ELLIPTIC INC., PETER PHELAN

Proposal and Comment Information

Title: Anti-Money Laundering and Countering the Financing of Terrorism Programs, R-1835

Comment ID: FR-0000-0133-02-C37

Submitter Information

Organization Name: Elliptic Inc.

Organization Type: Company

Name: Peter Phelan

Submitted Date: 09/08/2026

Attached please find Elliptic Inc.'s response to the NPRM.

ELLIPTIC INC.

September 8, 2026

Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Comments of Elliptic Inc. on the Notice of Proposed Rulemaking, Anti-Money Laundering and Countering the Financing of Terrorism Programs (Docket No. R-1835; RIN 7100-AG78; 91 Fed. Reg. 42,363, July 9, 2026)

I. INTRODUCTION

Elliptic Inc. ("Elliptic") respectfully submits these comments in response to the above-captioned Notice of Proposed Rulemaking ("NPRM") issued by the Board of Governors of the Federal Reserve System ("Board"), which would substantially revise the anti-money laundering and countering the financing of terrorism ("AML/CFT") program requirements applicable to Board-supervised institutions, including state member banks, Edge and agreement corporations, and the U.S. branches, agencies and representative offices of foreign banks.

Elliptic is the world's leading provider of blockchain analytics and digital asset risk intelligence, trusted by financial institutions, regulators, and law enforcement agencies globally. Our clients include the largest global cryptoasset exchanges, leading global and domestic banks, asset managers, and US and international government agencies.

Elliptic monitors 99% of the digital asset market by value across 66+ blockchains through our proprietary Holistic Network, the most comprehensive blockchain intelligence coverage in the industry. We maintain over one billion labeled crypto addresses and over 100,000 entities labeled on-chain data points, with attribution accuracy exceeding 99%.

We previously submitted comments in June on the parallel BSA/AML program modernization rulemaking issued jointly by FinCEN, the OCC, the FDIC and the NCUA (FINCEN-2026-0034 and the corresponding OCC/FDIC/NCUA rule), which this NPRM is designed to track. We submit these comments to raise, in the context of Board-supervised institutions specifically, the same core recommendation we made in that earlier letter: that the final rule expressly recognize blockchain analytics as a foundational component of an effective, risk-based AML/CFT program, and that it do so consistently across all five agencies now engaged in this parallel rulemaking effort.

Many Board-supervised institutions, including state member banks that may themselves become PPSIs, or that provide correspondent banking, custody, or reserve-management services to PPSIs, will need to incorporate digital asset risk into their AML/CFT risk assessments regardless of whether they issue a stablecoin directly. Our comments below address how the Board's proposed effectiveness-based framework should treat that risk, and specific recommendations responsive to the Board's request for comment.

II. ABOUT ELLIPTIC AND BLOCKCHAIN ANALYTICS

Blockchain analytics is the discipline of analyzing publicly available on-chain transaction data to identify, attribute and assess the risk of digital asset activity. Elliptic's core capabilities include entity attribution, real-time transaction risk scoring, cross-chain tracing, and continuously updated sanctions screening against OFAC's Specially Designated Nationals (“SDN”) List. These capabilities are used today by banks, including institutions supervised by the Board, to manage the money-laundering and terrorist-financing risk associated with customers, correspondents and counterparties active in digital assets, and by stablecoin issuers to meet their own compliance obligations.

III. THE FINAL RULE SHOULD EXPRESSLY RECOGNIZE DIGITAL ASSET RISK, AND BLOCKCHAIN ANALYTICS AS THE PRIMARY TOOL FOR MANAGING IT, WITHIN THE RISK ASSESSMENT PILLAR

The NPRM's risk-based approach requires Board-supervised institutions to design their AML/CFT programs around a documented risk assessment covering products, services, channels, customers and geographies, incorporating FinCEN's government-wide AML/CFT priorities. As digital asset activity, including payment stablecoin issuance, custody and related banking services, becomes a more significant line of business for Board-supervised institutions under the GENIUS Act framework, we recommend that the final rule expressly identify digital asset activity as a risk category requiring its own dedicated analysis within an institution's risk assessment, and that it recognize blockchain analytics as the primary tool by which that risk can practically be assessed and monitored.

Unlike traditional payment rails, digital asset transactions are recorded on public, immutable ledgers, and the risk associated with a given customer's or counterparty's activity is best understood through analysis of that on-chain data, rather than through traditional transaction-monitoring rules alone. An institution that offers banking, custody or correspondent services to PPSIs, digital asset exchanges, or other digital-asset-native customers, without a blockchain analytics program capable of assessing the risk of those customers' underlying on-chain activity, is unlikely to be able to demonstrate an effective, risk-based AML/CFT program with respect to that business line.

IV. THE BOARD SHOULD CLARIFY THE "SIGNIFICANT OR SYSTEMIC FAILURE" STANDARD BY REFERENCE TO CONCRETE COMPLIANCE-TECHNOLOGY FAILURE MODES

The NPRM limits enforcement action and significant supervisory action for program implementation failures to circumstances involving a "significant or systemic failure" to implement an effective program in all material respects. The Board has separately asked whether clarification is needed on what constitutes such a failure. Governor Barr's dissent from the Board's approval of this NPRM specifically raised concern that this standard, as proposed, is undefined and could constrain the Board's supervisory and enforcement capability.

Elliptic recommends that the Board resolve this ambiguity, with respect to digital-asset-related activity specifically, by identifying concrete, observable indicators consistent with those we have proposed to FinCEN, the OCC and the FDIC in our comments on the parallel rulemakings: for example, sustained failure to apply OFAC SDN List updates to sanctions screening within a reasonable period, persistent coverage gaps across blockchains on which a supervised institution's digital-asset-related customers are active, or a documented breakdown in alert investigation and escalation procedures. Anchoring the standard to indicators of this kind, consistently across the Board, FinCEN, the OCC, the FDIC and the NCUA, would give supervised institutions a clear and predictable compliance target and would reduce the risk that functionally identical conduct is judged differently depending on which agency supervises the institution.

V. THE BOARD SHOULD ADOPT THE SAME FINCEN CONSULTATION AND INFORMATION-SHARING FRAMEWORK AS THE OTHER BANKING AGENCIES

We understand the Board has asked whether it should incorporate a consultation and confidential-supervisory-information-sharing framework with FinCEN similar to that adopted by the OCC, the FDIC and the NCUA in their April 2026 rulemaking. Elliptic recommends that the Board do so. We recognize this is primarily a question of supervisory architecture and privilege law rather than compliance technology, but we note that inconsistency among the banking agencies on this point would create an uneven supervisory landscape for institutions, and for the PPSIs and digital-asset-native customers they serve, depending on which agency has jurisdiction. Given that the Board was not a party to the April rulemaking and is addressing this question independently, we would encourage the Board to coordinate directly with FinCEN and the other banking agencies to ensure the final frameworks are, to the greatest extent possible, aligned.

VI. EXAMINER TRAINING ON DIGITAL ASSET RISK AND BLOCKCHAIN ANALYTICS

Consistent with the recommendations we made to FinCEN, OFAC and the FDIC in our earlier comments, Elliptic recommends that the Board work with the Federal Financial Institutions Examination Council and its own examination staff to develop updated examination procedures and training specifically addressing digital asset risk and blockchain analytics, so that examiners of Board-supervised institutions are equipped to assess the adequacy of an institution's digital asset risk assessment and analytics program, including coverage, accuracy, governance and alert-response procedures. We offer to contribute to the development of such training materials.

VII. CONCLUSION

Elliptic supports the Board's objective of moving to an effectiveness-based, risk-driven AML/CFT program standard. We respectfully urge the Board to incorporate the following recommendations into the final rule:

1. Expressly recognize digital asset activity as a distinct risk category requiring dedicated analysis within an institution's risk assessment, and recognize blockchain analytics as the primary tool for assessing and monitoring that risk.

2. Clarify the "significant or systemic failure" standard by reference to concrete, observable compliance-technology failure modes, and do so consistently with the standard being developed by FinCEN, the OCC, the FDIC and the NCUA.

3. Adopt a FinCEN consultation and information-sharing framework consistent with that of the other banking agencies, to avoid divergent supervisory outcomes across institutions depending on their primary federal regulator.

4. Develop, in coordination with the FFIEC, updated examination procedures and training addressing digital asset risk and blockchain analytics.

Elliptic appreciates the opportunity to submit these comments and welcomes the opportunity to discuss any of the issues raised herein with Board staff.

Please contact the undersigned with any questions.

Respectfully submitted,

Peter Phelan
VP, Strategic Advisory
Elliptic Inc.
peter.phelan@elliptic.co