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Regulatory and Strategic Affairs Division
Financial Crimes Enforcement Network
Attn: FINCEN-2026-0101
P.O. Box 39
Vienna, VA 22183

RE: Permitted Payment Stablecoin Issuer Customer Identification Program, Docket No. FINCEN-2026-0101

Dear Regulatory and Strategic Affairs Division:

The Crypto Council for Innovation ("CCI") appreciates the opportunity to submit comments on the Notice of Proposed Rulemaking on the Permitted Payment Stablecoin Issuer Customer Identification Program ("Proposed Rule" or "NPRM").

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. CCI believes that achieving the shared goals of market integrity, consumer protection, and national security requires informed, evidence-based policy developed through constructive engagement with regulators. To that end, CCI respectfully offers the following comments and recommendations.

I. Summary

CCI supports the efforts of the Financial Crimes Enforcement Network ("FinCEN"), the Office of the Comptroller of the Currency, Treasury; the Board of Governors of the Federal Reserve System; the Federal Deposit Insurance Corporation; and the National Credit Union Administration, (collectively, "the Agencies") to establish a clear and workable customer identification framework for permitted payment stablecoin issuers (PPSIs). The Proposed Rule reflects careful calibration of the GENIUS Act's directives to the distinct characteristics of the stablecoin primary market and is largely consistent with CCI members' operational expectations.

CCI's comments address the following areas:

- Affirming the Agencies' primary-market-only customer identification program "CIP" scope as the correct and operationally appropriate framework;
- Seeking clarification on the proposed definitions of "account" and "customer," including the treatment of one-time direct redemptions by secondary-market holders;
- Advocating for explicit regulatory recognition of digital identity solutions and verifiable credentials — including zero-knowledge proof (ZKP)-based tools — as valid non-documentary verification methods;
- Addressing the examination framework applicable to IDI-subsidiary PPSIs under the proposed reliance provision; and
- Reinforcing that CIP obligations should not be extended to secondary market activity.

CCI respectfully requests that the Agencies consider the clarifications and recommendations set forth below in finalizing this rule.

II. CCI's Support for the Proposed Rule's Core Structure

Before addressing areas where CCI seeks clarification or refinement, CCI affirms several aspects of the Proposed Rule that reflect sound regulatory judgment and should be preserved in the final rule.

A. Primary Market Scope

CCI strongly supports the Agencies' determination to limit the CIP obligation to primary market activity — direct interactions between a PPSI and a user involving issuance, redemption, conversion, custodial services, and authorized digital asset service provider activities. This is the operationally correct scope.

- The secondary market carve-out in the proposed definitions of "account" and "customer" is well-founded. PPSIs are not parties to secondary market transactions except via smart contracts; they have no formal customer relationship with secondary market participants and no ability to collect the information a CIP requires.
- CCI supports the Agencies' conclusion that extending a CIP obligation to secondary market activity would be nearly impossible to implement and could cripple the industry. This position should be reaffirmed explicitly in the final rule.
- CCI supports the agencies' risk-based, size-and-complexity-tailored approach. Requiring each PPSI to tailor its CIP to its specific account types, account-opening methods, and customer base — rather than prescribing a one-size-fits-all

framework — appropriately reflects the diversity of business models that will operate under the PPSI framework.

B. Alignment With Existing CIP Framework

CCI supports the Agencies' decision to model the PPSI CIP closely on existing CIP rules for banks (31 CFR 1020.220), broker-dealers (31 CFR 1023.220), mutual funds (31 CFR 1024.220), and futures commission merchants (31 CFR 1026.220). This alignment reduces implementation complexity for PPSIs affiliated with, or counterparties to, regulated financial institutions and supports efficient reliance arrangements. Institutions already familiar with BSA CIP obligations in other contexts will recognize the structure and be able to build on existing compliance infrastructure.

III. Key Definitions (Proposed 31 CFR §1033.100)

The three proposed definitions — "account," "customer," and "digital asset service provider" — are the operational core of the primary-market scoping decision. CCI offers comments on each.

A. The "Account" Definition and the Formal Relationship Standard (RFC 2, RFC 3)

RFC 3 ***Should the agencies retain "formal relationship" as the foundation of the account definition? What are the hallmarks of a formal relationship? Would "contractual or business relationship" work better?***

CCI supports retaining "formal relationship" as the account standard. This language — consistent with existing bank and broker-dealer CIP rules — appropriately limits the CIP obligation to circumstances where a PPSI has a direct, ongoing relationship with a counterparty and can realistically collect and verify the required information.

CCI recommends that the agencies provide clarification on the formal relationship standard in two respects. First, the final rule or accompanying guidance should provide illustrative examples of what constitutes a formal relationship in the PPSI context. The proposed rule lists illustrative account activities at §1033.100(a)(1) but does not describe the hallmarks of a formal relationship itself. Given that the stablecoin primary market differs structurally from the banking context in which this standard was developed — particularly with respect to how accounts are opened and how counterparties interact with issuers — additional guidance would assist PPSIs in designing compliant programs.

Second, the Agencies should clarify that ordinary commercial partnerships and business arrangements between a PPSI and another entity do not by themselves create a "formal relationship" giving rise to account or customer status. Without this clarification, PPSIs may face uncertainty about whether standard vendor, service, or commercial counterparty relationships trigger CIP obligations that were not intended to apply to those interactions.

B. The "Customer" Definition and Secondary Market Carve-Outs (RFC 2)

> **RFC 2** ***Should the definitions of account, customer, or digital asset service provider be refined or clarified? Are additional definitions needed?***

CCI supports the proposed definition of "customer" and in particular the explicit exclusion of persons acquiring or redeeming payment stablecoins by any means other than directly to or from the PPSI. This operationalizes the primary-market-only scope at the customer level and should be preserved in the final rule.

- CCI supports the explicit exclusion of federally regulated financial institutions from the "customer" definition, reflecting that these entities are already subject to CIP obligations and federal examination.
- CCI supports the clarification that PPSIs are not required to treat existing customers as new customers upon the rule's effective date, provided the PPSI has a reasonable belief that it knows the customer's true identity.

C. One-Time Redemption by a Secondary-Market Holder (RFC 4)

> **RFC 4** ***Should the proposed rule be clarified or refined to account for situations where a customer's only desired relationship with a PPSI is to redeem a payment stablecoin?***

The agencies identify a notable edge case warranting further clarification. An individual who acquires a payment stablecoin in the secondary market and then seeks to redeem it directly with the PPSI has no prior account relationship with that PPSI. The Proposed Rule raises the question of whether that redemption interaction — standing alone — establishes a formal account relationship and makes the individual a "customer" subject to full CIP requirements. CCI recommends the agencies clarify that it does not, for the reasons set forth below.

The Formal Relationship Standard Should Turn on the Ongoing Nature of Engagement, Not Transaction Number

The core regulatory distinction the BSA's CIP framework draws is between ongoing service relationships and occasional transactional engagements. A formal relationship, in the sense the CIP framework intends, involves a PPSI providing continuing services to a counterparty — primary market issuance, wholesale redemption arrangements, custodial services — where an ongoing relationship justifies formal account establishment, primary CIP obligations, and continuous customer due diligence ("CDD").

An occasional, one-time redemption by a secondary-market holder is a fundamentally different interaction from an ongoing primary market relationship. Such a holder has acquired the payment stablecoin from a third party with whom the PPSI has no relationship, and presents it to the PPSI for redemption in a single, transactional engagement with no expectation of continuity. In risk profile and operational character, routine redemptions of this kind are more analogous to walk-in money services business activity than to the establishment of a formal bank account subject to ongoing CIP and CDD obligations.

CCI recognizes, however, that a risk-based approach requires nuance here. A redemption request of significant size or presenting other elevated risk indicators is not analogous to a routine walk-in transaction, and should not be treated as such. CCI recommends the agencies clarify that while an occasional, lower-risk redemption request does not by itself establish a formal account relationship, a PPSI's CIP should provide for the application of appropriate CDD and CIP measures where the size, frequency, or risk profile of a redemption warrants it — even in the absence of an ongoing relationship. This calibration preserves the risk-based character of the framework and ensures that the distinction between primary and secondary market interactions does not create a gap that could be exploited for large-value or high-risk transactions.

The Proposed Rule itself supports this reading. The proposed exclusion of "mere ownership or control of a permitted payment stablecoin without other indicia of a formal relationship" from the account definition reflects the agencies' recognition that holding a payment stablecoin does not by itself create an account relationship. CCI recommends the agencies extend this logic to routine redemption requests — while confirming that PPSIs retain full discretion, and in high-risk cases may have an obligation, to apply CIP and CDD measures commensurate with the risk presented.

Customer and Account Status Should Attach Upon Completion of Onboarding

CCI further recommends the agencies clarify that customer and account status attach only once — and to the extent — a holder actually completes the PPSI's onboarding and identity verification process in connection with a redemption. This approach preserves the CIP framework's integrity — a PPSI that onboards a redemption counterparty into an ongoing relationship would appropriately apply full CIP requirements — while avoiding the imposition of bank-account-level obligations on isolated, transactional interactions with parties who may never engage with the PPSI again.

Anchoring customer status to the completion of onboarding rather than the initiation of a redemption request also gives PPSIs a clear, operationally workable standard: if a holder seeks a one-time redemption and does not proceed through the PPSI's onboarding process, no account or customer relationship is formed.

D. Digital Asset Service Provider Definition (RFC 2)

CCI supports the proposed definition of “digital asset service provider” as tracking the GENIUS Act with technical conforming edits. CCI also supports the exclusions for distributed ledger protocols, self-custodial software interfaces, validators, and liquidity pool operators. These exclusions are essential to avoid inadvertently sweeping in infrastructure providers that do not exercise discretion over individual transactions and have no direct customer relationship with payment stablecoin holders.

IV. Identity Verification: Digital Identity and Verifiable Credentials (RFC 5, RFC 6)

> **RFC 5-6** ***Should the regulatory text explicitly discuss digital identity solutions or verifiable credentials? How could it best do so given the range of tools available on the market? What are the benefits and risks of using such tools for customer verification?***

CCI supports the proposed rule’s flexible, principles-based approach to identity verification methods. Requiring PPSIs to form a “reasonable belief” about a customer's true identity — without prescribing specific technologies — appropriately accommodates the diversity of tools available and the pace of innovation in this space. CCI recommends that the final rule affirm that PPSIs may use any verification method — documentary, non-documentary, or technology-based — that enables the PPSI to form a reasonable belief about the customer’s true identity, without implying a preference for traditional documentary methods.

At the same time, CCI recommends the Agencies provide affirmative clarity — whether in the final rule's preamble or through subsequent guidance — that digital identity tools and verifiable credentials qualify as non-documentary verification methods under this standard. The proposed rule notes that a digital identity credential from a non-governmental entity “could, if appropriate as part of a risk-based procedure, be a non-documentary verification method," but stops short of confirming this directly. Given the significant industry investment in digital identity infrastructure and the Agencies’ own acknowledgment of its relevance, clearer affirmation would assist PPSIs in making compliance investments with confidence.

In particular, CCI recommends the Agencies confirm that zero-knowledge proof (ZKP)-based verification tools are eligible non-documentary verification methods where they provide a sufficient basis for the PPSI to form a reasonable belief about the customer’s true identity. ZKP-based tools can confirm that a customer meets required identity criteria — age, jurisdiction, identity document validity — without requiring the disclosure of underlying personal data. This capability is particularly well-suited to the PPSI context, where balancing effective identity verification with appropriate data minimization advances both compliance and customer privacy objectives.

CCI notes that Treasury's March 2026 Report to Congress on Innovative Technologies to Counter Illicit Finance Involving Digital Assets affirmed digital identity as a priority compliance innovation area.[1] The final rule should reflect this posture by providing a clear pathway for PPSIs to adopt these tools within the existing risk-based framework.

V. Reliance on Another Financial Institution (RFC 7)

> **RFC 7** ***What is the expected likelihood that a PPSI would rely on another PPSI's CIP or the CIP of another federally regulated financial institution?***

CCI supports the reliance provision as a practical tool for reducing duplicative compliance burden where PPSIs share customer relationships with other regulated financial institutions. CCI offers two observations on the provision's scope and application.

A. Third-Party Service Providers

CCI seeks confirmation that the reliance provision does not limit a PPSI's ability to use third-party service providers to perform CIP-related functions on its behalf — such as identity verification, document review, or screening services. This is a distinct arrangement from the reliance provision, which addresses a PPSI leveraging another regulated institution's completed CIP work for a shared customer. In both cases, CIP responsibility remains with the PPSI. The agencies should confirm this distinction explicitly to avoid any suggestion that third-party CIP service arrangements require the same contractual and supervisory conditions as the formal reliance provision.

B. Examination Framework for IDI-Subsidiary PPSIs

The proposed reliance provision permits an IDI-subsidiary PPSI to rely on another federally regulated institution's CIP. However, the Proposed Rule does not clearly identify which CIP framework — Part 1033 or Part 1020 — governs when a bank-chartered entity conducts activities in its capacity as a PPSI.

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[1] United States Department of the Treasury, *Report to Congress from the Secretary of the Treasury on Innovative Technologies to Counter Illicit Finance Involving Digital Assets*, March 2026. https://home.treasury.gov/system/files/246/GENIUS-Act-Illicit-Finance-Innovation-Congressional-Report-March-2026.pdf

This gap creates a material risk for IDI-subsidiary PPSIs. Without explicit confirmation that Part 1033 governs their PPSI-capacity activities, such entities could face examination under Part 1020's traditional bank CIP definitions — which do not include Part 1033's tailored definitions of "account" and "customer," and critically, do not incorporate the exclusion of secondary-market interactions that is central to the Proposed Rule's design. Applying Part 1020's framework to stablecoin issuance activity would effectively nullify the primary-market scoping the agencies worked to establish.

CCI recommends the Agencies confirm in the final rule that Part 1033's definitions and requirements are the exclusive CIP framework for activities conducted in an entity's capacity as a PPSI. This calibration ensures that examiners apply a framework designed for stablecoin issuance activity rather than one developed for traditional banking relationships.

VI. Secondary Market Scope and Industry Innovation (RFC 1, RFC 8)

A. CIP Should Not Be Extended to Secondary Market Activity (RFC 1)

> **RFC 1** ***Should any CIP requirement be extended to secondary market activity? If yes, in what circumstances? What would be the benefits and drawbacks of doing so?***

CCI firmly supports the Agencies' decision not to extend CIP obligations to secondary market activity and respectfully urges the Agencies to preserve this determination in the final rule.

- PPSIs have no formal customer relationship with secondary market participants. They hold no private keys for secondary market counterparties, exercise no discretion over secondary market transactions, and cannot collect the information a CIP requires from parties with whom they have had no direct engagement.
- The technical infrastructure to support secondary market CIP verification does not exist. Secondary market transactions execute autonomously through smart contracts — there is no intermediary moment at which a PPSI could collect identity information before a transaction is confirmed on-chain.
- The compliance value of secondary market CIP verification would be limited in any case. PPSIs have no greater visibility into secondary market transaction parties than is available to any participant through public blockchain data. Any reporting obligation would likely produce low-quality filings of minimal utility to law enforcement, at substantial operational cost to the industry.

For these reasons, CCI urges the agencies to reaffirm the primary-market-only scope of the CIP obligation explicitly in the final rule's preamble, to provide clarity for the industry and reduce the risk of future interpretive expansion.

B. Industry Innovation (RFC 8)

RFC 8 ***What, if anything, could be changed to make the proposed rule more conducive to industry innovation? Explain how any changes would positively or negatively impact PPSIs' expected operations and illicit finance risk.***

CCI supports the proposed rule's risk-based, principles-driven approach as appropriately innovation-friendly. CCI offers two recommendations to preserve and enhance this flexibility in the final rule.

- The absence of prescribed verification technology is the most important flexibility the Proposed Rule provides. CCI recommends the final rule affirm — in the preamble and, where appropriate, through subsequent guidance — that PPSIs may use any verification method that enables the PPSI to form a reasonable belief about the customer's true identity, without the Agencies implying a preference for traditional documentary approaches. This affirmation should make clear that digital identity tools, verifiable credentials, and ZKP-based solutions are eligible methods under the existing risk-based standard, consistent with CCI's recommendations in Section IV above.
- CCI recommends the Agencies commit to issuing guidance or FAQs clarifying how innovative compliance approaches will be assessed in examination and enforcement contexts. Without such guidance, PPSIs may be reluctant to invest in novel tools — even where those tools provide superior compliance outcomes — if there is uncertainty about how examiners will evaluate them. Clear signals from the Agencies that effective, innovative compliance programs will be recognized and credited would support the development of the forward-looking compliance infrastructure the GENIUS Act is designed to encourage.

VII. Conclusion

CCI appreciates the opportunity to engage with FinCEN and the Agencies on this foundational rulemaking. The PPSI CIP rule will establish the customer identification framework for a new regulatory category at a pivotal moment for the stablecoin industry and for U.S. leadership in digital finance. CCI is fully committed to the goals of market integrity, consumer protection, and national security that underlie the Proposed Rule, and respectfully submits that a well-calibrated final rule can advance all of these objectives while remaining operationally workable for a diverse and growing industry.

CCI's core requests are straightforward: preserve and reaffirm the primary-market-only CIP scope; clarify the formal relationship standard with both positive and negative examples; confirm that one-time secondary-market redemptions do not trigger formal account status absent completion of onboarding; provide affirmative recognition of digital identity and ZKP-based verification tools as eligible non-documentary methods; confirm that Part 1033 is the exclusive examination framework for PPSI-capacity activities; and commit to issuing guidance on the application of innovative compliance approaches.

CCI looks forward to continued engagement with FinCEN and the Agencies as this rulemaking progresses and stands ready to provide additional technical or operational information to support the agencies' work. We are committed to being a constructive resource as regulators work to implement the GENIUS Act in a manner that strengthens the U.S. financial system while enabling responsible innovation.

Respectfully submitted,

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