

FinCEN actions in Minnesota reflect shifting approach to enforcement

January 15, 2026 | Client Update | 7-minute read

The Treasury Department's Financial Crimes Enforcement Network launched a series of high-profile measures targeting alleged government benefits fraud in Minnesota. Treasury suggested that further state-by-state efforts may follow.

On January 9, 2026, the Treasury Department [announced](#) a series of actions targeting alleged fraud in Minnesota government benefits programs.¹ The actions include investigations by the Financial Crimes Enforcement Network (FinCEN) of four money services businesses (MSBs) in Minnesota, enhanced reporting requirements for local banks and MSBs through a [Geographic Targeting Order](#) (the Minnesota GTO), and an [alert](#) to financial institutions regarding purported fraud schemes in Minnesota involving Federal child nutrition programs.² Treasury claims that complex fraud networks have repatriated funds to non-U.S. jurisdictions through shell companies and non-profit organizations (and indicated that there would be further actions to target alleged fraud schemes).³

Likely in response to industry feedback, FinCEN issued an [exemptive relief order](#) on February 27 that narrows the scope of the Minnesota GTO's reporting requirements for banks (the Exemptive Relief Order). According to FinCEN, the Exemptive Relief Order is intended "to provide banks with additional time to update software and related systems" and reduce reporting burdens. In summary, the Exemptive Relief Order:

1. Exempts banks from the Minnesota GTO's reporting requirement for funds transfers where the originator falls within one of the 16 categories of excluded entities under FinCEN's Customer Due Diligence Rule (e.g., regulated financial institutions, government entities, publicly traded companies, and similar low-risk entity types);⁴ and
2. Through May 13, 2026, exempts banks from the Minnesota GTO's requirement to record or report information beyond what they are already required to retain under the Recordkeeping Rule,⁵ where the originator is an account holder customer of the bank.⁶

In effect, the Exemptive Relief Order carves out from the Minnesota GTO's requirements funds transfers originated by regulated and lower-risk entities and gives banks a temporary grace period to avoid capturing GTO-specific data fields that go beyond the standard Recordkeeping Rule requirements for their own account holders. While the Exemptive Relief Order narrows the reporting requirements, at least to some extent, it appears as though FinCEN still expects banks to submit the reports required under Minnesota GTO with respect to account holders, but those reports would only include the information required under the Recordkeeping Rule.

While Treasury's actions focused narrowly on Minnesota (which has been subject to heightened scrutiny by the administration in recent months), they reflect broader trends in Treasury's approach to enforcement over the past year. Although there has been an apparent de-escalation in corporate enforcement relative to the prior administration, Treasury has shown a willingness to take aggressive and highly public actions – including the deployment of novel measures and regulatory enforcement tools – in pursuit of the administration's evolving policy goals. Treasury Secretary Scott Bessent indicated that further "state-by-state" efforts may follow (with recent statements suggesting there may be a shortlist of candidates).

What actions did Treasury take?

Treasury announced several measures, which include:

- **FinCEN and Internal Revenue Service (IRS) investigations of MSBs.** FinCEN issued four notices of investigation to MSBs located in Minnesota, requesting information “for examination and investigative purposes” under the Bank Secrecy Act. According to Treasury, the investigations are focused on MSBs that “provide financial services outside the formal banking system,” (e.g., hawala networks). IRS civil enforcement is also auditing financial institutions alleged to have facilitated the laundering of social services funds and will launch a task force to investigate fraud involving pandemic-era tax incentives and the potential misuse of 501(c)(3) tax-exempt status by entities implicated in the alleged fraud schemes.
- **Enhanced reporting requirements through GTO.** FinCEN issued a GTO requiring banks and MSBs located in Hennepin and Ramsey Counties (which include the cities of Minneapolis and St. Paul) to report certain international funds transfers of \$3,000 or more where the beneficiary or recipient is located outside the United States. A GTO is a time-limited regulatory tool that imposes additional recordkeeping and reporting requirements on financial institutions or nonfinancial trades or businesses in a specified geographic area. The Minnesota GTO applies to “covered businesses,” which are banks and money transmitters with a branch, subsidiary, or office in the covered geographic area (i.e., Hennepin and Ramsey Counties).⁷ Covered businesses are required to collect and report enhanced information about transactions and their participants, including whether funds transfers include payments from federal, state, or local government contracts or benefit programs. A transaction falls within the scope of the GTO if the transaction is of \$3,000 or more, the originator/transmitter provides an address within the covered geographic area, and the beneficiary/recipient or the beneficiary/recipient’s financial institution is located outside the United States.⁸ The GTO is effective from February 12, 2026, to August 10, 2026 (unless renewed). FinCEN subsequently released a set of [Frequently Asked Questions](#) that provide further detail on the scope and requirements of the Minnesota GTO.⁹
- **FinCEN alert.** FinCEN issued an alert urging financial institutions “to identify and report fraud associated with Federal child nutrition programs, particularly past and ongoing suspicious activity potentially related to fraudsters in Minnesota.” The alert also includes red flag indicators for financial institutions which, among other things, urge financial institutions to scrutinize the activities of non-profit organizations enrolled in government benefits programs.

Looking forward

The Minnesota GTO and investigations largely mirror FinCEN’s efforts to target the southwest border. For example, in December 2025, FinCEN [announced](#) an investigation of over 100 MSBs along the southwest border for potential cartel-related money laundering activities. Last year, FinCEN also issued (and subsequently amended) multiple GTOs imposing enhanced reporting obligations on MSBs located in designated ZIP codes in Arizona, California, and Texas, and issued an [alert](#) urging financial institutions to scrutinize cross-border transactions to identify illicit activity by cartels. Like cartel activity, the administration has made government fraud an enforcement priority. Treasury Secretary Bessent previewed that there would be further efforts to target government benefits fraud in other states, which may follow a similar pattern. Notably, the GTO targeting the southwest border originally required reporting of transactions at a \$200 threshold and was the subject of legal challenges in Texas and California; FinCEN subsequently issued a modified GTO raising the threshold to \$1,000 to mitigate compliance burdens. It is possible that covered businesses will similarly challenge the Minnesota GTO.

As a practical matter, the Minnesota GTO will impose significant recordkeeping and compliance burdens on financial institutions covered by the order. Among other things, covered businesses will be required to report if funds involved in a transaction are derived from a government contract or benefit program, which is not information that is typically collected in the ordinary course of business. The FinCEN alert also signals an increase in compliance expectations with respect to government benefits fraud, including enhanced due diligence and monitoring of companies involved in government benefits programs. While the FinCEN alert focuses specifically on activity in Minnesota, the expectations articulated in the alert will likely apply to financial institutions and activity across the country.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

Kendall Howell

+1 202 962 7068
kendall.howell@davispolk.com

Neil H. MacBride

+1 202 962 7035
neil.macbride@davispolk.com

Paul Marquardt

+1 202 962 7156
paul.marquardt@davispolk.com

Will Schisa

+1 202 962 7129
will.schisa@davispolk.com

Daniel P. Stipano

+1 202 962 7012
dan.stipano@davispolk.com

Charles Marshall Wilson

+1 202 962 7130
charles.wilson@davispolk.com

This communication, which we believe may be of interest to our clients and friends of the firm, is for general information only. It is not a full analysis of the matters presented and should not be relied upon as legal advice. This may be considered attorney advertising in some jurisdictions. Please refer to the firm's privacy notice for further details.

- ¹ U.S. Department of the Treasury, Press Release, Secretary Bessent Announces Initiatives to Combat Rampant Fraud in Minnesota (January 9, 2026), <https://home.treasury.gov/news/press-releases/sb0354>.
- ² FinCEN, Geographic Targeting Order Imposing Recordkeeping and Reporting Requirements on Certain Financial Institutions in Minnesota, 91 Fed. Reg. 1246; FinCEN, FIN-2026-Alert001, FinCEN Alert on Fraud Rings and Their Exploitation of Federal Child Nutrition Programs in Minnesota (January 2026), <https://www.fincen.gov/system/files/2026-01/FinCEN-Alert-Federal-Child-Nutrition-Programs.pdf>.
- ³ Treasury, Press Release, U.S. Treasury Secretary Scott Bessent Takes Decisive Action Against Somali Fraud in Minneapolis (January 13, 2026), <https://home.treasury.gov/news/press-releases/sb0358>.
- ⁴ The Exemptive Relief Order tracks the exclusions from the definition of "legal entity customer" under the Customer Due Diligence Rule (31 C.F.R. § 1010.230(e)(2)(i)-(xvi)).
- ⁵ Specifically, banks are temporarily exempt from the GTO's requirement to record or report information that is not required to be retained under 31 C.F.R. § 1020.410(a)(1) and (2) if the originator is an account holder customer of the bank.
- ⁶ For the purpose of this exemptive relief Order, "account" has the meaning provided in 31 C.F.R. § 1020.100(a)(1), and "customer" has the meaning provided in 31 C.F.R. § 1020.100(b)(1).
- ⁷ For purposes of the GTO, "covered business" means any bank, as defined in 31 CFR 1010.100(d), or any money transmitter, as defined in 31 CFR 1010.100(ff)(5), with a branch, subsidiary, or office located in the covered geographic area.
- ⁸ Specifically, transactions are covered by the Minnesota GTO if all the following conditions are met: (1) it is a transaction of \$3,000 or more for which records are required to be retained under either 31 CFR 1020.410(a) or 31 CFR 1010.410(e); (2) a corresponding payment order or transmittal order is accepted by the covered business as an originator's bank or transmitter's financial institution; (3) the originator/transmitter provides an address in the covered geographic area; (4) the originator/transmitter is not a company publicly traded on an exchange regulated by the Securities and Exchange Commission; (5) the originator/transmitter is not a financial institution subject to anti-money laundering program requirements under the Bank Secrecy Act; and (6) either the beneficiary/recipient is located outside of the United States, or the financial institution used by the beneficiary/recipient to receive the funds is located outside of the United States.

⁹ FinCEN, Frequently Asked Questions on Geographic Targeting Order Involving Money Transmitters and Banks in the Counties of Hennepin and Ramsey, Minnesota (January 13, 2026), <https://www.fincen.gov/system/files/2026-01/Minnesota-Fraud-GTO-FAQs.pdf>.