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Secretariat to the Financial Stability Board  
Bank for International Settlements  
Centralbahnplatz 2  
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Subject: Financial Stability Board's proposed Framework for International Regulation of Crypto-Asset Activities  
Submitted to: [fsb@fsb.org](mailto:fsb@fsb.org)

Verafin appreciates the opportunity to provide feedback on the Financial Stability Board's proposed framework for the international regulation of crypto-asset activities.

We commend the work that went into creating the recommendations on the regulation, supervision and oversight of crypto-asset activity and global stablecoin arrangements.

We have provided an overview of Verafin and overarching comments on the recommendations rather than addressing the specific questions.

### **VERAFIN - AN INDUSTRY LEADER**

Verafin is the industry leader in enterprise anti-financial crime management solutions, providing a secure, cloud-based software platform for fraud detection and management, BSA/AML compliance management, high-risk customer management, and information sharing. More than 3500 banks, credit unions and money services businesses, use Verafin to effectively fight financial crime and comply with regulations.

Leveraging its unique big data intelligence, visual storytelling, and collaborative investigation capabilities, Verafin significantly reduces false positive alerts, delivers context-rich insights, and streamlines the daunting BSA/AML compliance processes that financial institutions face today.

Verafin's all-in-one anti-financial crime platform provides digital asset companies with a full fiat-to-blockchain view of cryptocurrency activity. Verafin enhances the investigative process with visual investigation tools, case management, and regulatory reporting capabilities, increasing the efficiency and effectiveness of digital asset compliance programs.

Verafin also hosts the free FRAMLxchange, an association of financial institutions which facilitates information sharing between 314(b)-registered financial institutions to identify, monitor and report suspected money laundering or terrorist financing.

## **Overarching comments**

Regulations should provide for adequate transparency, accountability, market integrity, investor and consumer protections, and AML/CFT defences across the crypto-asset ecosystem. Regulatory arbitrage, a potential race to the bottom and an unlevel playing field are all risks of a disjointed global response to crypto regulation. From our perspective, there are several important themes worth commenting on:

- Agreement on crypto-asset definitions when developing regulations and oversight;
- Consistent categorization and collection of data and information sharing among the public and private sector;
- Weighing the benefits and risks of the interconnectedness of traditional finance and crypto-assets; and
- Consideration of the most effective and efficient governance and oversight structure

We recognize that the proposed recommendations focus on addressing risks to financial stability, and they do not comprehensively cover all specific risk categories related to crypto-asset activities, such as AML/CFT; data privacy; cyber security; consumer and investor protection; market integrity; competition policy; taxation; monetary policy; monetary sovereignty and other macroeconomic concerns. However, we also see that the culmination of these risk categories can greatly impact financial stability on a global scale.

We also want to highlight the excellent work of mapping the activities conducted by crypto-asset trading platforms with the risks and comparisons to traditional finance (Table 1). This is a practical tool for authorities to use to identify, inventory, and assign all existing laws and regulations, and the regulatory agencies, against the crypto functions and activities.

## **Crypto-asset definitions and inclusion in regulations and oversight**

Global crypto-asset activity is quickly evolving with new technologies, products and use cases emerging at a rapid pace. We agree with the rationale that the high-level recommendations apply to all crypto-asset activities, including stablecoins and DeFi.

Recognizing that there are different use cases and characteristics of stablecoins vs other crypto-assets, generally, where possible they should be considered together. For example, the suggested design considerations for cross-border cooperation and information sharing arrangements should apply to all crypto-asset activities, including stablecoins.

Where DeFi is concerned, although decentralization is a key aspect of DeFi protocols, oftentimes some level of associated centralized authority still exists for governance and decision-making. From a regulatory and financial stability perspective, decentralization is not a reason to allow risks and illicit activity to occur. Rather, including DeFi with other crypto-asset activity recommendations provides an opportunity to recommend that governance, risk management and AML compliance be considered by creators and built into smart contracts.

It's wise to caution against adopting a more granular categorization of crypto-assets. Definitions from global bodies should remain high-level and broad as new technologies and use cases will continue to evolve. The rapid evolution of technological innovations emphasizes the importance of having regulations that are specific enough to enable compliant companies to adhere to what is required, yet flexible enough to cover new technologies and emerging use cases. Regulations should be agile and dynamic to reflect recent and future potential changes and clarify how performance against these regulatory priorities will be measured.

## **Information sharing and collection and categorization of data**

We agree that international collaboration should focus on promoting consistent and comparable data collection and reporting based on activity types and economic functions.

Information sharing (e.g., public-private, public-public, private-private, local-global) that allows disparate data sets to be brought together to enable enhanced analysis and to reduce duplicative processes across a range of topics, such as governance, oversight, as well as fraud, AML and sanctions compliance, is key. On a global level, a consistent set of minimum data standards across the ecosystem and enhanced consistency in collecting this data will help identify effective approaches to reducing risks, improving governance and fighting crime. Authorities should work towards finding methods for allowing private sector information sharing to identify, monitor and report risks and illicit activities while ensuring compliance with important privacy regulations.

The existing cross-border regulatory cooperation arrangements that were designed for the cooperation of authorities supervising traditional financial institutions and activities should be utilized to include crypto-assets. This is one of the supporting arguments for using existing regulatory bodies rather than creating new agencies to govern crypto-assets.

## **TradFi and Crypto interconnectedness**

Although the risk to financial stability in traditional financial markets may increase as crypto becomes increasingly interconnected with TradFi, there are also benefits to traditional financial institutions incorporating crypto-asset activity into their offerings. The existing governance, oversight, and regulations for traditional finance offer customer and investor protection, as well as tools for regulatory compliance and governance structures that promote financial stability.

By providing a more comprehensive and transparent view of financial transactions, including those involving crypto assets, traditional financial institutions can better identify and manage potential risks to the financial system. From a fraud, AML and sanctions perspective – the interconnectedness of fiat and crypto already exists and it is important to consider the intersection of fiat and crypto and TradFi, crypto and DeFi holistically to ensure stability and reduce risks.

## **“Same activity, same risk, same regulation”**

We tend to agree with the principle “same activity, same risk, same regulation” and feel that expanding or adjusting existing regulatory rules and policies to include crypto-assets will help to achieve the goal of ensuring that regulatory outcomes are consistent across traditional and crypto-markets. With that in mind, we also acknowledge that rules should be adapted, where necessary, to take into consideration the specific risks and operations of crypto-asset activities.

We also endorse the effort to develop international standards that can be consistently applied across jurisdictions. There are risks if the effort to regulate crypto-asset activities is disjointed at a global level. As some authorities introduce bespoke regulatory regimes for oversight of crypto-assets and other authorities apply or retrofit existing standards to crypto-assets (based on the ‘same activity, same rule’ principle), there will be opportunities for regulatory arbitrage, increased risk of mismatched data collections and risks to information sharing at an international level. International organizations governing traditional finance have established methods for collaboration and communication and we encourage the use of those venues and methods to promote consistency across jurisdictions.

## **Conclusion**

Overall, the recommendations are comprehensive and cover activities that pose financial stability risks. With a strong focus on international collaboration and information sharing, and the recommendations for utilizing existing networks, frameworks, rules and policies, we hope to see clarity and cooperation on a global level.

We appreciate the opportunity to provide feedback and look forward to serving as a resource on this and other important financial crime and compliance topics.

Sincerely,

A handwritten signature in black ink, appearing to read 'AK', written in a cursive style.

Andrea King  
Head of Government Relations, Verafin