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# What the Trump Administration May Mean for Financial Services Regulation

By Rawan Abdelrazek, Tania Flores, and Brian Weintraub

Under the Trump administration, the financial services industry foresees significant changes in policy making and at the "tone at the top" at the federal financial banking agencies and departments such as Treasury and Commerce. Key areas likely to see change include the crypto/digital asset industry, bank licensing, capital requirements, and the fintech space.

The following is a list of new Trump Administration appointees who are expected to make their mark on the financial services industry. Also included below are players yet-to-be-named and current regulators who are staying on—at least for now—at the federal and state level.

- Paul Atkins has been nominated as the next chair of the Securities and Exchange Commission (SEC). Atkins is a seasoned regulator and lawyer who previously served in this role from 2002 to 2008. He is known for his

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free market principles, support for balanced regulation, and advocacy of the crypto/digital asset industry. He has publicly called for more clarity in the regulation of digital assets.

- David Sacks, a Silicon Valley venture capitalist and former Chief Operating Officer of PayPal, will likely become the new White House crypto and artificial intelligence (AI) "czar," setting the administration's inter-agency agenda.
- Jerome Powell is expected to continue serving as the Federal Reserve Board Chair until his term ends in May 2026.
- Michael Barr, the Federal Reserve's Vice Chair for Supervision, has announced he will step down from this role on February 28, 2025. He will continue to serve on the Federal Reserve's Board of Governors, retaining some influence over banking regulations. Notably, Barr has led the effort to impose higher capital requirements on banks. Some industry followers think that Federal Reserve Governor Michelle Bowman, a Republican, is likely to replace Barr as the Vice Chair for Supervision, but no announcement has been made as of this date of publication. She has emphasized the importance of tailoring regulations to fit the size and complexity of different financial institutions, rather than a one-size-fits-all approach. This could mean enforcement actions become more proportional and targeted at significant risks rather than minor infractions.
- Entrepreneur Elon Musk has been tapped to lead the proposed Department of Government Efficiency (DOGE), which is tasked with reducing costs and redundancies across the U.S. government. Keep in mind here that any proposal to eliminate or merge any of the federal banking agencies would require congressional action.
- No announcement has been made regarding the leadership of the Office of the Comptroller of the Currency (OCC). This is one of the most highly anticipated appointments in the banking industry, given Michael Hsu's strong anti-crypto and pro-enforcement stances as the current Acting Comptroller. Hsu also sits on the FDIC board, so his replacement will impact the regulatory stance of the FDIC as well.
- Travis Hill, the former Vice Chair of the Federal Deposit Insurance Corporation (FDIC), is now Acting Chair. Hill's priorities include a more open approach to technology and bank-fintech partnerships, a more flexible approach regarding digital assets, and support for clearer guidance. He also plans to rejuvenate the FDIC's innovation lab, FDiTech, and re-evaluate how regulators implement the BSA to ensure that banks are not overly penalized for compliance issues. Additionally, Hill has revealed plans to formally withdraw the FDIC's current proposals on brokered deposits and corporate governance in addition to certain other recent proposals.
- Sen. Tim Scott (R-SC) is now the Chair of the Senate Banking Committee. He has been a vocal opponent of the Federal Reserve-led effort to revamp capital requirements for banks.

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The financial services industry should not expect any significant change in approach to AML and sanctions enforcement.

- Rep. French Hill (R-AR), who had served as Vice Chair of the House Financial Services Committee since 2023, is now the Chairman. In this capacity, he oversees the U.S. financial services industry including the mortgage, insurance, securities, and banking sectors. He also chairs the Subcommittee on Digital Assets, Financial Technology, and Inclusion.
- The New York Department of Financial Services (NYDFS) is a key player in the industry as it regulates banks and financial service providers licensed in New York. Adrienne Harris, the current Superintendent and former Obama official, was appointed by the Governor of New York and is expected to stay on. The Trump administration has no authority over that appointment.

It is important to note that, while the tone at the top and priorities at each agency may change, day-to-day supervisory decisions are made by career staff, and changes in approach may take time to be socialized agency-wide. And regardless of who is confirmed, the industry should not expect a significant change in the government's approach to enforcing regulatory requirements pertaining to Bank Secrecy Act/ Anti-Money Laundering (BSA/AML) rules, sanctions compliance, risk management frameworks, and third-party risk management.

**AML & Sanctions Regulatory Environment: Expect More of the Same**

The United States has historically led the charge in enforcing sanctions, rallying its allies in the process, and using sanctions as a foreign policy tool—regardless of which political party is in power. Commitment to preventing money laundering and using sanctions as a tool is a bipartisan priority and one shared at all the regulatory agencies. Under the Biden administration, there was no letup in the volume, scope, and complexity of the enforcement and sanctions actions coming out of the Office of Foreign Assets Control (OFAC), Department of Justice (DOJ), Financial Crimes Enforcement Network (FinCEN), and Department of Commerce (DOC), particularly related to Russia, North Korea, and Iran.

Many FinCEN and OFAC staff are career civil servants and subject matter experts. The financial services industry should not expect significant change in approach or a letup in AML and sanctions enforcement actions or in the imposition of sanctions, be it to prevent money laundering or punish perceived bad actors. Geopolitical tensions surrounding Iran, Russia, North Korea, China, and the Middle East will continue to drive the use of sanctions as a policy tool. Where change is expected is the use of tariffs as another policy tool, a development that will have less of an impact on financial services than on other industries.

Under the new administration, the U.S. sanctions regime will continue to benefit from coordination among the DOJ's National Security Division, the DOC's Bureau of Industry and Security, FinCEN, and OFAC. The administration is expected to continue to focus on technology-related sanctions and the use of cryptocurrency in sanctions

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evasion. This is, in part, because foreign entities seeking U.S. technology are turning to USD-pegged "stablecoins" to process transactions, leveraging the credibility of the dollar while avoiding U.S. regulatory oversight.

From a practical perspective, this means that financial institutions will need to continuously monitor announcements by OFAC, FinCEN, and Treasury and manage their AML and sanctions risks across multiple business lines and jurisdictions.

**Fintech-Bank Partnerships: Prospect for Growth and Continued Innovation**

Many business leaders are hoping that Trump's picks bring more support for diversification and innovation in financial services, including more support for bank-fintech partnerships. The financial services industry has seen rapid changes brought on by the volume and diversity of fintech players offering digital, streamlined, and niche access to capital. The U.S. digital payments market alone is expected to process over $3.5 billion in transactions in 2025 and grow at an annual rate of 9% through 2028. Fintech firms often partner with banks to provide financial services. They also lend to borrowers that have been effectively shut out by the traditional banking industry, such as small businesses, lower-income borrowers, and startups. For example, platforms that offer small "buy now, pay later" loans (BNPL) services have steadily gained popularity as an alternative to credit cards. An estimated 86.5 million people in the U.S. used BNPL in 2024, up 6.92% year-over-year.

Many fintechs have money transfer licenses (MTLs) and are not subject to federal oversight but still have compliance programs in place and/or take direction from their regulated banking partners on compliance. Nevertheless, the fintech industry and its banking partners have seen heightened scrutiny over the past two years, with some banks exiting fintech (and crypto) partner relationships as a result. One needs to look no further than recent OCC and FDIC enforcement actions against small and regional banks, citing their insufficient third-party management of fintech partners in areas such as BSA/AML.

Looking ahead, agencies are expected to adopt a more open approach to the important role that fintechs play in providing access to finance for consumers and small businesses. This approach will likely include more guidance to banks and less use of enforcement actions that create operational burdens and restrict business. This stance is reflected in a letter sent by Republican members of the House Financial Services Committee to the banking agencies in October 2024, urging regulators to "understand the unique nature of different bank-fintech partnerships to avoid stifling innovation, ensure appropriate regulation, and deliver critical consumer protections."

Meanwhile, fintechs and their banking partners have been more proactive in their efforts to stay out of regulatory crosshairs. (In this context, recent enforcement actions can serve as a roadmap for building effective compliance programs.) Fintechs have been upping their compliance efforts by hiring more experienced compliance staff,

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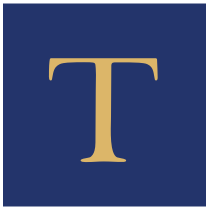



Industry experts are expecting the incoming business-friendly administration to approve more bank charters.

including dedicated BSA officers, investing in compliance technology, and retaining third-party advisory and law firms. At the same time, banks are being more selective about their fintech partners and more proactive in ensuring their partners uphold the compliance requirements in their third-party service level agreements. Both banks and fintechs are also actively engaging with regulators to understand the agencies' focus areas, explain their business models, and demonstrate commitment to compliance.

### Licensing and Charters: Breaking the Logjam

Industry experts are expecting the incoming business-friendly administration to approve more bank charters, which were on hold during the Biden administration. In recent years, several companies have filed applications to the FDIC to obtain an industrial loan company (ILC) charter, which enables nonbanks to issue loans and accept federally insured deposits. Some have withdrawn from the lengthy approval process, while others still await a decision. Also, several digital asset firms' applications for limited purpose bank charters have been declined, put on hold, or encouraged to be withdrawn.

A more open and transparent approach by the FDIC and OCC to permit greater diversity in the banking industry would certainly invite more applications. A change in approach would not mean, however, that the bar for entry will be lowered or the process expedited. Applicants must provide evidence that they have adequate risk and compliance programs, especially regarding BSA/AML and sanctions. Also, as part of the approval process, regulators might include controls that would make a fintech or nonbank continue to rely on a bank partner for some transactions.

### Digital Assets: Broader Adoption

Well before the 2024 election, consumers and financial services companies accepted that the digital asset class was here to stay. This enthusiasm for blockchain-based finance is evident in Bitcoin's recent spike over $100,000 and the proliferation of new crypto products from leading investment firms.

The industry is witnessing multiple pro-crypto steps by the Trump administration, including efforts to make the U.S. more competitive globally. These include plans to create a national bitcoin stockpile, the creation of a crypto regulatory policy council, appointment of a crypto czar at the White House, and nomination of number of regulators both supportive of and knowledgeable about digital assets. At a high level, the industry should expect:

- More clarity and structure in the regulatory space, including clarification of whether or not a digital asset is a "security."
- Guidance to regulated financial service firms on how they can prudently engage with crypto firms, including via the provision of banking services.

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- A reversal of "Operation Chokehold," under which regulators have dissuaded banks from investing in crypto assets. This stance had been signaled in a joint 2023 statement whereby the Fed, OCC, and FDIC stressed the importance of ensuring that unmanageable risks from the crypto-asset sector do not spill over into the banking system.
- A less litigious environment compared to the SEC's legal battles with crypto businesses during the Biden administration. Under Atkins, the SEC is expected to shift its approach toward more genuine industry engagement, transparency in rulemaking, and a reversal of the previous regulation-by-enforcement approach.
- Actions to promote the widespread adoption of digital assets, including the elimination of what some consider to be burdensome accounting guidance from the SEC.

However, optimism should remain tempered during the transition. Even where new leaders are taking the helm, the gears of bureaucracy do not move quickly, and financial stability will continue to be a priority. Financial service firms and digital asset players should continue to actively engage with Congress and the regulatory agencies to explain how they will manage risks associated with digital assets.

The industry should expect actions to promote the widespread adoption of digital assets.

**Conclusion**

Certainly, much about 2025 and beyond remains unknown. Change will not be immediate. For now, the best course of action is for companies to stay nimble and adaptive, continue to build and maintain strong compliance programs, and proactively engage with policy makers and regulators.

**Rawan Abdelrazek**
Rawan Abdelrazek, Managing Director with Treliant's Financial Crimes and Fraud Solutions team, is a seasoned financial services executive with extensive experience in program buildouts, compliance, remediation, digital assets/cryptocurrency, strategic change, operational management, and government leadership. **RAbdelrazek@treliant.com**

**Tania Flores**
Tania Flores, a Director with Treliant, is a seasoned financial crimes risk, investigations, and compliance professional working with global financial services companies and other highly regulated industries. **TFlores@treliant.com**

**Brian Weintraub**
Brian Weintraub is a Senior Consultant at Treliant. He has over five years of experience in financial compliance consulting, specializing in Bank Secrecy Act (BSA) and Anti-Money Laundering (AML) laws and regulations. **BWeintraub@treliant.com**

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- Regulators Matter: How Strong Relationships Build Stronger Banks
- 2025 Roadmap for Banks: Navigating Regulation, Streamlining Costs, Embracing AI
- A Year of Transition: Preparing for Banking's Regulatory and Strategic Shifts
- Doubling Down on Risk Identification as the Post-Election Landscape Shifts

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