August 21, 2026

Via Electronic Submission

Financial Action Task Force
2, Rue Andre-Pascal
75116 Paris
France

Re: Crypto Council for Innovation Comments on Draft R.16 Guidance

To Whom It May Concern:

The Crypto Council for Innovation ("CCI") appreciates the opportunity to submit comments on the Financial Action Task Force's (FATF) Draft Recommendation 16 ("R.16") Guidance[1].

CCI is a global alliance of leading companies across the digital asset ecosystem — including stablecoin issuers, financial institutions, technology providers, and investors — with a mission to advance the responsible regulation of digital assets and demonstrate their transformational potential to unlock economic opportunities, promote financial inclusivity, safeguard national security, and counter illicit finance. Achieving these shared goals requires informed, evidence-based policy developed through collaborative and constructive engagement with regulators, policymakers and international standard-setters, such as FATF. To that end, CCI respectfully submits the following comments addressing FATF's Draft R.16 Guidance (hereinafter "the Draft Guidance").

CCI applauds FATF's continued efforts to refine global AML/CFT standards to ensure their effectiveness in combating illicit finance risks in an evolving financial and technological landscape. Payment transparency is foundational to these efforts. CCI supports the standards set out in R.16 and importantly, Recommendation 15 ("R.15"), which sets out the obligations for virtual asset service providers ("VASPs"), and their respective Interpretive Notes.

FATF's focus on developing guidance in advance of the full implementation of R.16, which is expected by the end of 2030, is of critical importance to the global financial services community. The Draft Guidance seeks to clarify how R.16 applies in practice and illustrates implementation approaches, without creating new obligations outside of R.16 and its

[1] Public Consultation: Implementation Guidance on FATF Recommendation 16 (June 2026). Hereinafter "Draft Guidance."

Interpretive Note, INR.16. Consistent with this goal, CCI respectfully submits this Comment Letter advocating for greater flexibility and the broadening of risk-based principles to enable the effective and timely implementation of R.16. Specifically, this Comment Letter will address:

- Operational burdens of Alignment Checks warranting greater flexibility in their application;
- Treatment of virtual account numbers; and
- Expanding the personally identifiable information ("PII") fallback options to cover low risk clients.

Alignment Checks (Question 13)

Question 13: *Are the three options for alignment check measures explained clearly enough for implementation? Are there any good practices that could be included in the Guidance as practical examples? Does the Guidance provide sufficient support for the proportionate implementation of alignment checks in jurisdictions where these may still be developing?*

Responding to fraud and misdirected payments as a growing threat, R.16 introduces *alignment checks* - a new obligation for beneficiary financial institutions ("FIs") to check that the beneficiary name and account identifier in a payment message are reasonably consistent with the information the FI already holds on the beneficiary. FATF specifies that this alignment check obligation applies to VASPs, as it does any beneficiary FI. The duty applies to cross-border payments and value transfers above the de minimis threshold and is separate and distinct from customer due diligence ("CDD")/identity verification. For legal-person beneficiaries, FIs may also rely on other unambiguous identifiers (e.g., fiscal number, legal entity identifier, bank identification code) where available, which can be more effective than name-matching alone.

Under the Draft Guidance, there are three implementation avenues for alignment checks, at least one of which must be fully implemented (they may also be combined, provided coverage and effectiveness are not reduced):

- *Post-validation checks* — assessed transaction-by-transaction, ideally completed before funds are credited to the beneficiary; a short delay is permitted where crediting cannot practically be paused (e.g., some instant-payment environments). Serves as the fallback avenue where pre-validation is not available or where holistic monitoring flags a case for closer review.

- *Holistic ongoing monitoring* (HOM) — analyzes account and transaction behaviour over time, drawing on CDD data, risk scoring, and transaction-monitoring indicators, to flag anomalous activity (including misalignment or misdirected payments) rather than checking each transaction in isolation. Purely retrospective or compliance-sampling programmes do not qualify on their own; misalignment signals must feed into monitoring in real time or near-real time where feasible.
- *Pre-validation checks* (*Confirmation/Verification of Payee*, CoP/VoP) — the ordering FI queries the beneficiary FI before the transfer is committed, typically via API using structured data (e.g., ISO 20022); the beneficiary FI returns a match / close match / no match result, and the originator decides whether to proceed. This requires both FIs to participate in a common scheme (illustrated by Pay.UK's CoP and the EU's VoP framework) and can be performed at customer payee-registration rather than per transaction.

In its Explanatory Note accompanying the revisions to R.16[2] FATF states that pre- or post-validation checks are intended to take place for each transaction whilst HOM is ongoing.[3]

The operational burden of a transaction-by-transaction alignment check cannot be overstated. The impact on obliged entities in terms of redirected resources and the inevitable latency in payments and transfers of value will be consequential. Although FATF indicates that alignment checks are meant to be a flexible and graduated concept[4] offering three possible methods to implement alignment checks does not go far enough in ensuring a flexible, risk-based approach.

CCI respectfully urges FATF to:

- Allow obliged entities to determine how best to adopt alignment checks by taking into consideration their underlying risk profile and vulnerabilities to fraud and misaligned payments, the strength of their existing controls, and their overall compliance and monitoring framework;
- Permit a risk-based application of alignment checks based on the risk assessments conducted by obliged entities;
- Explicitly state that a transaction-by transaction alignment check is not required for full implementation of R.16;

[2] FATF Explanatory Note for Revised R.16 (June 2025) (Hereinafter "Explanatory Note").
[3] Explanatory Note, Paragraph 35.
[4] Explanatory Note, Paragraph 36.

- Encourage FATF Member States to collectively address pre-validation conventions and frameworks to address the scourge of cross-border fraud at the national level.

Treatment of Virtual Account Numbers (Question 7)

Question 7: *Regarding virtual account numbers, the Guidance presents a non-exhaustive list of measures to ensure compliance with the requirement set out in INR.16, paragraph 7, particularly that FIs should ensure that account numbers should not be used to disguise the identification of the country where the FI that services the account resides. To what extent are these measures sufficiently clear and actionable? What other measures have you identified to meet this requirement?*

CCI appreciates FATF's recognition that virtual account numbers are used for legitimate purposes to support efficient payment processing, reconciliation and account management.[5] CCI agrees that virtual accounts should not be knowingly or purposefully used to obscure the FI servicing the originator/beneficiary's account or the country where the FI servicing the account resides. That said, CCI recommends that FATF:

- Explicitly recognize that virtual account numbers do not necessarily equate to customer or user account numbers given the various business models for which they are used. For example, while FATF acknowledges that a merchant may assign each buyer a unique virtual account number to reconcile invoices,[6] there are arrangements that would assign such numbers by transaction to enable efficient processing. Under such circumstances, the possible controls suggested by the Draft Guidance may not be applicable.

PII Fallback Options (Question 6)

Question 6: *Does the Guidance provide sufficient examples to support implementation in lower-capacity contexts?*

CCI is encouraged that FATF adopted a modified mandatory data collection standard in lower-capacity contexts through the so-called "fallback" options, which would limit date of birth to year of birth and full address to town and country in situations where full information is not available or where limited documentation exists. This is consistent with CCI's prior

[5] Draft Guidance, Paragraph 160
[6] Draft Guidance, Paragraph 158

Comment Letter from April 2025,[7] which highlighted privacy and data protection risks, particularly the fragmented data protection landscape, cybersecurity risks of transmitting highly sensitive PII, such as date of birth and place of birth, and the operational and compliance challenges of verifying PII in rural areas or for unbanked populations. CCI strongly supports FATF's policy goals of financial inclusion and the positive impact the fallback options will have to enable financial services for those who have been under-served. CCI recommends that FATF further consider:

- Expanding the application of the fallback options on a broader risk-basis to include its use to verify low risk customers in accordance with the risk assessment of the obliged entity. This could for example be applied to certain categories of low risk customers and/or with monetary limits to their activity.

***

CCI appreciates the opportunity to provide these comments. We would be pleased to further engage with FATF on the topics set out above to support greater flexibility for the effective implementation of R.16.

Sincerely,

Ji Hun Kim
Chief Executive Officer
Crypto Council for Innovation

[7] CCI Comment Letter on Proposed Revisions to R16/INR16 (April 2025).