Submitted via email at FATF.Publicconsultation@fatf-gafi.org

April 18, 2025

Financial Action Task Force (FATF)
2 Rue André Pascal
75775 Paris Cedex 16
France

Re: Comments of Crypto Council for Innovation on the Proposed Revisions to R.16/INR.16

The Crypto Council for Innovation (CCI), a global alliance of industry leaders within the digital assets industry, appreciates the opportunity to provide our comments and recommendations on the proposed revisions to FATF Recommendation 16 (R.16). As an initial matter, CCI wants to express our appreciation and support for FATF's ongoing efforts to enhance anti-money laundering and countering the financing of terrorism (AML/CFT) measures while ensuring proportionate, risk-based approaches that consider the operational realities of virtual asset service providers (VASPs).

CCI is committed to promoting the advantages of digital assets while showcasing their potential for transformation. CCI's members represent various sectors within the digital asset ecosystem and share a common objective: advocating for responsible global regulation of digital assets to unlock economic opportunities, enhancing quality of life, promoting financial inclusivity, safeguarding national security, and countering illicit activities.

CCI appreciates FATF's efforts to refine the global AML/CFT standards and ensure their effectiveness in an evolving financial and technological landscape. We understand that the revised R.16 remains focused on traditional payment infrastructures and does not explicitly seek to expand its scope to include VASPs. We note with appreciation that paragraph 64 of the consultation document reaffirms that virtual asset-related issues will continue to be addressed through Recommendation 15 (R.15). Certain proposed changes to information-sharing obligations in R.16, however, would impact VASPs directly once the interpretative note to R. 15 is updated to reflect the new requirements. Our concerns specifically focus on data collection and sharing, and cybersecurity risks.

A key revision in the proposed R.16 update is the requirement to include additional personally identifiable information (PII) for originators, such as date of birth (DOB) or place of birth (POB), in cross-border and above-threshold domestic transfers.

While we recognize the importance of robust identity verification in mitigating financial crime risks, we respectfully urge FATF to consider the following concerns which will impact VASPs when R.15 is aligned with the proposed changes to R.16:

- Privacy and Data Protection Risks: As noted in the consultation document (paragraph 69), several respondents highlighted concerns regarding the reluctance of FIs and beneficiaries to share DOB due to privacy and data protection laws. In many jurisdictions, such requirements may not be legally permissible under data protection principles (e.g., GDPR in the European Union). This concern is particularly relevant for VASPs, as data localization laws and jurisdictional fragmentation could make it difficult to transmit or store certain PII across borders. Moreover, ensuring secure handling of this sensitive data in compliance with varying Data Protection and Privacy (DPP) regimes remains a major challenge.
- Cybersecurity Risks: The inclusion of highly sensitive PII, such as DOB or POB, in transaction data significantly increases the risk of data breaches and unauthorized access. VASPs, like other financial institutions, are frequent targets of cyberattacks, and any additional PII requirements could exacerbate these risks. Reducing cybersecurity incidents is a major priority of the crypto industry and increasing unnecessary data exposure through the mandatory collection and transmission of DOB/POB poses a heightened risk of identity theft and fraud.
- Operational and Compliance Challenges: While we recognize that some technical solutions can accommodate expanded data fields, we note that some VASPs operate in jurisdictions and under regulatory frameworks that currently are lacking in VASP travel rule implementation.[1] Certain of these jurisdictions may already have significant challenges verifying DOB and POB information, particularly in rural areas with large underbanked populations, and may be less adept at incorporating these expanded fields. Imposing these requirements could exacerbate de-risking around VASPs from countries with large poor or rural populations and undermine FATF's financial inclusion objectives.

Given these considerations, we strongly recommend that FATF reconsider the necessity of including DOB/POB in the mandated data-sharing and ensure that any new requirements align with global data protection laws and cybersecurity requirements. In conclusion, we recommend that FATF:

1. Decline to include DOB/POB in mandated data-sharing, considering privacy, cybersecurity, operational, and regulatory alignment challenges.
2. Clarify for AML/CFT regulators that the proposed R.16 revisions do not extend to VASPs and that current compliance expectations remain aligned with R.15 as currently explained in its interpretive note.
3. Solicit additional input from VASPs and crypto industry trade associations to identify how R.15 should be interpreted and applied in light of the final updates to R.16.

[1] FATF (2024) *Virtual Assets: Targeted Update on Implementation of the FATF Standards on VAs and VASPs*. Available at: https://www.fatf-gafi.org/en/publications/Fatfrecommendations/targeted-update-virtual-assets-vasps-2024.html.

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CCI appreciates the opportunity to provide these comments. We would be pleased to further engage on the feedback detailed in this letter and ways to ensure proportionate and effective AML/CFT requirements that counter illicit finance risks while preserving data privacy and cybersecurity compliance.

Respectfully submitted,

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