VIA REGULATIONS.GOV

September 3, 2024

Policy Division
Financial Crimes Enforcement Network, P.O. Box 39
Vienna, VA 2218

RE: Proposed Rule to Strengthen and Modernize Financial Institution AML/CFT Programs, Docket Number FINCEN–2024–0013

Dear Sir or Madam:

The Crypto Council for Innovation ("CCI") appreciates the opportunity to submit comments on the Notice of Proposed Rulemaking on Strengthening and Modernizing Financial Institution programs ("Proposed Rule").

CCI is a global alliance of industry leaders in the digital assets space with a mission to communicate the benefits of digital assets and demonstrate their transformational promise. CCI members span the digital asset ecosystem and share the goal of encouraging the responsible global regulation of digital assets to unlock economic potential, improve lives, foster financial inclusion, protect national security, and disrupt illicit activity. CCI believes that achieving these goals requires informed, evidence-based policy decisions realized through collaborative engagement. To that end, CCI provides our comments and recommendations to the Proposed Rule.

I. Summary

As an initial matter, CCI commends FinCEN's initiative to bolster the security of the financial system, and is similarly committed to addressing the illicit finance risks facing today's financial institutions. In our response, we support the overall aims of the proposed rulemaking and encourage the allowance of flexibility for financial institutions to implement the rules, especially in risk assessments and resource allocation, to avoid overburdening institutions. For example, the requirement for comprehensive updates to risk assessments for every material change may be inefficient and run counter to a truly risk-based approach.

Relatedly, CCI respectfully advises caution around the requirement for AML/CFT program duties to be undertaken solely by U.S.-based personnel, and recommends additional clarity to ensure that such restrictions apply only to those providing senior-level program design, oversight, and senior decision-making, and not those providing operational, administrative, minute, day-to-day services, or involved in other decision-making related to certain aspects of a compliance program. Our response further advocates for innovation in compliance, particularly

through the adoption of emerging technologies such as AI and digital identity solutions, while ensuring that the modernization effort does not inadvertently stifle innovation or harm financial inclusion. Finally, CCI calls for filing processes that generate constructive feedback for financial institutions and urges consideration of a sandbox environment to foster responsible innovation.

II. Detailed Discussion

A. Incorporation of AML/CFT Priorities

a. Question 4b: What, if any, difficulties do financial institutions anticipate when incorporating the AML/CFT Priorities as part of the risk assessment process?

As a general matter, incorporating the AML/CFT Priorities is not likely to pose difficulties for institutions with existing strong compliance programs; many financial institutions, including money services businesses (MSBs), already incorporate FinCEN's AML/CFT Priorities in their operations. However, FinCEN should expect that many firms will need to allocate more commensurate attention and resources to certain high-priority areas using the controls the institution finds to be most effective. A sound compliance program will consider various ML/TF risks, as informed by FinCEN's priorities as well as internal analysis stemming from the financial institution's business activities and risk profile, and trends from its BSA-required filings. Accordingly, FinCEN should ensure that BSA examiners understand that not every AML/CFT priority will have an equal amount of focus in the institution's risk assessment.

FinCEN should make clear that the requirement to incorporate the AML/CFT priorities into a financial institution's risk assessment should not be the sole focus of the risk assessment, but rather, one factor, and that if the new priorities are not relevant to the financial institution, they can be noted as such (i.e., financial institutions should not waste resources on incorporating priorities that have no relevance to them).

It would also be helpful for FinCEN to clarify its wording on the Proposed Rule's stipulation that "financial institutions are considering their BSA filings as part of the ongoing risk assessment process." While it is a standard practice for institutions to incorporate trends from SAR filings, for example, into their risk assessments, it is not standard to consider individual or all filings as part of the process. Accordingly, we recommend that FinCEN revise the rule slightly to say "considering **long-term and emerging trends** from BSA-required filings as part of the ongoing risk-assessment process." (emphasis in bold).

B. Risk Assessment Process

a. Question 9: For financial institutions with an established risk assessment process, what is current practice for governance of the process? For example, is the risk assessment process approved and overseen by a financial institution's

board of directors, compliance committee, or senior level compliance official(s)?

Processes will vary depending on the financial institutions, but as a general matter, it is standard for senior compliance management to prepare the risk assessment for approval by the BSA Officer, who will then present it to the Board of Directors.

C. Updating the Risk Assessment

a. Question 15: The proposed rule uses the term "material" to indicate when an AML/CFT program's risk assessment would need to be reviewed and updated using the process proposed in this rule. Does the rule or preamble warrant further explanation of the meaning of the term "material" used in this context? What further description or explanation, if any, would be appropriate?

Although "material" may be interpreted differently depending on the institution, it is not necessary to define this term more narrowly in the rule. Rather, to best address differing interpretations, it would be more appropriate for the institutions themselves to define "material" in their risk assessments of business activity or to provide examples of "material" changes that they expect or have encountered previously. FinCEN should also communicate to BSA examiners that they should interpret the term "material" as it is defined and applied by the institution.

It is also important that the risk assessment requirement not be overly prescriptive, and that it allows financial institutions to continue with the processes they have already implemented and refined.

With respect to the risk assessment process, FinCEN states that financial institutions should devote resources in accordance with the risk assessment results. This requirement should make clear that financial institutions have sole discretion to determine the allocation of resources as they see fit and in accordance with the specific risks that the business faces.

b. Question 16: Please comment on whether a comprehensive update to the risk assessment using the process proposed in this rule is necessary each time there are material changes to the financial institution's risk profile, or whether updating only certain parts based on changes in the financial institution's risk profile would be sufficient. If the response depends on certain factors, please describe those factors.

A comprehensive update to the risk assessment should not be required every time there is a material change. The extent of the update should be commensurate with the actual impact of the material change to businesses operations. For example, a material change could arise from a firm opening up operations in a new jurisdiction, but such a change may not impact the level of risk in

the institution's activity in its other jurisdictions. Also, a firm could offer a new type of product or service which brings material change through the new activity, but does not affect the risk profile of the firm's other products or services. In such cases, it would be unnecessary to conduct a comprehensive update for such changes. In fact, conducting a comprehensive update for every material change would, in many cases, not constitute the proposed risk-based approach and would be an inefficient use of resources.

D. Effective, Risk-Based, and Reasonably Designed

a. ***Question 19: The AML Act affirms that financial institutions' AML/CFT programs are to be "risk based, including ensuring that more attention and resources of financial institutions should be directed toward higher-risk customers and activities, consistent with the risk profile of a financial institution, rather than toward lower risk customers and activities." Does the proposed rule address this AML Act provision? If not, please comment on what would be useful to support resource allocation in this way.***

CCI recommends that the contours of this provision be more specific. To elaborate, it is unclear whether FinCEN expects financial institutions to devote less attention to lower risk customers. In clarifying the provision, we recommend that FinCEN include examples of what "more attention" to higher-risk customers – and thus, a lower level of attention to lower-risk customers – looks like. In addition, FinCEN should make clear that the allocation of resources by financial institutions should also depend on the effectiveness of their controls and their business activities, and not solely on risk classification.

b. ***Question 22: How do financial institutions expect the proposed rule to affect their current methods or approaches used to support their attention and resource considerations?***

The Proposed Rule's impact will vary depending upon the institution. However, since most covered firms are already doing much of what the rule aims to standardize, in many cases, there may be more of a need to reallocate or reorganize resources rather than to increase them. This would not be the case, however, if the final rule requires a comprehensive update to risk assessment every time there is a material change in the risk profile, as discussed in our response to Question 16. Some firms already update their risk assessments as often as twice a year to remain current and address emerging risks. If comprehensive updates are required for every material change, it could take much time and attention away from daily compliance work streams without offering much benefit in actual risk management.

E. Metrics for Law Enforcement Feedback

a. ***Question 26: How should FinCEN approach the requirements in section 6203 of the AML Act to provide financial institutions with specific feedback on the***

usefulness of their SAR filings? Is there information in FinCEN's "Year in Review" publications that FinCEN should consider as part of particularized SAR feedback?

CCI would respectfully encourage FinCEN to provide as specific and robust of feedback as possible in order to most effectively support financial institutions with their SAR filings. Although the aggregate SARs data that FinCEN shares in its Year in Review publication[1] is useful for understanding broad national trends, institutions would benefit greatly from feedback on the utility of SARs filed for their specific institutions. Such feedback would not have to be linked to individual SARs, but could refer to categories of activity per institution. It would also help institutions reconfigure their reporting process on activity that is not useful for law enforcement purposes. Institution-level SARs feedback would also inform BSA examiners of the trends impacting the specific institutions they are examining and better evaluate the effectiveness of the AML/CFT compliance program.

However, if narrative feedback is not feasible, financial institutions would benefit from a binary response from FinCEN categorizing SAR filings as either "productive" or "not productive." Such feedback would help compliance teams fine-tune their monitoring rules and enable financial intelligence units to improve their investigative processes.

Constructive feedback from law enforcement evaluating the quality of SAR filings would help financial institutions know what filings are useful and even what parts of the filings are most valuable. This would inform compliance teams of which activities pose the highest risk so they can allocate resources more efficiently. It could also help them identify better potential formats and procedures internally to streamline or simplify the filing process through automation.

F. De-Risking and Financial Inclusion

a. ***Question 27: The proposed rule encourages the consideration of innovative approaches to help financial institutions more effectively comply with the BSA and FinCEN's implementing regulations, and provide highly useful information to relevant government authorities. These approaches can include the adoption of emerging technologies, such as machine learning or artificial intelligence, that can allow for greater precision in assessing customer risk, improving efficiency of automated transaction monitoring systems by reducing false positives, or reducing overall costs and improving commercial viability with certain customer types and jurisdictions.***

---

[1] FinCEN, *Year in Review for FY 2023*, available at https://www.fincen.gov/sites/default/files/shared/FinCEN_Infographic_Public_508FINAL_2024_June_7.pdf.

i. ***Question 27a: FinCEN invites further comments on how technology and innovation can mitigate de-risking and encourage lower cost access to financial services and activities across communities and borders.***

ii. ***Question 27b: FinCEN also invites further comments on how to ensure that technology and innovation do not diminish access to financial services for the unbanked or underserved communities or prompt other related de-risking concerns.***

With respect to Questions 27a and 27b, CCI encourages the use of innovative technological approaches to AML/CFT compliance that can mitigate de-risking and improve greater access to financial services. However, FinCEN should consider the need for standards around artificial intelligence (AI) as it relates to customer data to ensure that use of nascent technologies like AI does not violate consumer privacy. There should also be research to address the potential for AI models to cause improper and discriminatory practices through biases. Finally, regulatory and standard-setting bodies must collaborate to develop standards around transparency of AI models in generating predictive analytics.

FinCEN should also consider how emerging digital identity solutions can achieve the aforementioned aims of de-risking mitigation and greater financial access. Digital identity ("digital ID") solutions, which can be secured by the same cryptographic techniques that secure blockchains, could help mitigate the risks of identity impersonation. The potential value of digital ID solutions is evident in FinCEN's recent tech sprint[2] on digital identity in which multiple participants demonstrated how emerging cryptographic techniques such as zero-knowledge proofs and multi-party computation can bolster privacy and data security in various public and private sector services.

b. ***Question 28: A factor that FinCEN considered in prescribing the minimum AML/CFT standards is "[t]he extension of financial services to the unbanked and the facilitation of financial transactions, including remittances, coming from the United States and abroad in ways that simultaneously prevent criminals from abusing formal or informal financial services networks."[3] Related to this factor, are there unique or specific considerations for the safe and easy transfer of financial transactions abroad, particularly for humanitarian aid and development funding, with respect to the proposed rule?***

Much innovation is occurring within the crypto space to bring greater economic empowerment to individuals who are poorly served by traditional financial services. FinCEN may find CCI's

[2] Press Release, FDIC FinCEN Digital Identity Tech Sprint - Key Takeaways and Solution Summaries (Sept. 9, 2022), https://bit.ly/FinCENTechSprint.
[3] 31 U.S.C. 5318(h)(2)(B)(ii)

Builders Report and Impact Base as useful references for various crypto and Web3 projects supporting financial services for unbanked and underbanked populations.

c. ***Question 29: FinCEN invites comments on additional aspects of financial access challenges for correspondent banks, money services businesses, non-profits servicing high-risk jurisdictions, or specific communities or groups, including but not limited to ethnic and religious communities, and justice-impacted individuals of which Treasury should be aware with respect to the proposed rule, if finalized.***

Please see the response to Questions 27a and 27b above.

G. Duty to Establish, Maintain, and Enforce an AML/CFT program in the United States

a. ***Question 33: The requirements of 31 U.S.C. 5318(h)(5) (as added by section 6101(b)(2)(C) of the AML Act) state that the "duty to establish, maintain and enforce" the financial institution's AML/CFT program "shall remain the responsibility of, and be performed by, persons in the United States who are accessible to, and subject to oversight and supervision by, the Secretary of the Treasury and the appropriate Federal functional regulator." Is including this statutory language in the rule, as proposed, sufficient or is it necessary to otherwise clarify its meaning further in the rule?***

Clarification is needed around this language because overseas personnel are frequently involved in many aspects of a financial institution's AML/CFT program. The requirement to "establish, maintain, and enforce" a financial institution's AML/CFT program is overly broad and captures employees who are lawfully "maintaining" the program (e.g., clearing alerts, conducting quality assurance, etc.). If the rule aims to eliminate all non-U.S. located individuals from supporting a firm's AML/CFT program, it would be severely disruptive to the financial services industry and in many cases, completely unworkable. FinCEN should consider removing "maintain" and change the requirement to "establish, approve, and enforce" so that it specifically pertains to financial institution senior personnel that design, manage, and approve the AML/CFT program, and not those who only carry out day-to-day compliance operations and other activities. Specifically, the restriction of oversight of the AML/CFT program to U.S.-based individuals should apply only to senior management and Board members. The rule should clarify the ultimate intent of the provision so that it is clear that support/operational personnel outside of the United States are able to support and maintain the AML/CFT program. In addition, the rule should indicate whether the statute's reference to "the appropriate Federal functional regulator" means that financial institutions without a Federal functional regulator (e.g., Money Service Businesses) are excluded from this provision.

b. ***Question 34: Please comment on the following scenarios related to persons located outside the United States who perform actions related to an AML/CFT program:***

i. ***Do these persons who perform duties that are only, or largely, ministerial, and do not involve the exercise of significant discretion or judgment subject to statutory requirements related to the duty of establishing, maintaining, and enforcing financial institutions' AML/CFT programs? What types of functions, ministerial or otherwise, may not be subject to these statutory requirements?***

ii. ***Do these persons have a responsibility for an AML/CFT program and perform the duty for establishing, maintaining, and enforcing a financial institution's AML/CFT program? Please comment on whether "establish, maintain, and enforce" would also include quality assurance functions, independent testing obligations, or similar functions conducted by other parties.***

It is common for large global firms throughout the financial services industry to use business process outsourcing personnel (some of whom may be located outside the U.S.) to review, clear, or escalate monitoring alerts and prepare cases for possible SAR filings. The decision to file a SAR should remain with U.S.-based management. However, execution and operation for various functions – including, but not limited to, name screening, due diligence, alert disposition, quality assurance – should be permissible outside the U.S., while keeping senior-level program planning, decision making, and oversight within the U.S.

c. ***Question 35: How would financial institutions expect the requirements in 31 U.S.C. 5318(h)(5) to affect their AML/CFT operations that may be currently based wholly or partially outside of the United States, such as customer due diligence or suspicious activity monitoring and reporting systems and programs?***

Requirements that do not allow firms to access personnel outside the U.S., often from major consultancy firms, to fulfill some compliance operations would be prohibitively disruptive to large global financial institutions. For example, such rules would not only hinder financial institutions' ability to scale operations in response to market events, such as a major uptick in average crypto-asset prices during a bull market, but also impede business growth.

d. ***Question 36: Please comment on implementation of the requirements in 31 U.S.C. 5318(h)(5) for "persons in the United States"?***

i. ***What AML/CFT duties could appropriately be conducted by persons outside of the United States while remaining consistent with the***

requirements in 31 U.S.C. 5318(h)(5)? Should all persons involved in AML/CFT compliance for a financial institution be required to be in the United States, or should the requirement only apply to persons with certain responsibilities performing certain functions? If the requirement should only apply to persons with certain responsibilities performing certain functions, please explain which responsibilities and functions these should be.

ii. ***Should "persons in the United States" as established in 31 U.S.C. 5318(h)(5) be interpreted to apply when such persons are performing their relevant duties while physically present in the United States, that they are employed by a U.S. financial institution, or something else?***

iii. ***How would a financial institution demonstrate "persons in the United States," as established in 31 U.S.C. 5318(h)(5), are accessible to, and subject to oversight and supervision by, the Secretary and the appropriate Federal functional regulator?***

e. ***Question 37: Please comment on if and how the requirements in the proposed rule and 31 U.S.C. 5318(h)(5) should apply to foreign agents of a financial institution, contractors, or to third-party service providers. Should the same requirements apply regardless of whether persons are direct employees of the financial institution?***

Certain senior-level responsibilities that involve setting standards and conducting oversight should only be done by personnel located in the United States, such as serving as a BSA Officer, approving SARs, designing and updating the AML/CFT program. However, this does not mean that there should be, in effect, a registration and designation requirement for individuals as a means for financial institutions to demonstrate that persons in the United States are "accessible to, and subject to oversight and supervision by, the Secretary and the appropriate Federal functional regulator." This could improperly impose personal liability on those staff members for their compliance duties.

Relatedly, FinCEN should issue guidance enabling money service businesses ("MSBs") to share SAR information with affiliates that may be located domestically or outside the United States. Previously, FinCEN has issued guidance[4] allowing banks to share SAR information with affiliates of the same corporate group. However, no such guidance has been specified for MSBs. Applying this guidance to MSBs would bring consistency to the financial sector and level the playing field. It would also help in managing cross-border risk as many exchanges have operations beyond the U.S. Furthermore, sharing SAR information with corporate affiliates is

[4] Press Release, Sharing Suspicious Activity Reports by Depository Institutions with Certain U.S. Affiliates (Nov. 23, 2010), https://bit.ly/SharingSARs.

particularly important as many MSBs now use a shared-services model, which would enable them to clear operational KYC alerts in a lower cost jurisdiction (e.g., Spain) and allow for U.S. resources to be allocated to higher level work, like SAR investigations.

H. Innovative Approaches

a. ***Question 38: The proposed rule provides for the consideration of innovative approaches to help financial institutions more effectively comply with the BSA, but does not require that institutions use such approaches. Should alternative methods for encouraging innovation be considered in lieu of a regulatory provision?***

Considering and even encouraging innovative approaches for BSA compliance – but not requiring them – is appropriate. Firms should have discretion to engage in risk-based assessments and explore with and use tools that will be most suitable for their business activity. Also, an appreciation for the importance of innovation needs to be reinforced at the BSA examiner level since they will be evaluating institutions' compliance activities. Financial institutions may be ambivalent, if not averse, to innovation if examiners themselves do not see value in innovative approaches.

b. ***Question 39: Under the proposed rule, a financial institution's internal policies, procedures, and controls may provide for "consideration, evaluation, and, as warranted by the [financial institution's] risk profile and AML/CFT program, implementation of innovative approaches to meet compliance obligations[.]" Please comment on the following issues related to this provision.***

   i. ***Is this provision sufficiently clear on what financial institutions can consider, evaluate, and implement with respect to innovative approaches, while also meeting their compliance obligations?***

   ii. ***Does this provision provide sufficient regulatory flexibility for financial institutions to implement innovative approaches if appropriate?***

   iii. ***Are there aspects of the proposed rule that may be considered barriers to innovation or that would add regulatory burden?***

FinCEN could bolster its encouragement of innovation. Although the provision as written provides some latitude for firms to employ innovative solutions to support AML/CFT compliance, if FinCEN would like to promote more innovation, it should provide a regulatory sandbox and/or No Action Letter relief to encourage financial institutions to undertake innovative compliance solutions.

To elaborate, "No Action Letter" relief and regulatory sandboxes would help both the public and private sectors to derive real-world data to better understand innovation opportunities.

For example, several U.S. states have established regulatory sandboxes to help foster responsible innovation and expand financial products and services that digital assets can offer their residents.[5] These sandboxes provide a controlled environment for the digital asset industry to explore new ways to improve user experiences and enhance the broader financial system, while maintaining necessary legal and regulatory guardrails to protect consumers.

In other jurisdictions such as Singapore[6] and the UK,[7] regulators have set up sandboxes allowing fintech and digital asset firms to experiment responsibly. In order to keep apace with global innovation, the United States should also ensure it facilitates an environment that fosters digital financial innovation.

iv. Please describe what innovative approaches and technology financial institutions currently use, or are considering using, including but not limited to artificial intelligence and machine learning, for their AML/CFT programs. What benefits do financial institutions currently realize, or anticipate, from these innovative approaches and how do they evaluate their benefits versus associated costs?

One of the biggest focus areas for compliance innovation by financial institutions is with artificial intelligence (AI) and machine learning. Members of the digital asset industry are working on AI and machine learning tools to improve transaction monitoring and enhance due diligence tasks. These tools are also being worked on to templatize content, where possible, in order to increase efficiency and minimize manual tasks. Please note that CCI discusses some of these capabilities in its recent comment letter to U.S. Treasury's Request for Information[8] on Uses, Opportunities, and Risk of Artificial Intelligence in Financial Services. As a reference, we include CCI's response to this comment letter.

---

[5] Multiple states have launched a "regulatory sandbox" for innovative financial products or services, including Arizona, Nevada, Utah, Florida, West Virginia, Hawaii, and North Carolina. See e.g., Ariz. Rev. Stat. Ann. §§ 41-5601 et seq.; S.B. 161, 2019 Leg., 80th Sess. (Nev. 2019) (pending statutes); Utah Code Ann. §§ 13-55-101 et seq; Fla. Stat. Ann. § 559.952; W. Va. Code Ann. §§ 31A-8G-1 et seq.; Press Release, Gov. David Y. Ige, DCCA News Release: Hawaii Launches First Sandbox for Digital Currency (Mar. 17, 2020), https://cca.hawaii.gov/blog/release-hawaii-launches-first-sandbox-for-digital-currency/; N.C. Gen. Stat. § 169-1 *et seq*.

[6] Press Release, Overview of Regulatory Sandbox, Mon. Auth. of Singapore, https://www.mas.gov.sg/development/fintech/regulatory-sandbox (last updated Apr. 29, 2022) The FinTech Regulatory Sandbox allows financial institutions and fintech companies to test innovative financial products in a controlled environment with temporary regulatory flexibility provided by the Monetary Authority of Singapore, promoting greater safety and compliance post-experiment.

[7] Press Release, Regulatory Sandbox, UK Fin. Conduct Auth., https://www.fca.org.uk/firms/innovation/regulatory-sandbox (last updated May 9, 2024) The UK Financial Conduct Authority's Regulatory Sandbox allows financial firms to test innovative products and services in a controlled environment with real consumers, providing access to regulatory support and expertise, with the aims of reducing time to market while ensuring consumer protection and compliance with regulatory standards.

[8] Press Release, U.S. Department of Treasury Releases Request for Information on Uses, Opportunities, and Risks of Artificial Intelligence in the Financial Services Sector (June 6, 2024), https://home.treasury.gov/news/press-releases/jy2393.

c. ***Question 40: Are there specific further considerations that FinCEN should take into account in the proposed rule related to how financial institutions may use technology and innovation to increase the effectiveness, risk-based nature, and reasonable design of AML/CFT programs?***

A significant enhancement that would support competitiveness within the financial sector and level the playing field for digital asset firms would be to expand FinCEN's guidance on Customer Identification Program (CIP) Reliance. FinCEN should consider allowing more financial institutions, including MSBs (which do not have a CIP Rule obligation but may conduct identity verification nonetheless) and certain trust companies without a federal functional regulator, to be relied upon for customer identification and verification. This would allow all regulated financial institutions to leverage identity verification conducted by affiliate companies that may share customers when offering those common customers various products and/or services.

I. Board Approval and Oversight

a. ***Question 41: Is the proposed rule's requirement for board (or equivalent governing body) approval and oversight of AML/CFT programs consistent with current industry practice? Does the requirement for the AML/CFT program to be approved and overseen by an appropriate governing board need additional clarification?***

b. ***Question 42: Should the proposed rule specify the frequency with which the board of directors or an equivalent governing body must review and approve and oversee the AML/CFT program? If so, what factors are relevant to determining the frequency with which a board of directors should review and approve the AML/CFT program?***

c. ***Question 43: How does a financial institution's board of directors, or equivalent governing body, currently determine what resources are necessary for the financial institution to implement and maintain an effective, risk-based and reasonably designed AML/CFT program?***

The Board should approve the AML/CFT program on an annual basis. More frequent approval is unnecessary unless new regulatory or policy requirements result in the need to amend the program. Board oversight should not turn into operational management of the compliance program.

III. Conclusion

CCI believes that FinCEN's proposals to modernize AML/CFT regulations will play a crucial role in strengthening the integrity of the financial system while supporting financial inclusion. As FinCEN seeks to implement these rules, it is imperative that regulatory updates strike a balance between strengthening compliance frameworks and fostering innovation within the financial sector. By adopting a risk-based approach and allowing flexibility in the implementation of emerging technologies, FinCEN can ensure that AML/CFT measures are both effective and adaptable to the rapidly evolving financial ecosystem, including the digital asset landscape. We also encourage FinCEN to consider how the adoption of new technologies, such as digital identity solutions, can enhance the effectiveness of financial institutions' compliance efforts. We look forward to continued collaboration to enhance financial security while promoting economic growth and empowerment.

***

Respectfully submitted,

Sheila Warren
Chief Executive Officer
Crypto Council for Innovation

Ji Hun Kim
Chief Legal & Policy Officer
Crypto Council for Innovation

Yaya J. Fanusie
Director of Policy for AML & Cyber Risk
Crypto Council for Innovation