FinCEN finalized the Access and Safeguard Rule on December 21, 2023, completing the regulatory stack for the Corporate Transparency Act. Reporting companies in existence before January 1, 2024 had one year to file an initial BOI report. New companies had 30 days. The regulatory architecture was complete. What remained was execution.

FinCEN's small entity compliance guide was published in September. Webinars and outreach ran through Q4. Most large institutions had spent the year preparing customer onboarding to consume the registry data once it became available. Litigation challenges (the Northern District of Alabama's March 2024 ruling, the Texas Top Cop Shop case later in 2024) were not yet in view, and the year ended with the rule on track to take effect as planned.

#### **4. Crown Resorts pays 450 million AUD in Australia**

Crown Resorts agreed to a 450 million AUD civil penalty in July 2023 for AML and CTF failures across its Melbourne and Perth casinos. The case mattered for two reasons. First, it confirmed AUSTRAC's willingness to bring large casino-sector cases. Second, it made the Star Entertainment case (which would settle for 100 million AUD in 2024) easier to anticipate.

The Crown findings included VIP-program controls failures, inadequate enhanced due diligence on politically exposed persons, and weaknesses in transaction monitoring around junket-tour operators. For US casino operators (many of which were watching the AUSTRAC enforcement program closely) the case sharpened questions about the BSA's coverage of casino activity and the adequacy of voluntary compliance investment in the sector.

#### **5. FinCEN issues geographic targeting orders for residential real estate**

FinCEN renewed and expanded the residential real estate Geographic Targeting Orders, lowering reporting thresholds and expanding the covered metropolitan areas. The GTO program was the precursor to the residential real estate final rule that would be issued in 2024.

The expanded GTOs covered approximately a dozen major metropolitan areas and lowered the reporting threshold to 50,000 dollars for cash purchases through legal entities. Title insurance providers became the primary reporting party in most jurisdictions. The data collected during the GTO period directly informed FinCEN's design of the residential real estate final rule, particularly the cascade of reporting responsibility among real estate professionals.

## Other Material Developments

Beyond the top five, 2023 produced a set of regulatory, enforcement, and supervisory developments that did not dominate the headlines but materially affected how compliance programs are designed and tested. The items below are the ones that came up most in the program reviews and customer conversations we ran throughout the year.

### **SEC AML expectations for broker-dealers tighten**

FINRA's 2023 examination priorities included AML program adequacy as a top focus, with particular attention to penny-stock and small-cap broker-dealers. Examination findings drove a wave of remediation work, and FINRA disciplinary actions named several individual AML officers during the year, extending the pattern of individual accountability from banking into broker-dealer compliance.

### **OFAC reaches a record number of designations**

OFAC SDN list growth continued at the post-invasion pace, with designations spanning Russia, Iran, North Korea, Venezuela, Myanmar, China-affiliated supply chains, and global narcotics. By year-end, the consolidated screening list exceeded historical norms by a wide margin. Programs that had not modernized their screening platforms during 2022 felt the operational pressure most acutely.

### **FinCEN issues a financial trend analysis on identity-related suspicious activity**

In January 2024 (covering 2023 data), FinCEN reported 1.6 million BSA reports referencing identity-related red flags filed in 2021 alone, with continued growth in 2023. The analysis reframed identity fraud as a primary AML threat rather than a secondary fraud topic. Institutions began integrating identity-verification telemetry with their AML transaction-monitoring scenarios to detect synthetic-identity-driven money movement.

### **FATF removes Cayman Islands and Panama from the gray list**

The FATF removed Cayman and Panama from gray list status in October 2023, while continuing to flag the UAE. The shift changed enhanced due diligence calculus at correspondent banks. Programs that had imposed corridor-specific EDD on Cayman counterparties relaxed those controls during Q4, while keeping UAE-specific EDD in place.

### **Crypto bankruptcies fuel enforcement**

The collapse of FTX in late 2022 reverberated through 2023 with Sam Bankman-Fried's October conviction. The case generated a multi-year discovery trail that fed enforcement against connected counterparties. Several institutions that had banked FTX-affiliated entities received supervisory inquiries about their KYC and transaction-monitoring procedures.

### **FinCEN proposes the convertible virtual currency mixing designation**

In October 2023, FinCEN proposed to designate convertible virtual currency mixing as a class of transactions of primary money laundering concern under Section 311. The proposal extended OFAC's Tornado Cash precedent into BSA-based rulemaking, and would require special measures for institutions transacting in mixed crypto flows once finalized.

**PEP screening expectations evolve**

Multiple supervisory letters issued during 2023 reinforced that politically exposed person screening must be ongoing, not point in time, and must include domestic PEPs where risk-justified. Programs that screened only at onboarding faced examination criticism. The shift was consequential for community banks and credit unions, which historically had treated domestic PEPs as a low-priority screening category.

**Trade-based money laundering remains a focus area**

FinCEN issued an additional advisory on TBML red flags in 2023, naming specific commodity flows (electronics, used vehicles, scrap metal) and specific jurisdictional corridors. The advisory expanded the red-flag taxonomy that programs were expected to incorporate into their detection scenarios for trade-finance activity.

**Crypto-native banks come under closer supervision**

The collapse of Silvergate Capital and Signature Bank in March 2023 was driven by depositor flight rather than AML failures, but the regulatory response included intensified scrutiny of crypto-bank correspondent relationships across the system. Anchorage Digital, Customers Bank, and other crypto-friendly banks reported heightened examination focus on their AML programs.

## Notable Fines and Enforcement Actions

The table below lists the headline AML, BSA, and sanctions enforcement actions of 2023, along with the regulator and the penalty amount. Where the action involved multiple regulators in a coordinated resolution, the combined amount is shown and the agencies are listed in the regulator column. This is not exhaustive: it is the set of cases that drove the most attention from compliance teams and boards during the year.

Company	Regulator	Amount	Notes
Binance Holdings Limited	DOJ / FinCEN / OFAC / CFTC	4.3 billion USD	Largest AML resolution in US history, November 2023
Changpeng Zhao (individual)	DOJ / FinCEN / CFTC	150 million USD personal	Plus four-month prison sentence in April 2024
Deutsche Bank	Federal Reserve	186 million USD	Unresolved AML and sanctions remediation, July 2023
Crown Resorts	AUSTRAC	450 million AUD	Casino AML/CTF failures, July 2023
Shinhan Bank America	FinCEN / OCC / NYDFS	25 million USD	BSA program failures including SAR filing delays
Bittrex	SEC parallel to OFAC/FinCEN	24 million USD	Operating an unregistered exchange
TradeStation Crypto	SEC / state regulators	3 million USD	Unregistered crypto lending program
Poloniex	OFAC	7.6 million USD	Sanctions violations involving Iran, Crimea, Cuba, Syria
Coinbase (UK arm)	UK FCA equivalent	3.5 million GBP	VRA penalty for high-risk customer onboarding
Mashreqbank	Federal Reserve / NYDFS	100 million USD	Sanctions screening and AML failures involving Sudan transactions

## Closing Note

The story of 2023 is that the regulator moved up market. Binance was the largest crypto resolution. Deutsche Bank was a top-tier global bank paying for the same root cause for the second time. Crown was the largest casino case ever brought in Australia. The institutions paying the largest fines were the institutions that had previously been considered too large or too well-resourced to fail at AML.

2024 would deliver the largest BSA resolution in US history at TD Bank, and the rollout of beneficial ownership reporting. But the precedent was set in 2023. No institution was outside the scope of meaningful enforcement, and no executive was outside the scope of personal accountability. Compliance leaders who entered 2024 with that operating assumption built better programs.

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