August 4, 2026

Jennifer M. Jones, Deputy Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
RIN 3064-AG29

Re: *Bank Secrecy Act and Sanctions Compliance Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers*

The Conference of State Bank Supervisors ("CSBS")[1] provides the following comments on the proposal[2] from the Federal Deposit Insurance Corporation ("FDIC") to implement the anti-money laundering/countering the financing of terrorism ("AML/CFT") and sanctions compliance provisions of the GENIUS Act applicable to FDIC-supervised permitted payment stablecoin issuers.[3] The FDIC's proposal would implement the requirements for stablecoin issuers proposed by the Financial Crimes Enforcement Network ("FinCEN") and the Office of Financial Asset Control ("OFAC").[4] Specifically, our comments provide considerations and recommendations related to issuer supervision for AML/CFT and sanctions compliance purposes, as also discussed in CSBS's comment letter[5] responding to the FinCEN and OFAC proposal.

CSBS recognizes the importance of a well-designed AML/CFT program for stablecoin issuers, including the ability to block, freeze, and reject specific or impermissible stablecoin transactions in both the primary and secondary markets. Illicit use of stablecoins primarily occurs in the secondary market for sanctions evasion, fraud, money laundering, drug trafficking, terrorist financing, cybercrime, and ransomware purposes.[6]

The proposed rule would, however, establish a mandatory notice and consultation process whereby the FDIC would consult with FinCEN before initiating an AML/CFT enforcement action or significant AML/CFT supervisory action against an issuer.[7] Involving FinCEN more deeply in the supervisory process through the proposed consultation requirement could significantly reduce examination efficiency and lead to

[1] CSBS is the nationwide organization of state banking and financial regulators from all 50 states, the District of Columbia, and the U.S. territories. The views presented in this letter may not reflect the policy of individual states.
[2] FDIC, Proposed Rule, *Bank Secrecy Act and Sanctions Compliance Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers*, 91 Fed. Reg. 34171 (June 5, 2026).
[3] *See* 12 U.S.C § 5903(a)(5).
[4] FinCEN and OFAC, Joint Proposed Rule, *Permitted Payment Stablecoin Issuer Anti-Money Laundering/Countering the Financing of Terrorism Program and Sanctions Compliance Program Requirements*, 91 Fed. Reg. 18582 (Apr. 10, 2026).
[5] CSBS, Comment Letter, *GENIUS Implementation: FinCEN OFAC Stablecoin Issuer* (June 9, 2026).
[6] The FinCEN and OFAC proposal provides substantial evidence and examples of illicit stablecoin use in the secondary market. *See supra* note 4, at 18586-18588.
[7] A "significant AML/CFT supervisory action" is broadly defined to include any written communication or other formal supervisory determination by the FDIC, such as a Matter Requiring Attention ("MRA"), that identifies deficiencies, weaknesses, violations, or unsafe or unsound practices related to an AML/CFT requirement; communicates supervisory expectations related to addressing identified issues; and contemplates significant or programmatic action by the issuer. *See supra* note 2 (proposed 12 C.F.R § 350.200(e)).

CSBS

other unintended consequences.[8] The FDIC should work with FinCEN to adopt an alternative consultation process.

I. Mandatory notice and consultation would lengthen examination timelines, delay closure of supervisory findings, and create uncertainty for institutions.

The proposed notice and consultation process is overly cumbersome and would trigger voluminous supervisory documentation requirements, resulting in more unresolved supervisory matters, delayed reports of examination, and deferred remediation or enforcement. First, the FDIC would provide FinCEN with at least 30 days' advance notice of the potential AML/CFT enforcement action or significant supervisory action, accompanied by extensive examination documentation and confidential supervisory information ("CSI") related to the potential action. The FDIC would also provide FinCEN with any additional information requested related to the potential action. Finally, the FDIC would be required to consider (but not necessarily concur with or follow) any input or recommendations provided by FinCEN on the potential action.[9]

However, the proposal does not require FinCEN to respond to FDIC's potential significant supervisory action. Should FinCEN and the FDIC maintain the mandatory consultation process in their final rules, they should expressly state that the consultation requirement is deemed satisfied and the FDIC may proceed if FinCEN provides no feedback within the 30-day period. Similarly, a final rule should confine the entirety of FinCEN's review and feedback process, including any additional information requests, to 30 days beginning with the date that FinCEN was notified of a potential significant supervisory action.

II. Mandatory notice and consultation could create supervisory divergence and lead to overly expansive enforcement.

In addition to examination delays, a mandatory notice and consultation process could increase supervisory divergence among regulators in a manner that frustrates AML/CFT oversight for issuers. The GENIUS Act preserves state supervisory authority over the issuer subsidiaries of state-chartered non-member banks and their parent insured depository institutions.[10] Accordingly, issuer subsidiaries of state-chartered non-member banks would be subject to AML/CFT supervision by both a state payment stablecoin regulator and the FDIC,[11] and the proposed consultation could lead to such entities' supervisors issuing significant AML/CFT supervisory actions according to different processes.[12] In the context of joint examinations, the added complexity of FinCEN consultation could result in an issuer subsidiary of a state-chartered non-member bank receiving separate, delayed, and conflicting

---

[8] The FDIC acknowledges the notice and consultation requirement would add "costs," "logistical burdens," and "delays in exam report issuance." *See supra* note 2, at 34174.

[9] *See supra* note 2 (proposed 12 C.F.R. § 350.202(a)).

[10] 12 U.S.C. § 5904(h).

[11] Depending on its organizational structure, affiliation with a bank, or issuing volume, an FDIC-supervised issuer may also be subject to joint supervision by the Federal Reserve or IRS for AML/CFT purposes. *See supra* note 4 (proposed 31 C.F.R §§ 1010.100(ttt), 1010.100(uuu), 1010.100(vvv), 1010.100(www), 1010.100(xxx)).

[12] In general, states derive their BSA/AML examination authority from their own chartering, licensing, and supervisory statutes and regulations, under which they examine for compliance with federal BSA/AML obligations. While FinCEN relies on the states' BSA/AML supervision, its delegation of BSA/AML examination authority is limited to the federal functional regulators. Accordingly, state regulators of state-chartered nonmember banks fall outside of and are not contemplated in the proposed notice and consultation process. *See* 31 U.S.C. § 5318(a)(6) (permitting FinCEN to rely on state BSA/AML examinations). *See also* 31 C.F.R. § 1010.810(b) (delegating FinCEN's BSA/AML examination authority to only the federal functional regulators).

examination reports, MRAs, and enforcement actions. This would not promote supervisory consistency across issuers.

Moreover, the proposed consultation framework could unintentionally increase enforcement risk for issuers over the long run. FinCEN would have new access to federal examination records, CSI, and other documentation regarding AML/CFT compliance issues and deficiencies provided during mandatory consultations. The proposal's goal is to leverage these materials to focus enforcement and significant supervisory actions on material issues, but future FinCEN leadership could instead use these same records to pursue an expansive AML/CFT enforcement agenda at odds with the proposed consultation's stated purpose.

III. Issuers should be provided with the option to request that their federal payment stablecoin regulator consult with FinCEN regarding significant AML/CFT supervisory actions.

Rather than establish the proposed mandatory notice and consultation process, the FDIC should work with FinCEN to instead permit optional consultation at an issuer's request regarding significant supervisory actions.[13] If an issuer believes an anticipated supervisory action by the FDIC is inconsistent with advancing a risk-based AML/CFT framework, that entity could request that the FDIC consult with FinCEN before finalizing the action. This approach would balance the benefit of FinCEN providing a broader view of AML/CFT program consistency, without making FinCEN a mandatory participant in every significant supervisory communication between the FDIC and an issuer.

Conclusion

CSBS encourages the FDIC to adopt an optional supervisory consultation process with FinCEN. Optional consultation will better balance AML/CFT supervisory consistency with efficiency and effectiveness.

Sincerely,

Brandon Milhorn
President and CEO

[13] The FDIC offers this optional consultation framework as an alternative approach. *See supra* note 2, at 34174 (Question 3).