

# AML Review

Volume 2, Issue 7 - February 2026

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## *Special Issue: Stablecoin*

### About this Issue

This Special Topics Bulletin focuses on money laundering risk, regulation, and risk management related to stablecoin.

### Accessing AML Review Disseminations

Copies of individual articles contained within AML Review will be stored on GC Collab. If you are unable to access an article, please email [CIFA-BC@rcmp-grc.gc.ca](mailto:CIFA-BC@rcmp-grc.gc.ca).

### Classification Level

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## INTRODUCTION

Welcome to *AML Review*, your resource for staying up to date with developments in anti-money laundering (AML) efforts, including scholarly outputs, government reports, and case law.

This issue of *AML Review* focuses on stablecoin. Stablecoin is a type of cryptocurrency designed to maintain a stable value by pegging to fiat currencies (e.g., the U.S. dollar), commodities, or financial instruments, aiming to offer a less volatile alternative to cryptocurrencies, such as Bitcoin. In late 2025, Government of Canada introduced a legislative package (Bill C-15) that included the proposed *Stablecoin Act* (“the Act”). The Act establishes a federal framework for the regulation of stablecoins in Canada and was, in part, modeled after the *GENIUS Act* in the United States.

Despite its potential benefits, stablecoin poses significant risks for money laundering and other forms of illicit finance. Its stable value allows criminals to convert illicit cash into stablecoins without the risk of currency fluctuation, making it an attractive option to launder money, evade sanctions, and finance terrorist activity. In addition, its features facilitate anonymous, rapid, and cross-border transactions without relying on traditional banking systems, making it difficult for authorities to trace funds. This global accessibility allows criminals to move money quickly and discreetly. Ongoing efforts to enhance regulatory frameworks and compliance measures are crucial to mitigate these risks and ensure the integrity of the financial system.

This special issue features academic work by Armstrong (2025) on how threat actors seek to exploit stablecoins. In addition, it features regulatory and government reports and statements by the Financial Action Task Force (2025), International Monetary Fund (2025), U.S. Securities and Exchange Commission (2025), and Wolfsberg Group (2025) that summarize key developments in the regulation, risk management, and market understanding of stablecoins. These reports indicate a maturity in the sector where stablecoins are increasingly distinct from broader crypto-assets and present concerns regarding their growing role in illicit finance, particularly when paired with anonymity-enhancing tools.

We hope that *AML Review* will continue to be a valuable resource for you to develop your expertise in AML. If you have an idea for a future bulletin or have materials you would like to share, please contact [CIFA-BC@rcmp-grc.gc.ca](mailto:CIFA-BC@rcmp-grc.gc.ca).

Sincerely,

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## INCLUDED DISSEMINATIONS

### Academic Articles and Book Chapters

Armstrong, T. (2025). Emerging intelligence in the stablecoin economy: The centrality of stablecoins to the crypto ecosystem and how threat actors seek to exploit them. *International Journal of Contemporary Intelligence Issues*, 2, 3-13.

### Regulatory and Government Reports and Statements

Financial Action Task Force (2025). [FATF urges stronger global action to address illicit finance risks in virtual assets](#). FATF

International Monetary Fund (2025). [Understanding stablecoins](#). IMF.

U.S. Securities and Exchange Commission (2025). [Division of Corporate Finance statement on stablecoins](#). SEC

Wolfsberg Group (2025). [Guidance on the provision of banking services to fiat-backed stablecoin issuers](#).  
Wolfsberg Group.

## ACADEMIC ARTICLES

### Project and Scholarly Work

**Armstrong, T. (2025).** *Emerging intelligence in the stablecoin economy: The centrality of stablecoins to the crypto ecosystem and how threat actors seek to exploit them. International Journal of Contemporary Intelligence Issues, 2, 3-13.*

#### Abstract

Stablecoins - cryptoassets pegged to a specified asset, usually the US dollar - comprise less than 10 percent of the market capitalisation of all cryptocurrencies. Yet they are used in a significant portion of crypto activity, denominating as much as 80 percent of all trades on centralised exchanges. Stablecoins have also been exploited by malign actors that pose acute national security risks such as terrorist financiers and other threat actors. This paper discusses key findings relating to stablecoin markets and their use by threat actors, together with case studies of how specific terror financing groups have used stablecoins to receive and launder funds. It then proposes ways in which intelligence and defence communities can leverage blockchain intelligence to track, disrupt, and degrade terrorist and criminal use of stablecoins.

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## REGULATORY AND GOVERNMENT REPORTS AND STATEMENTS

### Report

**Financial Action Task Force (2025).** *FATF urges stronger global action to address illicit finance risks in virtual assets. FATF.*

#### Abstract

The Financial Action Task Force (FATF) outlines a distinct shift in the behavior of illicit actors, who are increasingly favoring stablecoins over volatile cryptocurrencies like Bitcoin. The report notes that the stability and deep liquidity of these assets make them the preferred vehicle for retaining the value of criminal proceeds during the money laundering process. The FATF highlights the growing misuse of stablecoins by sanctioned state actors, such as the DPRK, for theft and proliferation financing. The update also points to significant implementation gaps in global regulation, specifically regarding the "Travel Rule," which allows criminals to exploit jurisdictional arbitrage. The FATF warns that the combination of stablecoins with anonymity-enhancing tools—such as mixers and cross-chain bridges—creates complex laundering chains that are difficult to trace, urging jurisdictions to focus on P2P transaction risks.

The FATF intends to produce a targeted report on stablecoins in the first quarter of 2026 that includes an examination of associated risks and mitigating measures.

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### Report

**International Monetary Fund (2025).** *Understanding stablecoins. IMF.*

#### Abstract

The International Monetary Fund (IMF) analyzes and explains stablecoins, and their structural impact on global financial stability. The report provides a comprehensive analysis of the stablecoin ecosystem, primarily focusing on centralized, fiat-backed assets that maintain a 1:1 parity with sovereign currencies. While currently utilized mainly for crypto-asset trading, stablecoins are identified as evolving tools for cross-border payments and remittance efficiency; however, the IMF warns that they

pose significant macro-financial risks, including the potential for currency substitution ("cryptoization") in economies with weak monetary frameworks and systemic contagion risks triggered by "runs" on reserve assets. The report highlights that while international standard-setting bodies like the Financial Stability Board and FATF have issued high-level recommendations, the current global regulatory landscape remains fragmented—with divergent approaches in the US, EU, and Japan—creating dangerous opportunities for regulatory arbitrage. To mitigate these threats and address the lack of data visibility into token holders, the IMF calls for urgent, harmonized international cooperation and the implementation of robust frameworks that enforce strict reserve segregation and transparency.

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## Statement

**U.S. Securities and Exchange Commission (2025). *Division of Corporate Finance statement on stablecoins. SEC.***

### Abstract

In this statement, the SEC's Division of Corporation Finance articulates a regulatory "safe harbor" interpretation for "Covered Stablecoins," distinguishing them from securities. The Commission clarifies that stablecoins designed strictly as payment mechanisms—defined by a 1:1 peg to the U.S. dollar, full backing by low-risk liquid assets (such as cash or Treasury bills), and redeemability on demand—do not meet the *Howey* or *Reves* test criteria for investment contracts. The SEC highlights that because these instruments do not offer a profit expectation or yield to the holder, they function primarily as a store of value rather than an investment vehicle. However, the statement warns that this classification is conditional upon the integrity of the reserve

assets; issuers must maintain unencumbered, segregated reserves to ensure that the "consumption" or payment utility of the token remains its primary feature.

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## Report

**Wolfsberg Group (2025). *Guidance on the provision of banking services to fiat-backed stablecoin issuers. Wolfsberg Group.***

### Abstract

The Wolfsberg Group provides a specialized framework for financial institutions (FIs) entering commercial relationships with issuers of fiat-backed stablecoins. The guidance posits that while standard financial crime compliance principles apply, they must be augmented by technical due diligence specific to the digital asset ecosystem. The Group emphasizes that FIs must look beyond the issuer's corporate documentation and rigorously assess the issuer's own control environment. This includes verifying whether the issuer utilizes blockchain analytics to monitor on-chain settlements and assessing the issuer's ability to identify and freeze illicit funds. Furthermore, the guidance stresses the criticality of reserve transparency, advising FIs to mandate clear segregation of reserve assets from operational funds and to require frequent, independent verification of those reserves ("proof of reserves") to mitigate liquidity and solvency risks.