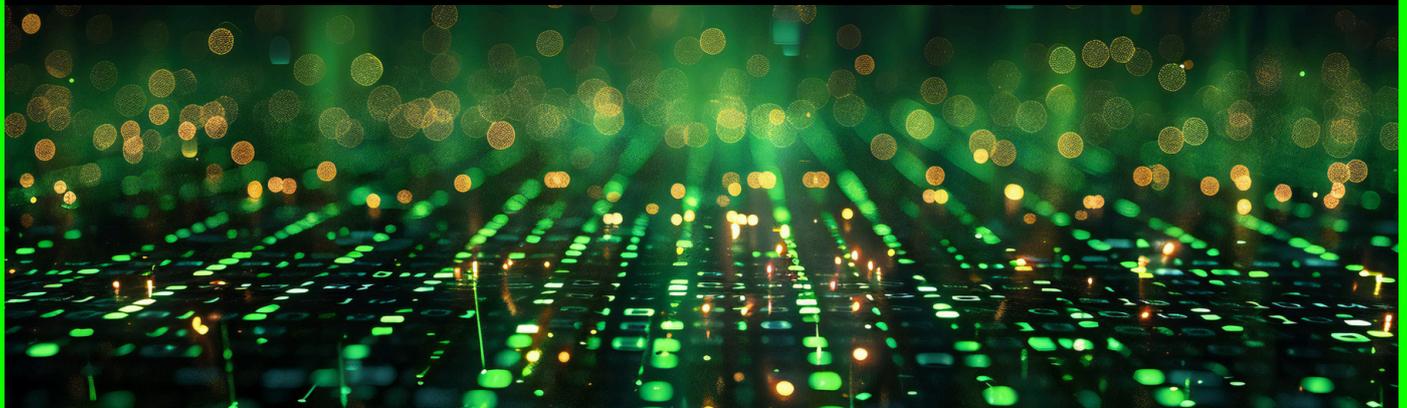


29.03.2026



Welcome to Scale Compliance's  
**NEWSLETTER**

## **When AML Failures Become Structural: The Liquidation of MBaer Merchant Bank**



FINMA has ordered the liquidation of MBaer Merchant Bank AG following the identification of serious, systemic deficiencies in AML controls, governance, and risk management. The decision became effective after the bank withdrew its appeal before the Federal Administrative Court.

### **What Regulators Found**

FINMA's enforcement proceedings uncovered failures of exceptional severity: critical gaps in due diligence and transaction monitoring, documented dealings with sanctioned clients, circumvention of asset freezes, and compliance warnings systematically ignored by management. The concentration risk was extreme: 80% of client relationships classified as elevated risk, 98% of incoming assets from high-risk clients. FINMA concluded the deficiencies were no longer remediable.

## International Escalation

The case did not stop at Switzerland's borders. FinCEN simultaneously designated MBaer a "financial institution of primary money laundering concern" under Section 311 of the USA PATRIOT Act, citing the alleged processing of hundreds of millions of dollars linked to illicit actors connected to Russia, Iran, and the Islamic Revolutionary Guard Corps.

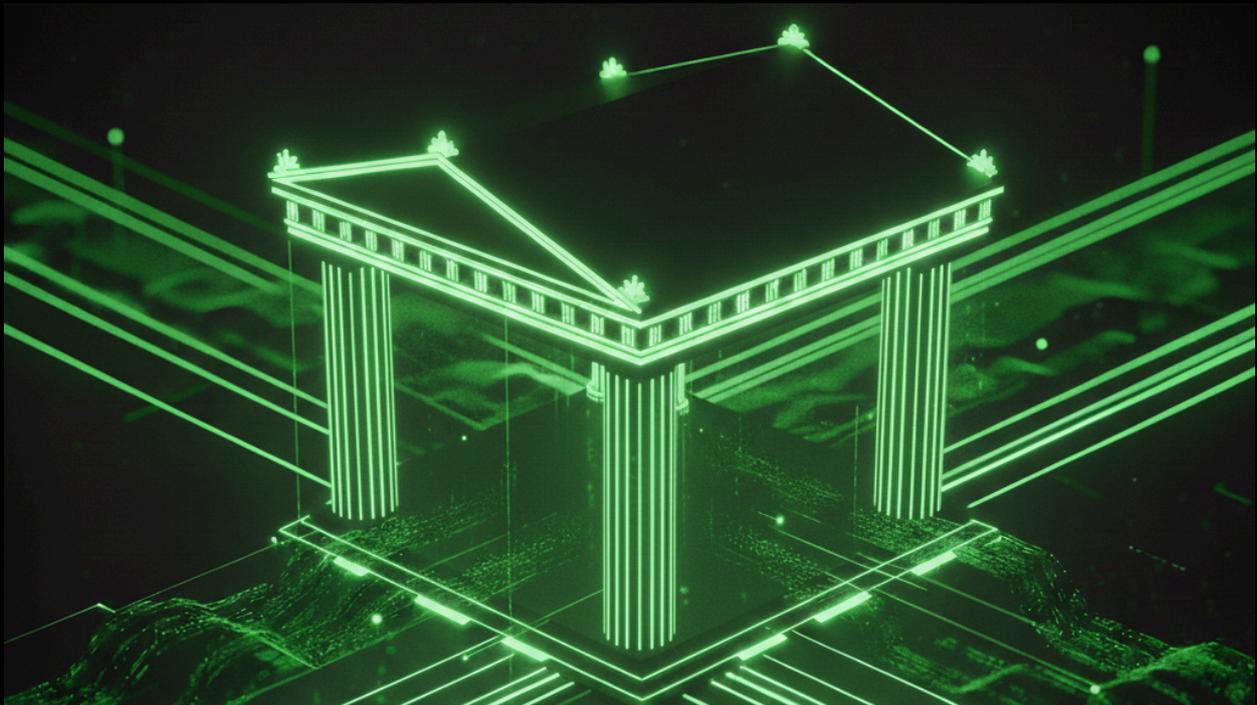
*When governance fails systematically, regulators don't issue fines. They withdraw the licence.*

## Moving Forward

This case sets a clear precedent: **ignoring compliance escalation is a supervisory breach with existential consequences.** Independent client checks, rigorous sanctions screening, and documented AML risk assessments are not optional overhead. They are the licence to operate.

**Scale Compliance specializes in high-risk environments,** supporting financial institutions, crypto companies and luxury asset dealers with independent client checks, sanctions screening and AML risk assessments.

## Outsourced Compliance Only Works If the Responsibility Is Truly Assumed



The AML and Compliance Officer function is frequently treated as a formal checkbox: outsourced at minimum cost, with little substance behind the structure. On paper, the governance framework looks complete. In practice, risk accumulates undetected.

## What It Means for Compliance

Outsourcing a compliance function does not transfer the regulatory obligation. Supervisors expect genuine substance: documented oversight, independent judgment, and senior-level authority. Regulators have become adept at distinguishing form from substance.

The standard for outsourced compliance is rising in parallel with enforcement activity. Firms with experienced, senior-level compliance leadership are consistently better positioned when supervisory scrutiny intensifies. The M'Baer case illustrates directly what happens when warnings are not acted upon at the right level.

### **Actionable Takeaway**

Review your outsourced compliance mandate. Is your AML Officer empowered to act with independence and documented authority? If the function is filled rather than exercised, it is time to reassess.

## **No Compliance = No Market Access: KuCoin and the New Regulatory Reality**



Dubai's Virtual Assets Regulatory Authority [VARA], has publicly warned that KuCoin is operating without the required licence and must cease serving clients in the region. Austria's financial regulator has separately restricted KuCoin's European entity from onboarding new customers, citing insufficient compliance staffing.

### **What It Means for Compliance**

Regulatory action against crypto exchanges is no longer episodic or jurisdiction-specific. It is coordinated and accelerating. Licensing is no longer a milestone on a growth roadmap. It is the gatekeeper to market access.

Capital is no longer flowing to the fastest-moving platforms. It is selecting for credibility. The firms that will retain access to institutional clients and regulated markets are those that have invested in proactive regulatory alignment and senior compliance leadership.

### **Actionable Takeaway**

Audit your licensing status across all operating jurisdictions. Identify gaps in compliance staffing and governance documentation before regulators do. Sustainable growth will be built on regulator-ready operations.

## FATF's Stablecoin Report: What Every Compliance Professional Needs to Know



On 3 March 2026, the Financial Action Task Force published its Targeted Report on Stablecoins and Unhosted Wallets. The findings carry direct implications for compliance teams across financial services and digital asset firms.

### **The Scale of the Problem**

Over 250 stablecoins are in circulation with a combined market cap exceeding \$300 billion. Stablecoins now account for 84% of illicit virtual asset transaction volume, representing \$154 billion in 2025 alone. This is no longer a peripheral risk. It is a systemic one.

### **The Key Vulnerability: Unhosted Wallets**

Peer-to-peer transfers through self-custody wallets can bypass regulated intermediaries entirely, creating critical gaps in AML oversight. FATF identifies this as the primary structural weakness in the current stablecoin ecosystem.

*Stablecoins are no longer just another crypto asset. Regulators are treating them as systemic financial infrastructure, with all the obligations that entails.*

### **What FATF Is Calling For**

The report urges issuers to implement risk-based technical and governance controls: the ability to freeze or burn stablecoins in secondary markets, customer due diligence at redemption, and smart contract controls including allow-listing and deny-listing. Sanctions activity linked to Iran and North Korea is explicitly cited as a driver of urgency.

### **Moving Forward**

Firms with stablecoin exposure must review transaction monitoring coverage for unhosted wallet interactions, assess redemption-stage due diligence, and engage with evolving issuer-level obligations under MiCA and the GENIUS Act. The dual-use nature of stablecoins is acknowledged. It no longer provides regulatory shelter.

Launch: CRYPTO COMPLIANCE TRAININGS



We've designed **3 Crypto Compliance trainings** that move from fundamentals to advanced governance and AI-driven risk.

**SAQ-recognized** for recertification <https://saq.ch/en/certifications/>

You can register for the following trainings:

#### **BASIC**

- AML essentials and the three stages of laundering in digital assets
- FINMA token classifications and regulatory obligations
- KYC, cybersecurity, and AI-driven automation in practice

#### **INTERMEDIATE**

- Comparative analysis: FINMA, EU MiCAR, Dubai VARA
- Enforcement case insights: Binance and KuCoin
- KYC vs. KYT and the strategic use of RegTech

#### **ADVANCED**

- FATF, MiCA, SEC, and FinCEN deep dive
- AI-driven AML risks and KYX frameworks
- DeFi governance, ZK-proofs, and predictive compliance design

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- Senior compliance officers and leaders
- Regulators & Legal Professionals
- Security & Risk Leaders

CHF 250.00 CHF each. CHF 700.00 for all 3 Trainings.

Register now here: [info@scalecompliance.com](mailto:info@scalecompliance.com)

Trainings will take place in Spring. Dates to be followed.

# Scale Compliance

FINMA orders a Swiss bank's liquidation. KuCoin shut out of Dubai and Europe. Stablecoins behind \$154 billion in illicit transactions in 2025 alone. The rules of the game have changed and regulators are no longer waiting for firms to catch up.

At Scale Compliance, we see a clear trend: digital assets are moving from speculation to mainstream financial infrastructure and more regulation. As institutions, governments, and high-net-worth individuals embrace this shift, compliance and secure transactions will be more critical than ever.

## Key Takeaways:

The cases in this edition share a single message: regulators are moving from guidance to enforcement, and the threshold for what constitutes adequate compliance is rising fast.

For financial institutions and digital asset firms, the priorities are clear:

- Treat AML and compliance functions as core governance, not administrative overhead
- Ensure licensing, sanctions screening, and transaction monitoring are audit-ready across all operating jurisdictions
- Assess stablecoin and unhosted wallet exposure in light of FATF's latest findings
- Invest in senior compliance leadership before supervisory scrutiny forces the issue

## How Scale Compliance Helps You Stay Ahead:

Crypto Payments for Luxury Goods – Buy high-end watches, real estate, and other assets securely with crypto.

Exchange Services – Convert crypto to fiat and vice versa with full regulatory compliance.

Escrow Services – Protect high-value transactions with secure and transparent escrow solutions.

Compliance & Regulation – Stay ahead of AML, KYC, and evolving digital asset regulations.

Financial innovation is happening fast. Are you ready?

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# Scale Compliance

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