

TOKENIZATION SYSTEMS, ZACH ZUKOWSKI

Proposal and Comment Information

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

Comment ID: FR-0000-0133-02-C46

Subject

Docket No. R-1835; RIN 7100-AG78

Submitter Information

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Organization Type: Organization

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NONCONFIDENTIAL // EXTERNAL

Dear Secretary McDonough,

This comment is submitted after the comment period closed on September 8, 2026, and is offered for the Board's consideration if the Board accepts late comments.

Tokenization Systems submits the attached comment on the Board's notice of proposed rulemaking, Anti-Money Laundering and Countering the Financing of Terrorism Programs, Docket No. R-1835, RIN 7100-AG78, 91 Fed. Reg. 42363 (July 9, 2026). The attached PDF is the comment of record.

Comment box summary:

"Tokenization Systems is an independent research program studying the operational control layer of tokenized financial systems: the functions through which an issuer, custodian, or interface operator actually exercises control over issuance, reserve custody, transaction routing, and the execution of lawful orders. Tokenization Systems is on the record in both rulemakings this proposal is designed to align with, the Financial Crimes Enforcement Network proposal at 91 Fed. Reg. 18704 and the banking agency proposal at 91 Fed. Reg. 18304.

That multi-docket position supports the comment's central observation. The Board states that its purpose is consistency with the Financial Crimes Enforcement Network and the other Federal banking agencies. The comment supports that purpose and identifies four respects in which the proposal as drafted does not yet reach it, each correctable without revisiting a policy choice.

First, and most consequentially, the proposal omits the two FinCEN consultation and information-sharing provisions that all three sibling rules contain. That is the only substantive divergence from those rules, it is the coordination mechanism itself, and Section VIII of the notice describes the proposal as containing it. The comment recommends adopting both provisions, resolving the information-sharing options consistently with the other agencies.

Second, the proposal conditions the enforcement and supervision policy in proposed Section 208.63(g), which is its principal benefit to supervised institutions, on a "significant or systemic failure" that the notice uses eight times and never defines, while Section 208.63(a) defines four other terms. The comment recommends stating the weighing factors rather than a bright line, and notes that the American Bankers Association asked the sibling agencies for the same clarification a month before this proposal published. On the related questions, the comment recommends retaining "any written communication" and "unsafe or unsound practices or conditions," because that definition bounds what a compliant institution is protected from and narrowing it would shrink the protection.

Third, the operative text runs to state member banks in every paragraph, while the Regulatory Flexibility Act analysis covers, and computes cost over, three populations including Edge and agreement corporations and covered United States offices of foreign banks. Those populations reach Section 208.63 through 12 CFR 211.5(m) and 211.24(j), which incorporate it only for developing and administering a program, so the enforcement policy does not clearly reach them. The same analysis states the small-entity population two ways, as approximately 439 and as 464.

Fourth, the effective date runs from the Board's own final rule rather than from the alignment the rule depends on.

The comment makes five further recommendations on risk assessment processes and tokenized distribution channels, independent testing, reserve-custody relationships with permitted payment stablecoin issuers, and the United States officer requirement. It also notes that the numbered question list omits Questions 25 and 27 and duplicates one pair. The full comment, with nine recommendations mapped to the Board's numbered questions, is attached."

Respectfully submitted,

Zach Zukowski

Tokenization.Systems<<https://www.tokenization.systems/>>

Comment on the Notice of Proposed Rulemaking: Anti-Money Laundering and Countering the Financing of Terrorism Programs

Submitted to: Board of Governors of the Federal Reserve System, via the Board's proposal submission portal

Docket / RIN: Docket No. R-1835; RIN 7100-AG78

Federal Register citation: 91 Fed. Reg. 42363 (July 9, 2026)

Comment period closes: September 8, 2026

Submitted by: Tokenization Systems (www.Tokenization.Systems)

Date: September 4, 2026

Introduction and summary

Tokenization Systems is an independent research program studying the operational control layer of tokenized financial systems: the technical and organizational functions through which an issuer, a custodian, or an interface operator actually exercises control over issuance, reserve custody, transaction routing, and the execution of lawful orders.

Tokenization Systems develops measurement instruments that make those control functions observable to supervisors, including the Minimum Viable Equivalence Pack, a ten-category structural diagnostic for diligence at decision points, and the Control Layer Intensity Index for continuous monitoring.

Tokenization Systems has filed eighteen comments, carrying ninety-seven recommendations, across eight federal agencies, including the federal rulemakings that together define the anti-money-laundering and countering-the-financing-of-terrorism architecture for tokenized finance. Those comments include comments to the Financial Crimes Enforcement Network on the general AML/CFT program rulemaking (FINCEN-2026-0034), with a supplemental comment; jointly to the Financial Crimes Enforcement Network and the Office of Foreign Assets Control on the permitted payment stablecoin issuer program rulemaking (FINCEN-2026-0100), with a supplemental comment; to the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the National Credit Union Administration on the banking agency joint AML/CFT program rule at 91 Fed. Reg. 18304; to the Office of the Comptroller of the Currency on its Bank Secrecy Act and sanctions compliance rule for permitted payment stablecoin issuers (RIN 1557-AF55) and on its rule implementing the GENIUS Act (RIN 1557-AF41); and to the Federal Deposit Insurance Corporation on its prudential activities rule (RIN 3064-AG19), its application-process rule (RIN 3064-AG20), and its Bank Secrecy Act and sanctions compliance standards rule (RIN 3064-AG29).

That filing record is the reason this comment can make its principal contribution. The Board states that this proposal is intended to align with the rules proposed by the Financial Crimes Enforcement Network at 91 Fed. Reg. 18704 and by the Office of the

Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the National Credit Union Administration at 91 Fed. Reg. 18304, both published April 10, 2026. Tokenization Systems is on the record in both of those proceedings. A commenter that has read the sibling proposals closely enough to comment on them is positioned to identify where this proposal diverges from them on a measured object, which is what Questions 8 and 23 invite.

The Board's separate rulemaking and the supervisory-consistency question

In April 2026, Tokenization Systems commented on the banking agency joint AML/CFT program proposal at 91 Fed. Reg. 18304. The sixth recommendation of that comment addressed the Board's absence from that rulemaking. It observed that the April 2026 proposal was a re-issuance of a 2024 joint proposal in which the Board had participated; it identified the supervisory-consistency question that the Board's absence created for institutions under Board supervision, including state member banks and the United States operations of foreign banks; and it asked the three participating agencies to address that question in their final rule through three provisions: language accommodating either subsequent Board participation or continued Board separation, a coordination mechanism operating between the participating agencies and the Board even absent Board adoption of the rule, and guidance for institutions operating across supervisory jurisdictions during any period of separation. That comment stated expressly that the research program took no position on whether the Board should join the rulemaking or issue its own parallel rule.

The Board has now proposed its own parallel rule. Tokenization Systems asserts no causal relationship between its April comment and this proposal, and none should be inferred; the Board's rulemaking agenda is its own. The relevance is narrower and more specific. The supervisory-consistency question that comment identified is not resolved by the Board proceeding separately. A separate Board rule either carries the coordination provisions its sibling rules carry or it does not, and by the Board's own account in Section IV.G.2 of the preamble, this proposal does not carry them. The question that comment raised in April is therefore now presented in the concrete and answerable form the Board has itself put to commenters as Question 23.

The docket history sharpens the point. Docket No. R-1835 and RIN 7100-AG78 are the docket and regulation identifier the Board carried as one of four agencies in the 2024 joint proposal at 89 Fed. Reg. 65242 (August 9, 2024). Neither appeared in the April 10, 2026 re-issuance, which proceeded under the identifiers of the other three agencies. The Board has now reactivated that docket and that regulation identifier for this proposal, on which it is the only agency listed. The four-agency instrument of 2024 has become, in 2026, a three-agency instrument and a one-agency instrument governing substantially the same subject matter for populations that overlap at exactly the points where tokenized finance activity concentrates.

The central proposition

The Board’s stated objective is that its “program requirements for Board-supervised banks remain consistent with those imposed by FinCEN and the Agencies,” so that banks “will not be subject to any additional burden or confusion from needing to comply with differing standards between regulatory agencies” (91 Fed. Reg. at 42363). Tokenization Systems supports that objective without qualification. The recommendations below identify five respects in which the proposal as drafted does not yet achieve it, each of which the Board can correct in the final rule:

1. The proposal omits the two FinCEN consultation and information-sharing provisions that all three sibling rules contain, which is the one substantive divergence between this rule and its siblings, and which is the coordination mechanism itself.
2. The proposal states in its analysis of alternatives that it contains those provisions.
3. The proposal conditions its central protection on a term it uses eight times and never defines.
4. The proposal’s operative text governs a narrower population than the notice says the rule covers.
5. The proposal’s effective date is set relative to the Board’s own final rule rather than to the sequence in which the four regimes are finalized.

The first four are matters of internal consistency within a single notice, and the Board can resolve all four without altering a single substantive policy choice it has made. The remaining recommendations apply Tokenization Systems’ measurement positions to the risk-assessment, testing, and officer provisions, in each case anchored in language the proposal already contains rather than in categories asserted from outside it.

The recommendations

Recommendation	Question or provision	Requested final-rule action	Why it matters
1. Adopt the FinCEN consultation and information-sharing provisions	Question 23; proposed Section 208.63	Add provisions parallel to proposed 12 CFR 21.21(h) and (i), 326.8(h) and (i), and 748.2(h) and (i) as new paragraphs of Section 208.63.	This is the single substantive divergence from the sibling rules, and it is the coordination mechanism. Section VIII of the notice already describes the rule as containing it.

Recommendation	Question or provision	Requested final-rule action	Why it matters
2. Define the failure that forfeits the enforcement policy, and keep the protected-action definition broad	Questions 6, 7, 21, 22, 24, and 26; proposed Section 208.63(a) and (g)	State the factors that make an implementation failure significant or systemic, and retain “any written communication” and “unsafe or unsound practices or conditions” in the definition of significant AML/CFT supervisory action.	The protection in paragraph (g) is the proposal’s principal benefit to supervised institutions, and it turns entirely on an undefined term. The American Bankers Association asked the sibling agencies for the same clarification a month before this proposal published. Narrowing the protected-action definition would shrink the protection.
3. State how the four regimes function harmoniously by naming the divergences	Question 8	Identify in the preamble each point at which the Board’s final rule differs from the FinCEN and Agencies final rules, and state the reconciliation for each.	An institution cannot comply consistently with divergences it must discover for itself.
4. Sequence the effective date across the four regimes	Questions 28 and 29	Key the effective date to the last of the four final rules to issue, or state how a bank should comply during any interval in which the regimes are not yet aligned.	A twelve-month clock running from the Board’s own final rule can expire before, or begin after, the clocks running on the rules this rule aligns to.
5. Make the operative text cover the population the rule says it covers	Regulatory Flexibility Act analysis; proposed Section 208.63	Define a term covering all Board-supervised institutions and use it in the operative paragraphs, or amend 12 CFR 211.5(m) and 211.24(j) in the same final rule. State one small-entity count and use it in both places.	Edge and agreement corporations and the covered United States offices of foreign banks are costed in the analysis but are not clearly reached by the enforcement policy in paragraph (g).

Recommendation	Question or provision	Requested final-rule action	Why it matters
6. Confirm that risk assessment processes reach tokenized distribution channels	Questions 10, 11, 15, and 20; proposed Section 208.63(c)(1)(i)(A) and (e)	Confirm in the preamble that “distribution channels” includes tokenized and programmatic channels, and that a change in control-layer arrangements is a change that may require a prompt update.	The rule’s own definition already reaches these channels; confirming it prevents an avoidable gap without adding a requirement.
7. Anchor independent testing and the effectiveness determination in observable criteria	Questions 1, 2, and 17; proposed Section 208.63(c)(2)	Confirm that independent testing evaluates whether controls function under test conditions, consistent with the objective-criteria language the notice already uses.	An effectiveness standard that rests on documentation will systematically overstate effectiveness.
8. Name reserve-custody and stablecoin banking relationships as a risk-assessment consideration	Questions 9, 11, and 14	Confirm that a bank holding reserves for, or providing banking services to, a permitted payment stablecoin issuer evaluates that relationship in its risk assessment processes.	This relationship is a distinct risk channel, and it is the point at which Board-supervised institutions connect to the stablecoin regime.
9. Clarify the United States officer requirement where control functions sit offshore	Question 18; proposed Section 208.63(c)(3)	Confirm that the required accessibility is to the officer’s authority and information, not location alone, where AML/CFT functions or control-layer operations are performed outside the United States.	A domestically located officer without effective control over offshore functions satisfies the text and not the purpose.

Implementation language

The highest-priority items could be framed as follows. The language for Recommendation 1 is drawn from the corresponding provisions of the sibling proposals so that the four regimes read alike.

- **Proposed Section 208.63 new paragraph, FinCEN consultation:** “Before initiating an AML/CFT enforcement action or a significant AML/CFT supervisory action with respect to an AML/CFT requirement, the Board will provide notice to and consult with the Director of FinCEN, and will consider any views the Director provides, including any view as to the effectiveness of the institution’s AML/CFT program.”

- **Proposed Section 208.63 new paragraph, information sharing:** “An institution may share with the Director of FinCEN any information relating to an existing or potential AML/CFT enforcement action or significant AML/CFT supervisory action.”
- **Preamble language for proposed Section 208.63(g), the forfeiture trigger:** “In determining whether a failure to implement an established AML/CFT program is significant or systemic, the Board will consider the extent of the failure across the institution’s business activities, its duration, whether the institution’s own controls detected it, whether it arises from a dependency on which multiple products, services, or channels rely, and its effect on the institution’s ability to produce the reporting the Bank Secrecy Act requires. An isolated, technical, or immaterial implementation shortfall is not a significant or systemic failure.”
- **Proposed Section 208.63(a), scope definition:** “Board-supervised institution means a state member bank; an Edge corporation or agreement corporation subject to Sec. 211.5(m) of this chapter; and a branch, agency, or representative office of a foreign bank operating in the United States that is subject to Sec. 211.24(j) of this chapter,” with the operative paragraphs (b) through (h) revised to use that term.
- **Preamble confirmation for proposed Section 208.63(c)(1)(i)(A):** “The distribution channels a bank evaluates include channels through which the bank opens accounts or provides products or services by programmatic or tokenized means, including channels operated through distributed-ledger infrastructure or through a third party that performs control-layer functions on the bank’s behalf.”
- **Preamble confirmation for proposed Section 208.63(c)(2):** “Independent testing evaluates whether the established program operates as designed, including whether the controls the program describes can be demonstrated to function under conditions appropriate to the institution’s risk profile, and not solely whether the program is documented.”

Alignment with the parallel rulemakings

Issue	This proposal	Sibling proposals	Recommended alignment
FinCEN consultation before supervisory or enforcement action	Absent from proposed Section 208.63.	Proposed 12 CFR 21.21(h) (OCC), 326.8(h) (FDIC), 748.2(h) (NCUA) at 91 Fed. Reg. 18304; parallel provisions in the OCC and FDIC permitted payment stablecoin issuer rules.	Adopt the provision so that all four prudential regimes consult the same counterparty on the same trigger.
Institution-initiated information sharing with FinCEN	Absent from proposed Section 208.63.	Proposed 12 CFR 21.21(i), 326.8(i), 748.2(i) at 91 Fed. Reg. 18304.	Adopt the provision, and resolve the two sharing options consistently with whichever option the Agencies adopt.

Issue	This proposal	Sibling proposals	Recommended alignment
Effective-program standard	Proposed Section 208.63(b), established plus implemented in all material respects.	Substantively identical formulations in the FinCEN rule at 91 Fed. Reg. 18704 and the Agencies' rule at 91 Fed. Reg. 18304.	Preserve the common formulation, and state the observable basis on which examiners reach the determination.
Enforcement and supervision policy	Proposed Section 208.63(g), applicable to actions by the Board only.	Corresponding provisions in each Agency rule, applicable to that agency's actions.	Confirm that an institution supervised by more than one of these agencies receives the policy from each with respect to that agency's actions.
Threshold that forfeits the enforcement policy	Proposed Section 208.63(g)(1) excepts a "significant or systemic failure to implement", undefined in Section 208.63(a).	The Agencies' rules and the FinCEN rule use the same significant-or-systemic formulation.	Give the term content in the final rule, and state it consistently across the four regimes so the same failure is not significant under one and isolated under another.
Content of the "significant or systemic failure" threshold	Undefined in proposed Section 208.63; the Board asks about it at Questions 6, 7, 21, and 22.	The same formulation appears in the FinCEN and Agencies proposals, and the American Bankers Association asked those agencies to give it content in its June 9, 2026 comment.	Adopt one shared formulation across the four regimes, so the same implementation failure is not significant under one regime and isolated under another.
Scope of covered institutions	Operative text runs to state member banks; the analysis covers three populations.	The Agencies' rules apply to their supervised institutions by defined term.	Adopt a defined term covering the three populations, as the Agencies' rules do.
Effective date	Twelve months from issuance of the Board's final rule.	Each sibling rule sets its own date relative to its own final rule.	Sequence to the last of the four to issue, or state the interim compliance expectation.

I. Group I: The supervision and enforcement framework, and the consistency it depends on (Recommendations 1 through 4)

Recommendation 1 (Question 23; proposed Section 208.63): Adopt the FinCEN consultation and information-sharing provisions the sibling rules contain

Question 23 asks: “The Agencies included two provisions in their proposed rules that are not included in the Board’s proposed rule regarding consultation and information sharing with FinCEN. Should the Board include the same or similar provisions in its rule?”

Tokenization Systems recommends that the Board include them.

The two provisions are identified in Section IV.G.2 of the preamble. The first “would establish a FinCEN notice and consultation framework applicable when the Agencies intend to initiate an AML/CFT enforcement action or a significant AML/CFT supervisory action.” The second “would allow banks to share any information with the FinCEN Director that relates to an existing or potential AML/CFT enforcement action or significant AML/CFT supervisory action.” They appear in the sibling proposals at proposed 12 CFR 21.21(h) and (i), 12 CFR 326.8(h) and (i), and 12 CFR 748.2(h) and (i), at 91 Fed. Reg. 18304 (91 Fed. Reg. at 42374 to 42375 and n.60).

Three considerations support adoption.

First, this is the coordination mechanism, and the Board is the agency whose participation in it is at issue. The Board’s stated objective for this rulemaking is consistency with FinCEN and the Agencies. The consultation provision is the operative instrument by which that consistency is maintained after the rules are final, because it is the mechanism through which the supervisory determinations made under four separate rules are reconciled against a single FinCEN view of program effectiveness. A regime that adopts the common substantive standard but not the common coordination mechanism achieves textual alignment and not operational alignment. Where the four regimes reach the same institution or economically identical institutions, the divergence is consequential: the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the National Credit Union Administration would each consult the FinCEN Director before initiating an action, and the Board would not, which produces different processes for the same conduct depending on the supervisor.

Second, the Board’s own analysis of alternatives describes the proposed rule as containing these provisions. In Section VIII, explaining why it did not reissue or finalize the 2024 proposal, the Board writes: “The proposed rule also includes provisions requiring FinCEN’s consultation on supervisory actions and other measures to refocus supervision on substantive issues with bank AML/CFT programs rather than on procedural compliance. The Board therefore chose to issue the proposed rule” (91 Fed. Reg. at 42379). That statement is inconsistent with Section IV.G.2, which states that the provisions are not included, and with the proposed regulatory text, which contains no consultation or information-sharing provision in any of paragraphs (a) through (h) of Section 208.63.

Tokenization Systems raises this as a drafting observation and not as a criticism of the

Board’s reasoning. The most economical reading is that Section VIII describes the rule the Board understood itself to be proposing. Adopting the provisions in the final rule would conform the rule to the description its own alternatives analysis gives of it, and would remove an inconsistency that a reader of the final rule would otherwise encounter in the explanation of why this approach was chosen over the alternatives.

Third, the institution-side provision costs the Board nothing and closes a gap the institution cannot close for itself. The second provision permits an institution to share information with the FinCEN Director relating to an existing or potential action. Without it, an institution supervised by the Board that wishes to present its position to FinCEN has no stated channel, while an institution supervised by one of the Agencies does. Adopting it places Board-supervised institutions on the same footing.

On the two information-sharing options the Agencies’ proposals present, Tokenization Systems recommends that the Board resolve the choice consistently with the Agencies rather than independently. The value of these provisions lies in their uniformity across regimes, and a Board rule that adopts a different option would reintroduce, in a smaller form, the divergence the adoption is meant to close.

Tokenization Systems notes one drafting point. If the Board adopts the consultation provision, the provision should be drawn to reach the same set of actions that the enforcement policy in proposed paragraph (g) reaches, using the same defined terms, so that the two paragraphs describe one coherent framework. Adopting the consultation provision with a different scope than paragraph (g) would create an internal seam in place of the external one.

Recommendation 2 (Questions 6, 7, 21, 22, 24, and 26; proposed Section 208.63(a) and (g)): Define the failure that forfeits the enforcement policy, and keep the definition of the protected action broad

The Board asks four separate questions about the same two terms. Questions 6 and 21 both ask whether clarification is needed on what constitutes a “significant or systemic failure” to implement an established AML/CFT program. Questions 7 and 22 both ask whether clarification is needed on what constitutes a “failure to establish an AML/CFT program.”

Tokenization Systems’ answer is yes, and this is the most consequential clarification available in this rulemaking.

The proposed rule conditions its central protection on a term it never defines.

Proposed Section 208.63(g)(1) provides that, except with respect to “a significant or systemic failure to implement the AML/CFT program in accordance with paragraph (d),” an institution that has established a program will not be subject to an AML/CFT enforcement action or a significant AML/CFT supervisory action. That protection is the proposal’s principal benefit to supervised institutions, and the Board’s own benefit analysis treats it as such. Everything therefore turns on the boundary between an implementation shortfall that keeps the protection and one that forfeits it.

The proposed definitions paragraph, Section 208.63(a), defines four terms: AML/CFT

enforcement action, AML/CFT requirement, Bank Secrecy Act, and significant AML/CFT supervisory action. It does not define “significant or systemic failure.” The phrase appears throughout the notice, in the overview, in the section-by-section analysis, in the regulatory impact analysis, and in the operative text, and it is nowhere given content. An institution reading the final rule to determine whether a known implementation gap forfeits its protection has no standard to apply.

The requirement is also doubly qualified in a way that compounds the difficulty. Paragraph (g)(1) excepts a failure that is “significant or systemic,” and it defines that failure by reference to paragraph (d), which requires implementation “in all material respects.” An institution must therefore satisfy itself about two distinct and undefined thresholds, one framed in the language of significance and systemic effect and the other in the language of materiality, in order to know whether it holds the protection.

Tokenization Systems recommends that the final rule state the factors the Board weighs, in the preamble or in regulatory text. The Board does not need to author a bright-line test, and Tokenization Systems does not recommend one; a quantitative threshold would create the cliff effects the Board rightly rejects elsewhere in Section VIII. What is needed is the set of considerations that distinguish a significant or systemic failure from an isolated one. The notice already contains a workable starting point. Section IV.C.2 lists commonly observed examples of implementation shortfalls, including internal policies, procedures, and controls not being performed on a consistent, regular, and timely basis; gaps in risk assessment processes that cause the program to miss or inadequately cover higher risks; and deficiencies in risk assessment processes that have a material impact on risk mitigation, including through data-related issues. Tokenization Systems recommends that the final rule present that material as the factors bearing on the significant-or-systemic determination, rather than as illustration alone, and that it state whether the determination turns on the extent of the failure, its duration, its detection through the institution’s own controls, its effect on the reporting the Bank Secrecy Act exists to produce, or some combination.

This request is not novel, and the Board has the benefit of seeing it answered on the sibling record first. The American Bankers Association, in its June 9, 2026 comment to the Financial Crimes Enforcement Network, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation on the two proposals this rule aligns to, asked those agencies to “clarify what constitutes a ‘significant or systemic failure to implement’ (or ‘establish’) a rule-compliant AML/CFT program,” and observed that “[i]f there is uncertainty regarding eligibility for this safe harbor, it will not benefit banks.” That comment was filed a month before this proposal published, and it was addressed to those three agencies because they were the agencies then with proposals before the public. The Board’s proposal carries the same term forward and does not define it.

The Association also proposed candidate content, which Tokenization Systems supports rather than restates: that a program lacking mandatory operational components, deficiencies widespread across one or more program components, or deficiencies substantially impairing the institution’s ability to assess or update risks could reasonably be construed as a failure to implement in all material respects, judged on the totality of the

circumstances; and that absent such circumstances the final rules adopt a presumption that an institution has implemented its program in all material respects, with the presumption preserved where the institution self-identifies gaps and takes reasonable steps to remediate them. The increment Tokenization Systems adds is the control-layer factor described below, which that list does not reach.

The cross-regime consequence deserves the Board's attention, because it is the same consideration Recommendation 3 addresses. Four authorities have now been asked to give content to one term. If they answer differently, or if some answer and others do not, the definitional divergence becomes precisely the inconsistency this rulemaking exists to prevent, and it will sit at the most consequential point in each of the four rules. Whatever content the agencies adopt should be adopted in common.

Question 5 raises the part of this question the other four leave open, and the final rule should answer it. Question 5 asks whether the rule should distinguish establishing and maintaining at the program level from establishing and maintaining each individual element, and specifically whether the final rule should differentiate a failure to establish the program as a whole from a failure to establish an individual mandatory component. The same question governs the forfeiture trigger, and the proposed text does not answer it: an institution cannot tell whether a significant or systemic failure affecting one mandatory component, independent testing, for example, constitutes a significant or systemic failure to implement the program. Tokenization Systems recommends that the final rule state whether the determination is made at the program level or the component level, because the two readings produce materially different outcomes for the same facts.

One consideration is specific to the institutions this comment is most concerned with. Where an institution's monitoring or customer-identification capability depends on control functions performed by a third party, a failure at that layer can be systemic in effect while presenting as isolated within the institution's own systems, because a single dependency may sit beneath many products and channels at once. Tokenization Systems recommends that the factors the Board states account for where a failure sits in the institution's control architecture, and not for its surface presentation alone.

On Questions 24 and 26, Tokenization Systems recommends that the Board retain its current drafting, and does so for a reason that runs against the direction those questions appear to contemplate.

Question 24 asks whether "any written communication" is too broad in the definition of significant AML/CFT supervisory action, and whether the term should be more clearly defined or removed. Question 26 asks whether that definition is sufficiently clear and whether including "unsafe or unsound practices or conditions" introduces confusion, given that those terms are not found in the Bank Secrecy Act.

The structural point is that this definition does not describe conduct the institution must avoid. It describes the category of supervisory action from which a compliant institution is protected by paragraph (g). Its breadth therefore runs in the institution's favour. Narrowing it would not narrow any obligation; it would narrow the shield. If "any written communication" were removed, a written supervisory criticism that is not a formal

supervisory determination would fall outside the definition, and paragraph (g) would not bar it. If “unsafe or unsound practices or conditions” were removed, an action grounded in an unsafe or unsound practice relating to an AML/CFT requirement could be characterised as a safety-and-soundness matter and fall outside the protection, which would leave the institution exposed on the same underlying facts through a different label.

The breadth is also already bounded, which is the answer to the concern Question 24 raises. The definition is conjunctive. A communication qualifies only if it identifies a deficiency, weakness, violation, or unsafe or unsound practice relating to an AML/CFT requirement, and communicates supervisory expectations regarding required remedial measures, and contemplates significant or programmatic actions or remedial measures. The third element carries the limiting work. The definition further excludes examiner observations, suggestions, and other informal comments in terms. The reach of “any written communication” is therefore a matter of the form a qualifying communication may take, not of the substance it must have, and the substance is constrained by the third element and the express carve-out. Tokenization Systems recommends that the Board retain both phrases and, if further clarity is sought under Question 26, address it in the preamble by confirming that the third element and the carve-out are what bound the definition.

Recommendation 3 (Question 8): State how the four regimes function harmoniously by naming the divergences and their reconciliation

Question 8 asks: “How should the proposed rule ensure that the regulations issued by FinCEN, the Board, and the Agencies function harmoniously? How should the proposed rule differentiate between the Secretary of the Treasury’s responsibility for regulations on establishing AML/CFT programs and the Board’s responsibilities for regulations on establishing and maintaining programs?”

Tokenization Systems recommends that the Board answer the first question in the preamble to the final rule by enumerating, point by point, each respect in which its final rule differs from the FinCEN final rule and the Agencies’ final rule, and stating for each divergence how an institution should reconcile it. Harmonious function is not established by a statement of intent to align. It is established by a reader of the four instruments being able to determine, for any given obligation, whether the four say the same thing, and if they do not, which governs.

This recommendation is not a request for new substantive requirements. It asks for the reconciliation to be published rather than left to be derived. The population that must derive it is not uniform in its capacity to do so: the Board’s own analysis identifies approximately 439 Board-supervised institutions that are small entities for purposes of the Regulatory Flexibility Act, out of 703 insured state member banks and the additional covered populations (91 Fed. Reg. at 42379 to 42380). An institution of that size reconciling four instruments without a published crosswalk is precisely the “additional burden or confusion from needing to comply with differing standards between regulatory agencies” that Section I of the notice states the proposal is designed to avoid.

At least four divergences are visible on the face of the current proposals and would benefit

from explicit reconciliation: the consultation and information-sharing provisions addressed in Recommendation 1; the scope of covered institutions addressed in Recommendation 5; the effective dates addressed in Recommendation 4; and the relationship between the enforcement policy each regime states and the actions of the other regimes, since proposed Section 208.63(g) is expressly limited to actions by the Board while an institution may be subject to action by more than one authority arising from the same conduct.

On the second half of Question 8, Tokenization Systems observes that the division the question describes is already articulated in the notice, at Section IV.C and in footnote 40: the Bank Secrecy Act requires that each financial institution “shall establish” a program, while 12 U.S.C. 1818(s)(1) requires that institutions “establish and maintain procedures reasonably designed to assure and monitor” compliance. The Board’s two-pronged framework tracks that statutory division. Tokenization Systems recommends that the final rule preamble state this derivation explicitly, because it explains why the Board’s rule reaches maintenance and implementation while the FinCEN rule is framed around establishment, and an institution that understands the derivation will not read the difference as a conflict between the two instruments.

Recommendation 4 (Questions 28 and 29): Sequence the effective date to the alignment it depends on

Question 29 solicits comment on the proposed effective date of twelve months from issuance of the final rule. Question 28 asks whether the rule should tailor requirements or implementation timelines to the size, complexity, or risk profile of the bank.

On Question 29, Tokenization Systems supports a twelve-month implementation period in principle and recommends one modification to how the period is anchored. As proposed, the clock runs from the issuance of the Board’s final rule. The Board’s rule is expressly an alignment instrument: its content is defined by reference to rules that three other authorities will finalize on their own schedules. If the Board finalizes first, institutions will be implementing a rule whose reference points are not yet fixed, and a subsequent divergence in a sibling final rule will arrive partway through the implementation period. If the Board finalizes last, the period may extend well past the point at which institutions are already subject to the aligned obligations through the other regimes.

Tokenization Systems recommends that the Board either key the effective date to the later of twelve months from its own final rule and the effective date of the last of the four final rules to issue, or state in the preamble how an institution should comply during any interval in which the regimes are not yet aligned. Either resolution is administrable. The recommendation is only that the interval be addressed rather than left to supervisory practice, because the interval is a foreseeable consequence of four authorities finalizing aligned rules independently.

On Question 28, Tokenization Systems does not recommend formal tailoring by size, and agrees with the Board’s reasoning in Section VIII that explicit thresholds could create cliff effects. The proposal is already scalable through the “commensurate with the size, structure, risk profile, and complexity” standard. Tokenization Systems observes only that

scalability by risk profile cuts in both directions: an institution that is small by asset measure may perform control-layer functions in tokenized finance that present risk out of proportion to its balance sheet, and the commensurate-with standard should be understood to scale to the risk the institution's activities present rather than to its asset size. Recommendation 8 addresses the specific case.

II. Group II: The rule should cover what it says it covers and examine what it says it examines (Recommendations 5 through 7)

Recommendation 5 (Regulatory Flexibility Act analysis; proposed Section 208.63): Make the operative text reach every population the rule is said to cover

The Regulatory Flexibility Act analysis states that “[t]he proposal would apply to state member banks; Edge and agreement corporations; and branches, agencies, or representative offices of a foreign bank operating in the United States (other than a Federal branch or agency or a state branch that is insured by the FDIC),” which it defines collectively as “Board-supervised institutions,” citing 12 CFR 208.63, 211.5(m), and 211.24(j). It reports 703 insured state member banks and approximately 439 Board-supervised institutions that are small entities, and it then computes the burden of the proposal over 464 small entities (91 Fed. Reg. at 42379 to 42380). The Summary and the preamble likewise describe the rule as applying to “Board-supervised banks.”

Those two small-entity figures do not agree, and the difference is load-bearing for the analysis rather than incidental. The analysis states the affected small-entity population as approximately 439, and the two cost estimates are computed over 464. The published dollar figures reconcile only with the larger number: 32 hours at \$51.20 per hour across 464 entities produces \$760,218, and 8 hours at the same rate across 464 produces \$190,054, while the same arithmetic at 439 entities produces approximately \$719,258 and \$179,814. Tokenization Systems raises this because the Board asks commenters, in this same section, to describe the number of small entities under the Regulatory Flexibility Act and the impact on them, and a commenter cannot address a population the analysis states two ways. Tokenization Systems takes no position on which figure is correct and does not suggest the estimate is materially wrong at either count; the recommendation is that the final rule state one number and use it in both places. The discrepancy also bears on the scope question above. Both figures are counts of small entities across the three populations the analysis identifies as Board-supervised institutions, while the operative text reaches state member banks alone, so the population the burden is computed over and the population the revised section governs on its face are not the same set, whichever count the Board adopts.

The operative text is narrower. The amendatory instruction revises only 12 CFR 208.63, and every operative paragraph of the revised section runs to “a state member bank.” The definition of “significant AML/CFT supervisory action” in proposed paragraph (a)(4) is

framed in terms of communications to a state member bank and remedial measures taken by a state member bank. Paragraphs (b) through (g) each impose their obligation or confer their protection on a state member bank.

The two cross-referencing provisions the analysis cites carry the program obligation to the other populations, but they carry it for a defined purpose. Section 211.5(m)(1) provides that each Edge corporation and each agreement corporation shall, “in accordance with the provisions of Sec. 208.63 of the Board’s Regulation H, 12 CFR 208.63, develop and provide for the continued administration of a program reasonably designed to assure and monitor compliance” with the Bank Secrecy Act. Section 211.24(j)(1) imposes the same obligation in the same words on the covered foreign-bank offices. Both incorporate Section 208.63 for the purpose of developing and administering a program.

The consequence is asymmetric, and it runs against the institutions. The program-establishment and program-maintenance obligations in proposed paragraphs (c) and (d) are program-development requirements, and the incorporating provisions carry them. The enforcement and supervision policy in proposed paragraph (g) is not a program-development requirement. It is a limitation on the Board’s own supervisory and enforcement action, expressed as a protection for an institution that has properly established a program, and its terms run to state member banks. An Edge corporation or a covered United States office of a foreign bank would therefore take on the obligations through the cross-reference while its entitlement to the corresponding protection is, at best, unclear. That protection is the principal benefit the proposal offers supervised institutions, and the Board’s own benefit analysis treats it as such.

The Board is not obliged to extend paragraph (g) to those populations, and Tokenization Systems does not assume the omission was inadvertent. The recommendation is that the final rule state the answer either way, and that the operative text and the analysis describe the same population. Two drafting paths are available:

1. Define a term in proposed Section 208.63(a) covering the three populations the analysis identifies, and use that term in paragraphs (b) through (h). This is the approach the Agencies’ rules take.
2. Amend 12 CFR 211.5(m) and 12 CFR 211.24(j) in the same final rule to incorporate Section 208.63 in full, including paragraph (g), rather than for program development and administration alone.

Either path aligns the operative text with the Regulatory Flexibility Act analysis and with the burden estimate computed over 464 small entities across the combined population. If the Board intends the enforcement policy to reach only state member banks, Tokenization Systems recommends that the final rule preamble say so, and that the Regulatory Flexibility Act analysis be revised to describe the benefit as accruing to a narrower population than the one over which the cost is computed.

This is not a formal point for the population most exposed to it. The covered United States offices of foreign banks are, as Tokenization Systems observed in its April comment, increasingly involved in stablecoin and tokenized deposit activity. They are among the institutions most likely to encounter the control-layer questions the remaining

recommendations address, and they are the population for which the scope of the enforcement policy is least clear on the current text.

Recommendation 6 (Questions 10, 11, 15, and 20; proposed Section 208.63(c)(1)(i) and (e)): Confirm that risk assessment processes reach tokenized distribution channels and control-layer arrangements

Proposed Section 208.63(c)(1)(i)(A) requires risk assessment processes that evaluate the ML/TF risks of the institution’s business activities, “including its products, services, distribution channels, customers, and geographic locations.” The preamble states that the Board “considers ‘distribution channels’ to refer to the methods and tools through which a bank opens accounts and provides products or services, including, for example, through remote or other non-face-to-face means,” and notes that the term “may be a newer term for some banks” (91 Fed. Reg. at 42370).

Tokenization Systems recommends that the Board confirm in the final rule preamble that this definition reaches channels operated through distributed-ledger infrastructure, and that it reaches channels in which a third party performs control-layer functions on the institution’s behalf.

The recommendation asks the Board to confirm the reach of language it has already adopted rather than to add a category. On the definition’s own terms, a channel through which an institution opens accounts or provides products or services by programmatic means, through a wallet-based onboarding path, through a smart-contract interface, or through an interface operator that stands between the institution and the customer, is a method or tool through which the institution provides the product or service, and is not face to face. Confirmation is nonetheless warranted for the reason the Board itself identifies: the term is new to some institutions, and an institution unfamiliar with it is more likely to read it against the traditional branch, telephone, and internet channels it already inventories than to read it as reaching an arrangement in which a technical intermediary performs the customer-facing function.

The distinguishing feature of these channels for risk-assessment purposes is that the operational capacity to observe and act on activity may sit with a party other than the institution that carries the obligation. Where an institution provides a service through an interface it does not operate, its ability to identify the customer, to observe the transaction, and to execute a lawful order depends on arrangements with the operator of that interface. A risk assessment that inventories the product without reaching the control arrangement will not surface that dependency. This is the substance of the control-layer mapping Tokenization Systems recommended to the Agencies in its April comment, expressed here in the Board’s own vocabulary.

The Board notes that innovative approaches “could involve machine learning, generative artificial intelligence (GenAI), digital identity, blockchain monitoring and analytics, or application programming interfaces” (91 Fed. Reg. at 42368 and 42369). Tokenization Systems supports that encouragement, and observes that blockchain monitoring and analytics are the instruments through which activity conducted over a tokenized

distribution channel becomes observable at all. An institution that provides services through such a channel without the corresponding monitoring capability has a distribution channel it cannot observe, which is a risk-assessment finding rather than a technology preference.

On the prompt-update requirement in proposed Section 208.63(c)(1)(i)(C) and Question 15, Tokenization Systems recommends that the Board confirm that a material change in the control-layer arrangements supporting an existing product is a change that a bank has reason to know may significantly change its ML/TF risks. The preamble's examples focus on new products, new customer types, significant changes to existing offerings, adoption of new risk-mitigation technology, and corporate transactions (91 Fed. Reg. at 42371). A change in who operates the interface, in the custody arrangement supporting a tokenized instrument, or in the technical mechanism by which an order can be executed will not always present as a change to the product as the institution catalogues it, while it may materially change the institution's ability to detect and act on illicit activity through that channel.

On Question 15's alternatives, Tokenization Systems recommends retaining "promptly" over a set schedule and retaining "significantly changes" over "materially changes." A periodic schedule would permit a known change in risk to sit unaddressed until the next scheduled review, which is the outcome the requirement exists to prevent. As to the verbal standard, "materially" carries an accounting and securities-law connotation calibrated to a reasonable investor, and importing it here would invite institutions to apply a quantitative materiality convention to a question about illicit-finance risk. Tokenization Systems recommends that the Board retain "significantly" and, if further clarity is sought, illustrate it with examples in the preamble rather than substitute a term of art from another field.

An objection to this recommendation is already on the sibling record, and it deserves a direct answer. The American Bankers Association, in the June 9, 2026 comment described in Recommendation 2, recommended that the risk assessment requirement apply to an institution's "business activities" generally rather than to the enumerated categories, on the ground that "distribution channels" is "a term which is undefined in the rules themselves, seems highly likely to evolve over time, and may become indistinguishable from products or services."

Two of those three observations are correct, and the third is the reason to keep the enumeration rather than to remove it.

The Association is right that the term is undefined in the codified text. The Board's definition appears in the preamble and not in proposed Section 208.63, which is precisely why Tokenization Systems recommends that the final rule confirm it. Confirming the definition answers the objection directly, and it does so without removing anything.

The Association is also right that the term will evolve. That is an argument for confirming its reach rather than for deleting the category, because the practical risk runs toward under-inclusion rather than rigidity. An institution applying an unenumerated "business activities" standard against the channel inventory it already maintains is less likely, not more, to reach a channel operated through distributed-ledger infrastructure or through a

third party that performs the customer-facing function. Removing the enumerated category would remove the one place in the text that names the concept at all.

On the third point, overlap between a distribution channel and a product or service is not a defect in the enumeration. The same activity can present one risk profile as a product and a different one as the channel through which it is delivered, and the difference is exactly what matters here: the product may be familiar while the channel introduces a dependency on a party the institution does not control.

Tokenization Systems therefore recommends that the Board retain the enumerated categories, confirm the preamble definition in the final rule, and state that the enumerated categories are not exhaustive. Those three together answer the Association's concern about being locked into fixed categories while preserving the hook that reaches the channels this comment is concerned with.

One consequence of this reaches Question 20, which asks whether material revisions to particular components should require re-approval at the same level as the program itself. Tokenization Systems recommends that the Board treat the two questions as one. If a change in the control-layer arrangements supporting a product is a change that may require a prompt update to risk assessment processes, then a change of that kind which materially alters the institution's monitoring architecture is also the natural candidate for re-approval under proposed Section 208.63(e). Answering Question 15 and Question 20 with the same trigger would spare institutions from maintaining two separate tests for the same event, which is consistent with the flexibility the Board seeks elsewhere in the proposal.

**Recommendation 7 (Questions 1, 2, and 17; proposed Section 208.63(c)(2)):
Anchor independent testing and the effectiveness determination in observable
criteria**

Question 17 asks how institutions may interpret and carry out the independent testing requirement, and whether further clarifications are necessary "to ensure that audits carried out by bank personnel or outside third parties are well-tailored, risk-based, and focused on effectiveness." Questions 1 and 2 ask whether the description of an effective program is sufficiently clear and whether banks are best placed to identify risks and allocate resources.

Tokenization Systems recommends that the Board confirm in the final rule preamble or in examination guidance that independent testing evaluates whether the established program operates as designed, including whether the controls the program describes can be demonstrated to function, and not solely whether the program is documented and the documented steps were performed.

The notice already contains the operative language. It states that independent testing "should be based on objective criteria designed to assess whether a bank has established and implemented an effective AML/CFT program and allocated resources consistent with its risk assessment processes," and that the evaluation should provide sufficient information for the reviewer "to reach a conclusion about whether the set of internal policies, procedures, and controls is reasonably-designed, and resources are well-allocated" (91 Fed.

Reg. at 42372). The recommendation asks the Board to carry that objective-criteria framing into the final rule preamble in terms that make the object of the test explicit: not whether the control is described, but whether it works.

The distinction is load-bearing under this proposal in a way it was not under the prior rule, because of what the proposal ties to the effectiveness determination. Proposed paragraph (g) provides that an institution that has properly established a program will not be subject to an AML/CFT enforcement action or a significant AML/CFT supervisory action except with respect to a significant or systemic failure to implement. That is a substantial and appropriate protection. Its integrity depends on the establishment determination resting on something more than the presence of the required components, and independent testing is the mechanism through which the institution and its examiners learn whether the components function. The Board makes exactly this point in Section III, stating that it “does not intend for the proposed rule to provide banks permission to establish an AML/CFT program that might be interpreted as meeting the proposed rule’s technical requirements on their face, but do not effectively detect and prevent ML/TF activity” (91 Fed. Reg. at 42367). Tokenization Systems recommends that the final rule carry that statement into the testing discussion, where it becomes operational.

Tokenization Systems’ prior comments have advanced this position across the parallel channels, recommending in the FinCEN general program proceeding that independent testing trace activity against internal records rather than review documentation alone, and recommending in the permitted payment stablecoin issuer proceedings that a control capability be confirmed by operational test rather than presumed from the existence of a technical function. The increment this comment adds is narrow: the Board’s proposal creates a disposition whose availability turns on proper establishment, so the observability of the establishment determination becomes a question about the scope of a protection rather than a question about audit quality alone.

On Question 2, Tokenization Systems agrees that institutions are best placed to identify their own risks and allocate resources accordingly, and does not recommend that the Board add resource-allocation requirements. On the question of how banks might assess changes in total AML/CFT resource allocation, Tokenization Systems observes that an allocation measured only by aggregate expenditure or headcount will not answer the question the rule actually asks, which is whether allocation is consistent with the risk assessment processes. An institution that reduces staffing while deploying monitoring capability of greater coverage may have improved its posture; an institution that holds expenditure constant while entering a channel it cannot observe has degraded it. Tokenization Systems recommends that any preamble discussion of resource allocation frame the measure as coverage of identified risk rather than as input volume.

III. Group III: Where Board-supervised institutions meet the tokenized finance regime (Recommendations 8 and 9)

Recommendation 8 (Questions 9, 11, and 14; proposed Section 208.63(c)(1)(i)): Name reserve-custody and stablecoin banking relationships as a risk-assessment consideration

Question 11 asks whether risk assessment processes should take into account additional or different criteria or risks than those listed in the proposed rule. Question 9 asks whether banks expect changes to their internal policies, procedures, and controls. Question 14 asks what additional guidance on incorporating the AML/CFT Priorities would be useful.

Tokenization Systems recommends that the Board confirm in the final rule preamble that an institution that holds reserve assets for a permitted payment stablecoin issuer, or that provides banking services to such an issuer, evaluates that relationship in its risk assessment processes as a distinct channel rather than solely as a deposit or custody relationship with a single commercial customer.

The GENIUS Act framework, which the Board's proposal cites among the recent statutory developments, contemplates that permitted payment stablecoin issuers will hold reserves in specified forms, and a substantial share of those reserves will sit with insured depository institutions and their affiliates. Where a Board-supervised institution performs that function, the risk it takes on is not fully described by the risk profile of its direct customer. The activity that gives rise to illicit-finance risk in that relationship occurs among holders of the issued instrument, who are not the institution's customers and whose transactions do not pass through the institution's systems. The institution's exposure is a function of the issuer's control-layer capability, specifically the issuer's ability to observe holder activity and to execute lawful orders against the instrument, which is a property of a counterparty rather than of the institution itself.

This is the position Tokenization Systems advanced to the Agencies in April, and it applies to this proposal for the same reason: the relationship is a channel through which illicit-finance risk reaches a supervised institution without appearing in the institution's own transaction monitoring. Tokenization Systems recommends confirmation in the preamble rather than a new regulatory requirement, because the proposal's existing text already reaches the relationship. A reserve-custody or banking relationship with an issuer is a service the institution provides, and the customers, products, and distribution channels the risk assessment must evaluate include it. What confirmation adds is the direction to evaluate the relationship at the level at which the risk actually arises.

The connection to Question 14 and the AML/CFT Priorities is direct. Where an institution's exposure through such a relationship depends on a counterparty's operational capability, guidance on incorporating the Priorities would be more useful to that institution if it addressed how to evaluate a Priority-related risk that materializes in a counterparty's systems rather than in the institution's own. Tokenization Systems recommends that any guidance the Board issues under Question 14 address that pattern, which is not confined to stablecoin relationships and arises wherever a supervised

institution's illicit-finance exposure runs through a third party's control functions.

Recommendation 9 (Question 18; proposed Section 208.63(c)(3)): Clarify the United States officer requirement where control functions are performed offshore

Question 18 notes that under the proposed rule the AML/CFT officer must be located in the United States while personnel outside the United States may still perform certain AML/CFT functions, states that the language does not alter existing restrictions on sharing suspicious activity reports outside the United States, and asks whether further clarifications are needed.

Proposed Section 208.63(c)(3) requires the institution to designate an individual who is located in the United States, accessible to and subject to oversight and supervision by FinCEN and the Board, and responsible for establishing and implementing the program and coordinating and monitoring day-to-day compliance.

Tokenization Systems recommends one clarification: that the Board confirm that the required accessibility runs to the officer's authority and to the information on which the officer acts, and not to the officer's physical location alone, where AML/CFT functions or the control-layer operations they depend on are performed outside the United States.

The preamble already supplies the principle. It states that the proposed rule "focuses on the AML/CFT officer's position in the bank's organizational structure that enables the AML/CFT officer to effectively establish and implement the bank's AML/CFT program," that the officer's "authority, independence, and access to resources within the bank are critical," and that the officer's access to resources includes "sufficient technology and systems to support the timely identification, measurement, monitoring, reporting, and management of the bank's ML/TF risks" (91 Fed. Reg. at 42373). The clarification Tokenization Systems recommends applies that principle to the arrangement the question describes.

The concern is specific and is not a general objection to offshore operations, which the Board correctly recognizes may serve legitimate purposes including cross-border coordination. Where the systems that perform monitoring, the personnel who perform investigation, or the technical operations through which an order would be executed are located outside the United States, a domestically located officer satisfies the text. Whether that officer is accessible in the sense the AML Act contemplates depends on whether the officer holds the authority to direct those functions and can obtain the underlying information on request. An officer who can describe what an offshore function does, but cannot direct it and cannot reach its records without the cooperation of a foreign affiliate, is accessible in location and not in substance.

This consideration has particular force for the covered United States offices of foreign banks, for which the head office and the operations supporting the United States activity may both sit abroad. That population is within the group addressed in Recommendation 5, and the two recommendations interact: the clarity of the officer requirement for those

institutions is of limited practical consequence if the scope question raised in Recommendation 5 leaves it unclear which provisions of the revised section reach them at all.

Tokenization Systems does not recommend that the Board restrict the offshore performance of AML/CFT functions, and does not recommend a change to the regulatory text. The recommendation is that the preamble state that the accessibility requirement is satisfied when the designated officer holds directive authority over the functions on which the program depends and can obtain the underlying records, whatever the location of the personnel or systems performing them.

IV. A note on the record: the numbered question list has two gaps and one duplicated pair

Section VII states that the Board “encourages commenters to reference specific question numbers when responding.” Tokenization Systems has structured this comment accordingly, and in doing so encountered two features of the numbered list that the Board may wish to know are visible to commenters. Tokenization Systems raises both only for the Board’s awareness and takes no position on how the Board should address either.

Two numbers are absent. The list runs 1 through 24, then 26, then 28, then 29. Questions 25 and 27 do not appear. The numbering is continuous through Question 24, resumes at 26 within the same supervision-and-enforcement cluster, and resumes again at 28 under the heading “Other Topics,” so by position the omitted questions fall within or immediately after the supervision-and-enforcement cluster addressed in Section IV.G of the preamble.

One pair is duplicated, and a near-duplicate pair sits alongside it. Question 22 is word for word identical to Question 7. Both read, in full: “Is clarification needed for banks to determine what constitutes a ‘failure to establish an AML/CFT program?’” Question 21 differs from Question 6 only in the omission of a qualifier, asking about a “significant or systemic failure” to implement “an established” program where Question 6 asks about the same failure to implement “in all material respects a properly established” program. Each pair appears once under “Establishing and Maintaining an AML/CFT Program,” keyed to Section IV.C, and once under “Supervision and Enforcement,” keyed to Section IV.G.

Tokenization Systems verified both features against the notice of record rather than a derived copy, by independent extraction from the Government Publishing Office rendering of 91 Fed. Reg. 42363 to 42382 in both portable-document and hypertext form, which agree.

Taken together, the twenty-nine numbers yield twenty-seven published questions and twenty-five distinct ones. The practical consequences for the record are modest but worth stating. The record will contain no response keyed to the two absent numbers, and commenters who follow the Board’s request to reference question numbers cannot address

whatever those questions asked. A commenter responding to the duplicated pair must either answer twice or choose a number, so responses to the same question will be distributed across two numbers and a reader tallying by number may undercount them.

The duplication is not merely clerical, and this is Tokenization Systems' reason for noting it rather than passing over it. The question the Board asked twice, in two different clusters, is the question about the terms on which the entire enforcement and supervision policy in proposed Section 208.63(g) depends. Whatever produced the repetition, it identifies the same terms that Recommendation 2 above identifies as the ones most in need of content in the final rule.

Conclusion

The Board states that the purpose of this proposal is to keep its AML/CFT program requirements consistent with those of the Financial Crimes Enforcement Network and the other Federal banking agencies, so that institutions are not exposed to additional burden or confusion from differing standards. Tokenization Systems supports that purpose and has framed every recommendation to serve it.

Four of the recommendations ask the Board to close a distance between what the notice says and what its text does. The proposal omits the FinCEN consultation and information-sharing provisions that all three sibling rules contain, while the analysis of alternatives describes the proposal as containing them; adopting them is the subject of Recommendation 1 and would conform the rule to the account the notice gives of it. The proposal makes the protection in paragraph (g) its principal benefit to supervised institutions and then conditions that protection on a term the definitions paragraph does not define, which Recommendation 2 asks the Board to give content, in the same breath recommending that the Board retain the drafting that keeps the protection broad. The proposal's operative text runs to state member banks while its analysis covers, and costs, a wider population, which Recommendation 5 asks the Board to resolve in one direction or the other. The effective date is anchored to the Board's own final rule rather than to the alignment on which the rule's content depends, which Recommendation 4 addresses. None of the four requires the Board to revisit a substantive policy choice.

The remaining recommendations ask the Board to confirm the reach of language it has already adopted. Its definition of distribution channels reaches tokenized and programmatic channels, and its prompt-update requirement reaches a change in the control-layer arrangements supporting an existing product (Recommendation 6). Its objective-criteria language for independent testing, read with its own statement that a program meeting the technical requirements on their face is not what the rule intends, supports a testing standard directed at whether controls function (Recommendation 7). Its risk-assessment factors already reach a reserve-custody or banking relationship with a permitted payment stablecoin issuer, and the useful confirmation is that the relationship be evaluated at the level at which the risk arises (Recommendation 8). Its statement that the officer requirement is concerned with organizational position, authority, and access rather

than title supports the clarification that accessibility runs to authority and information and not to location alone (Recommendation 9). Recommendation 3 asks that the reconciliation among the four regimes be published rather than left to each institution to derive.

Tokenization Systems commented in April 2026 on the supervisory-consistency question created by the Board’s absence from the joint rulemaking, and expressly took no position on how that question should be resolved. It takes no position now on whether the Board should have proceeded separately. Having proceeded separately, the Board has asked, at Question 23, the precise question on which that consistency now turns. The answer Tokenization Systems offers is that the coordination provisions the sibling rules carry are the mechanism through which four separately administered regimes remain one regime in practice, and that a rule whose stated purpose is consistency should carry them.

Tokenization Systems appreciates the opportunity to comment and is available to provide any of the underlying analysis referenced above.

Respectfully submitted,

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Appendix: Selected Sources

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