



FINANCIAL ACTION TASK FORCE
GROUPE D'ACTION FINANCIÈRE

FATF Standards on Virtual Asset and Virtual Assets Service Providers

African AI and Blockchain Policy Forum

16 November 2023

**Dooyoung Kim
Financial Action Task Force**

Financial Action Task Force: what we do

Leads global action to tackle money laundering, terrorist & proliferation financing

Researches how money is laundered and terrorism & proliferation are funded

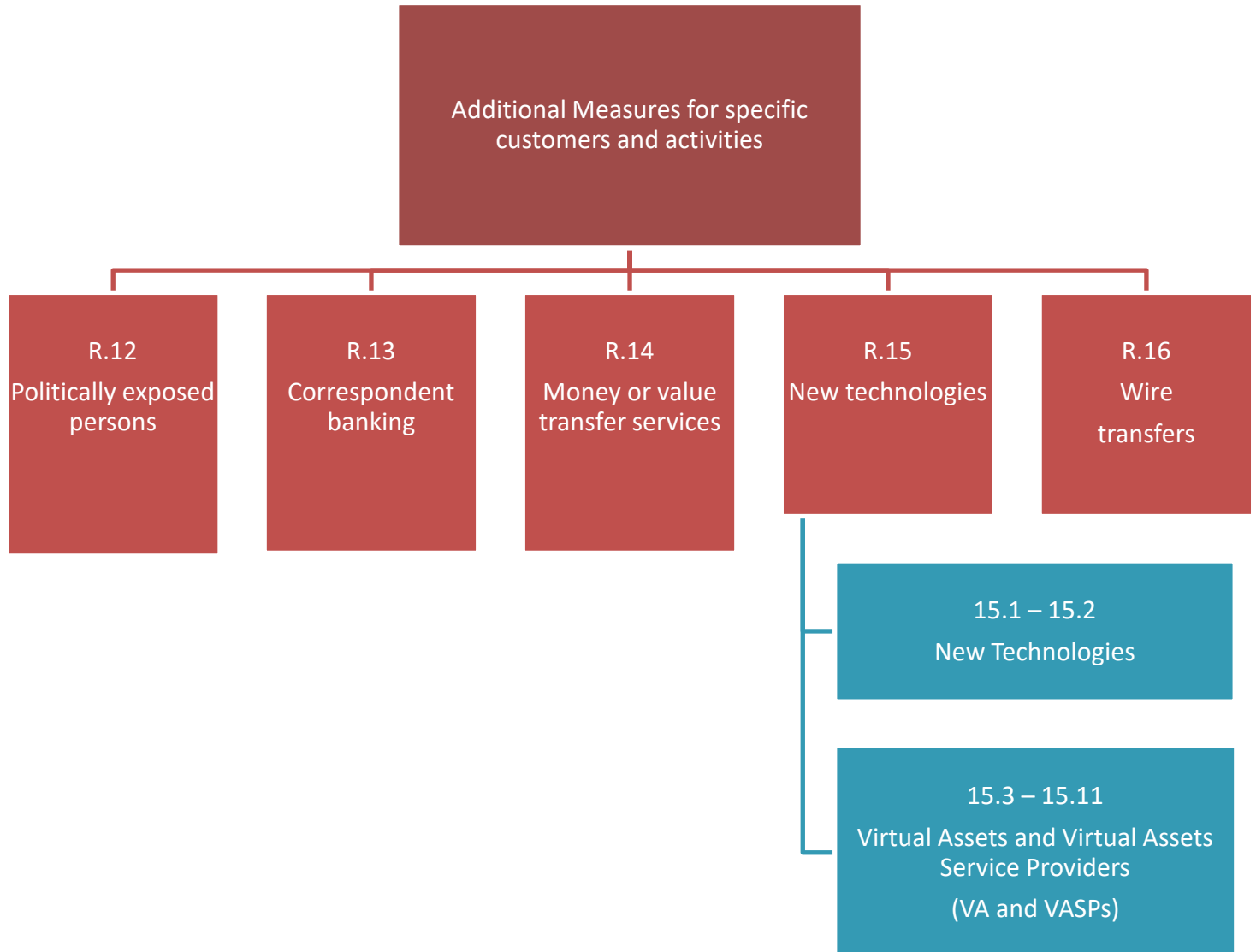
Promotes global standards to mitigate the risks

Assesses whether countries are taking effective action

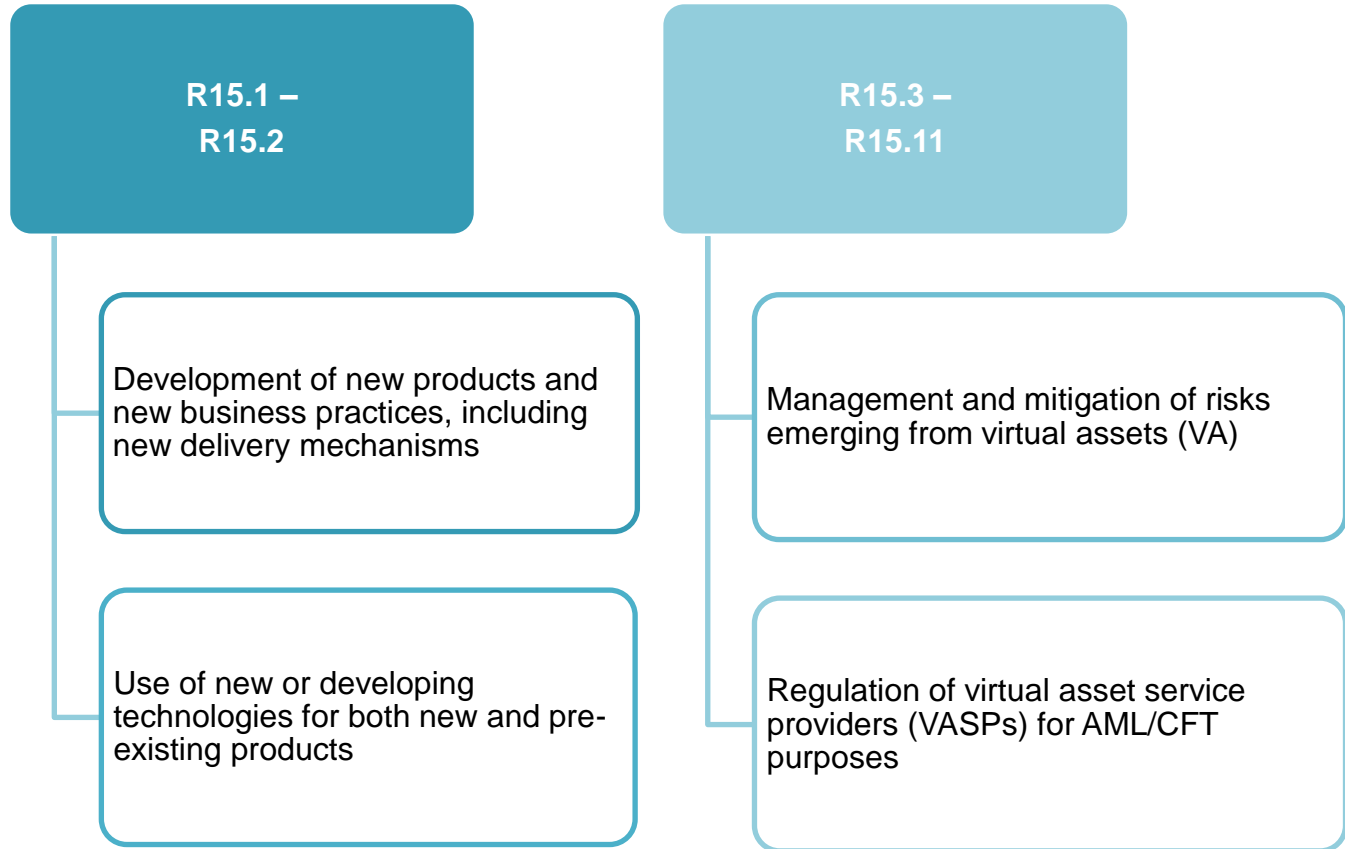
- More than 200 jurisdictions are assessed with the help of 9 FATF Associate Member organisations and other global partners, the IMF and World Bank.
- Jurisdictions with strategic AML/CFT deficiencies are reviewed by the FATF's International Co-operation Review Group (ICRG).



Understanding the FATF Recommendation 15



Recommendation 15. New technologies



Revision of FATF Standards on VA and VASPs: Recommendation 15 (2019)

Objectives

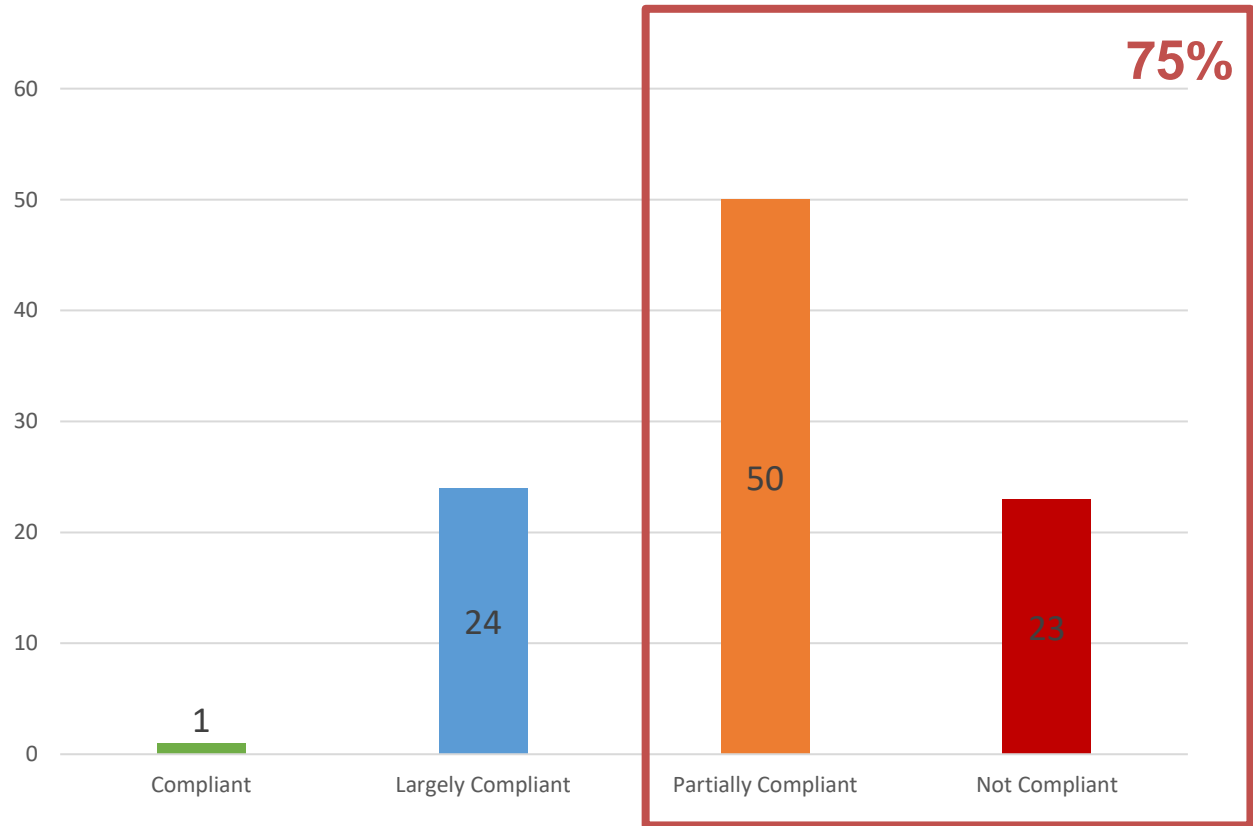
- To place and clarify how FATF's anti-money laundering and counter-terrorism financing (AML/CFT) requirements apply in relation to virtual assets (VA) and virtual asset service providers (VASPs)

Requirements

<p>15.3 Risk assessment & risk-based approach</p>	<p>15.4 Licensing/registering VASPs</p>	<p>15.5 Identification of natural persons/legal entities conducting VASP activities</p>	<p>15.6 Supervision and regulation of VASPs</p>
<p>15.7 Establishment of guidelines</p>	<p>15.8 & 15.10 Sanctions & Targeted Financial Sanctions compliance</p>	<p>15.9 Preventative AML/CFT measures including the Travel Rule</p>	<p>15.11 International Cooperation</p>

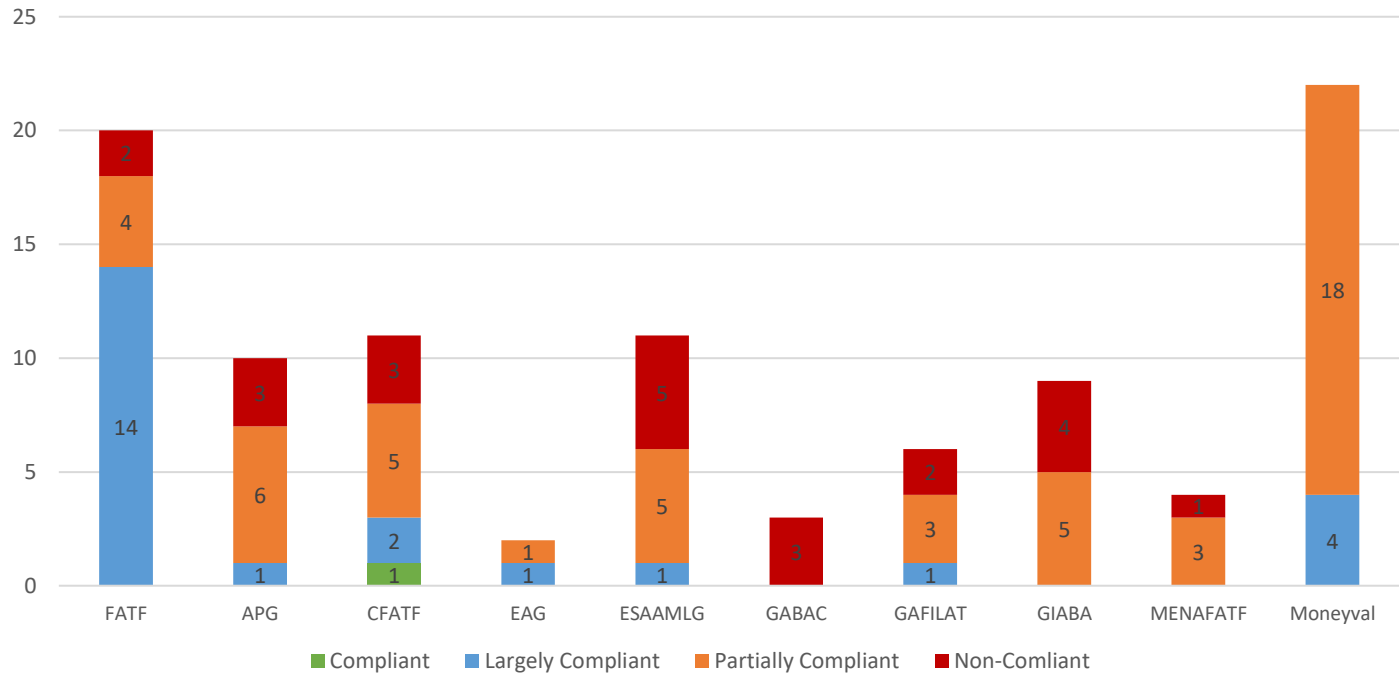
Progress in implementation of the revised R.15

**Compliance with revised R.15/INR.15 by 98 jurisdictions
(October 2019 – April 2023)**



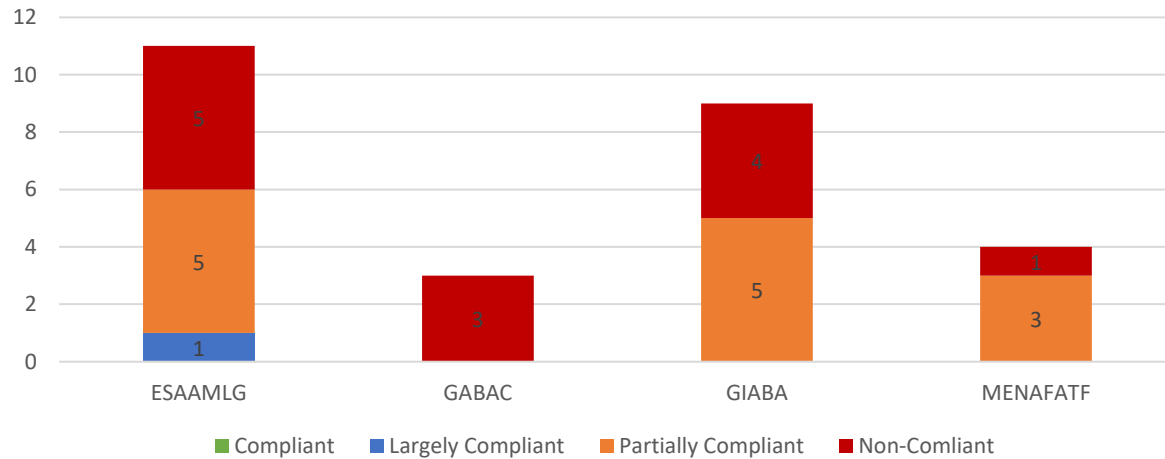
Progress in implementation of the revised R.15

Compliance with revised R.15/INR.15 by 98 jurisdictions (October 2019 – April 2023)



Progress in implementation of the revised R.15

**Compliance with revised R.15/INR.15 by 27 jurisdictions in African region
(October 2019 – April 2023)**



ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
GABAC	Central Africa Anti-Money Laundering Group
GIABA	Inter Governmental Action Group against Money Laundering in West Africa
MENAFATF	Middle East and North Africa Financial Action Task Force

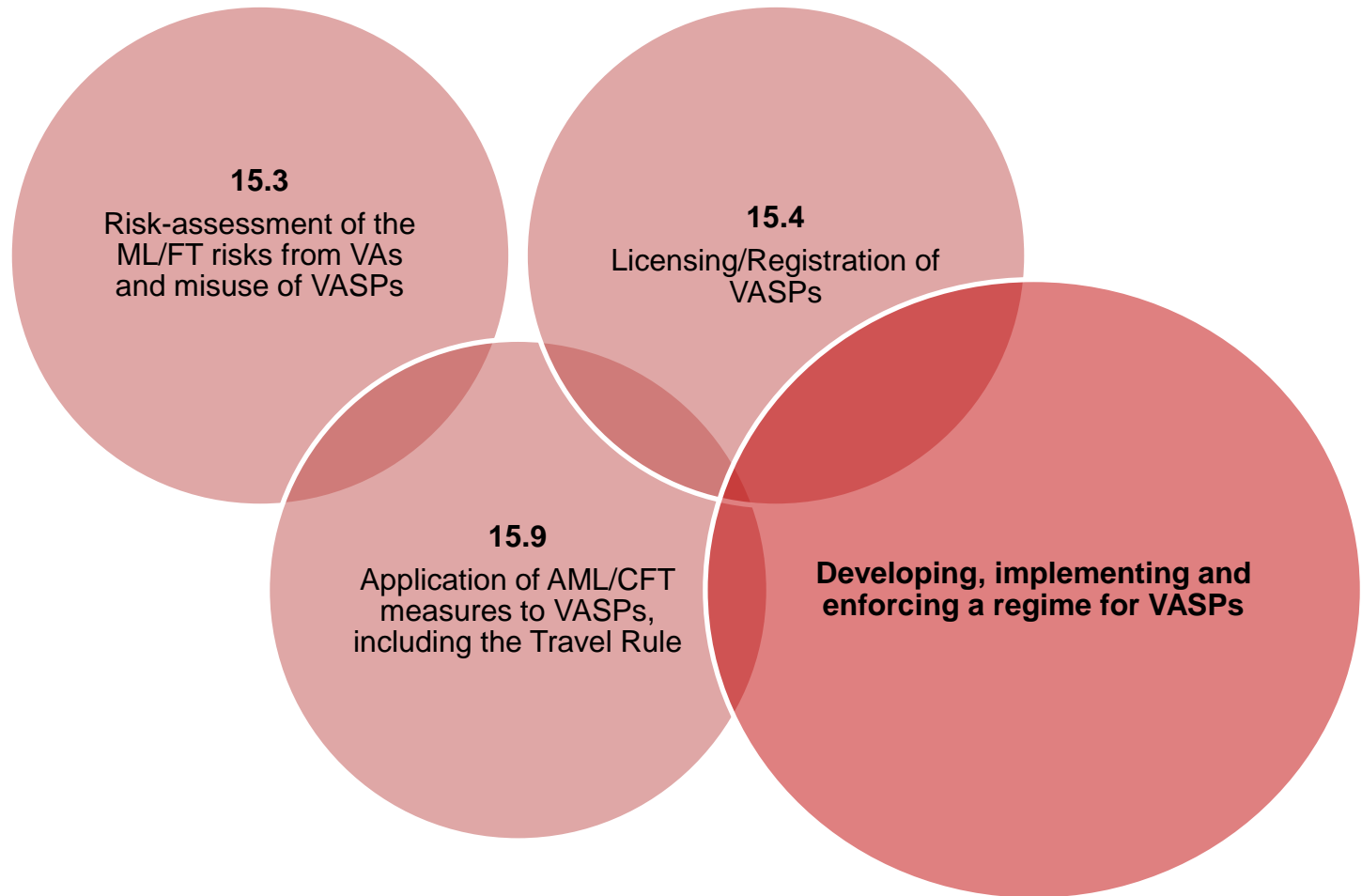
Challenges: Criterion 15.3, 15.4, and 15.9

- Assessment results indicate that countries continue to struggle with several fundamental requirements, including conducting a risk assessment, developing a regime for VASPs, i.e., registering/licensing or prohibiting VASPs, and implementing the Travel Rule. ([Targeted Update 2023](#))

Requirements

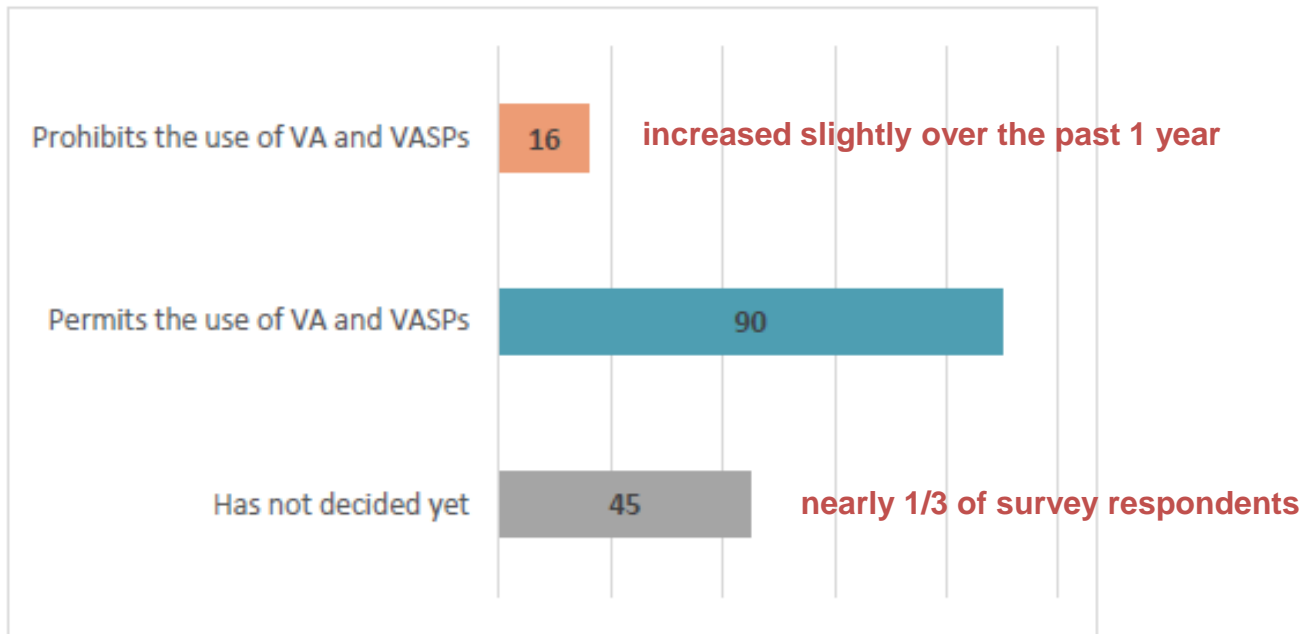


Areas jurisdictions face particular challenges implementing R.15



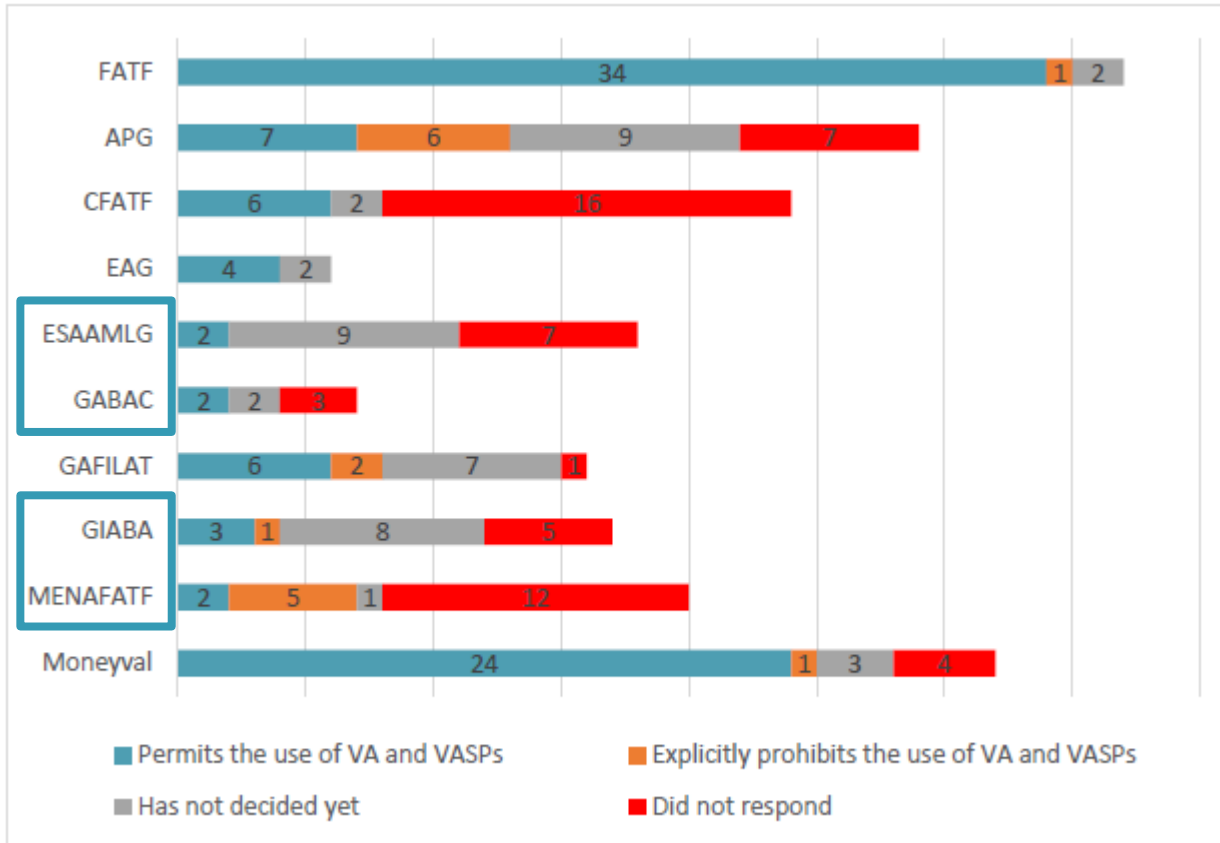
Jurisdiction's approach to VAs and VASPs (2023 FATF Survey)

Q. What is your jurisdiction's approach to VAs and VASPs?



Approach to VA and VASPs by FATF/FSRB (2023 FATF Survey)

Q. What is your jurisdiction's approach to VAs and VASPs?



Jurisdiction's decision to regulate or prohibit VASPs

Factors beyond ML/TF concerns that may impact a jurisdiction's decision to regulate or prohibit VASPs
[\(IMF's report on Elements of Effective Policies for Crypto Asset 2023\)](#)

- Comprehensive regulations > blanket ban
- Costs of enforcing bans
- Targeted restrictions

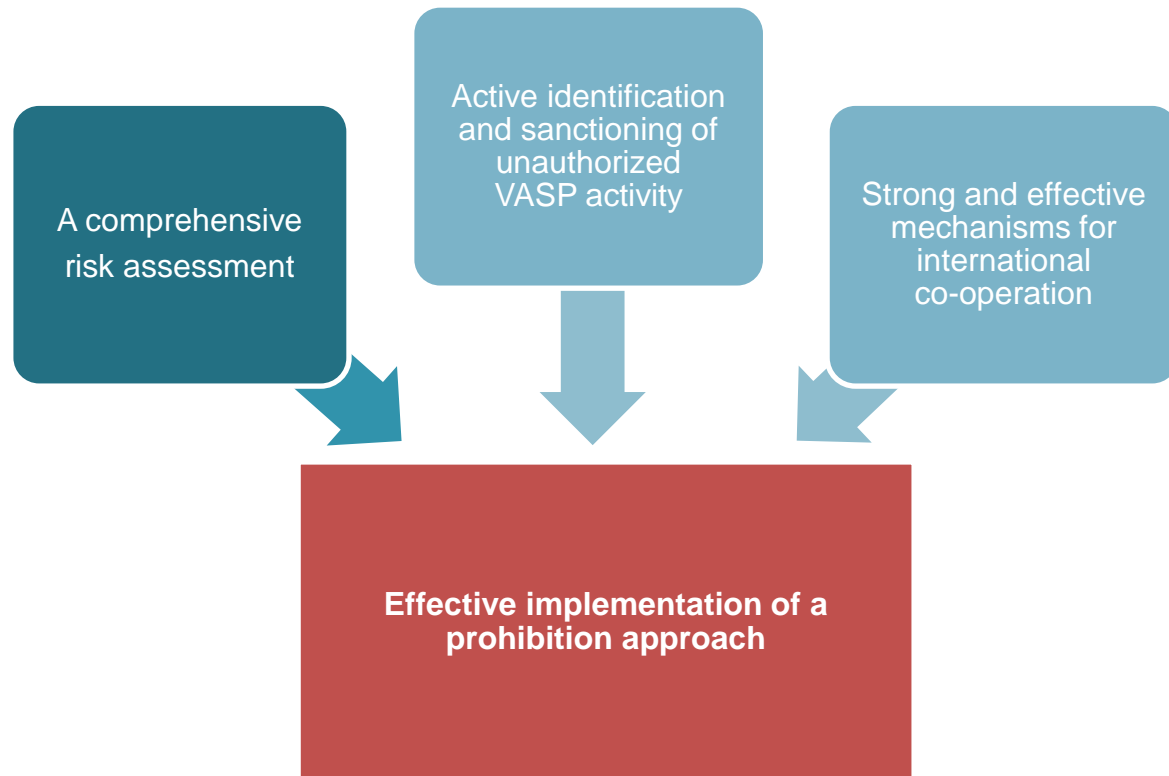
2023 FATF Survey

- A large percentage (38%; 6 of 16 jurisdictions) of jurisdictions that report prohibiting VASPs have done so **without** having undertaken any assessment of the risks relating to VAs and VASPs in their jurisdiction. (2023 FATF Survey)
- A significant portion (44%; 7 of 16 jurisdictions) of prohibition jurisdictions **have not taken any** supervisory or enforcement action to sanction illegal VASPs operating within their jurisdictions

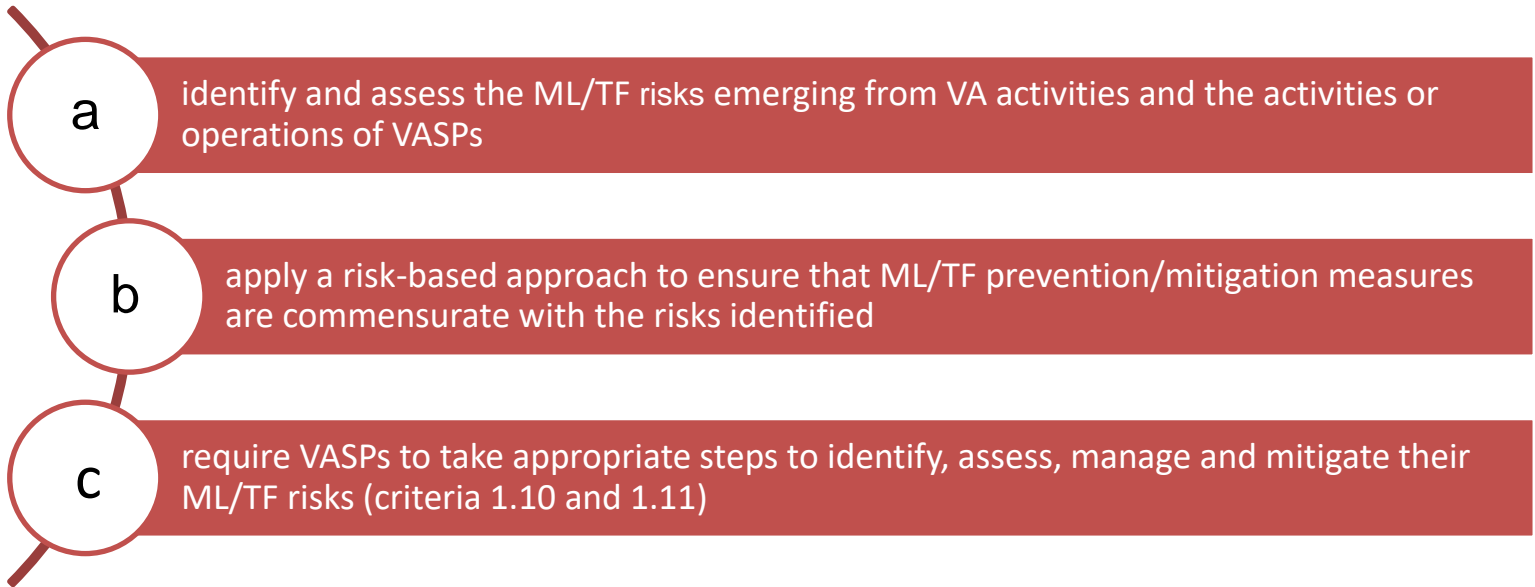
Jurisdiction's decision to regulate or prohibit VASPs

Challenges in successfully prohibiting VASPs

- Only two jurisdictions taking the prohibition approach has been assessed as largely compliant with the FATF requirements.
- No jurisdiction taking the prohibition approach received a fully compliant rating.



15.3 Risk assessment and application of a risk-based approach



Common challenges faced by jurisdictions ([Targeted Update 2023](#))

- a lack of reliable and easily available data
- limited guidance or methodologies on conducting such a risk assessment

Relevant resources

- [FATF's 2021 guidance](#)
- [VACG Community Workspace](#)

15.4 Licensing/Registering VASPs

a

VASPs are required to be licensed or registered at a minimum:

- (i) when the VASP is a legal person, in the jurisdiction(s) where it is created; and
- (ii) when the VASP is a natural person, in the jurisdiction where its place of business is located

b

competent authorities take the necessary legal or regulatory measures to prevent criminals or their associates from holding, or being the beneficial owner of, a significant or controlling interest, or holding a management function in, a VASP.

Challenges both in law & practice ([Targeted Update 2023](#)) leading to:

- Unlicensed/unregistered VASPs subject to minimal or no oversight or AML/CFT requirements
- Licensed or registered VASPs may also face increased challenges obtaining and verifying information on unlicensed or unregistered VASP counterparties

15.9 Preventative AML/CFT measures including the Travel Rule

The preventive measures set out in Recommendations 10 to 21 apply to VASPs in the same manner as FIs, with two specific qualifications.

The occasional transaction designated threshold above which VASPs are required to conduct CDD is USD/EUR 1 000 (rather than USD/EUR 15 000).

The wire transfer rules set out in Recommendation 16 apply to VASPs and VA transfers in a modified form (the Travel Rule).

Travel Rule

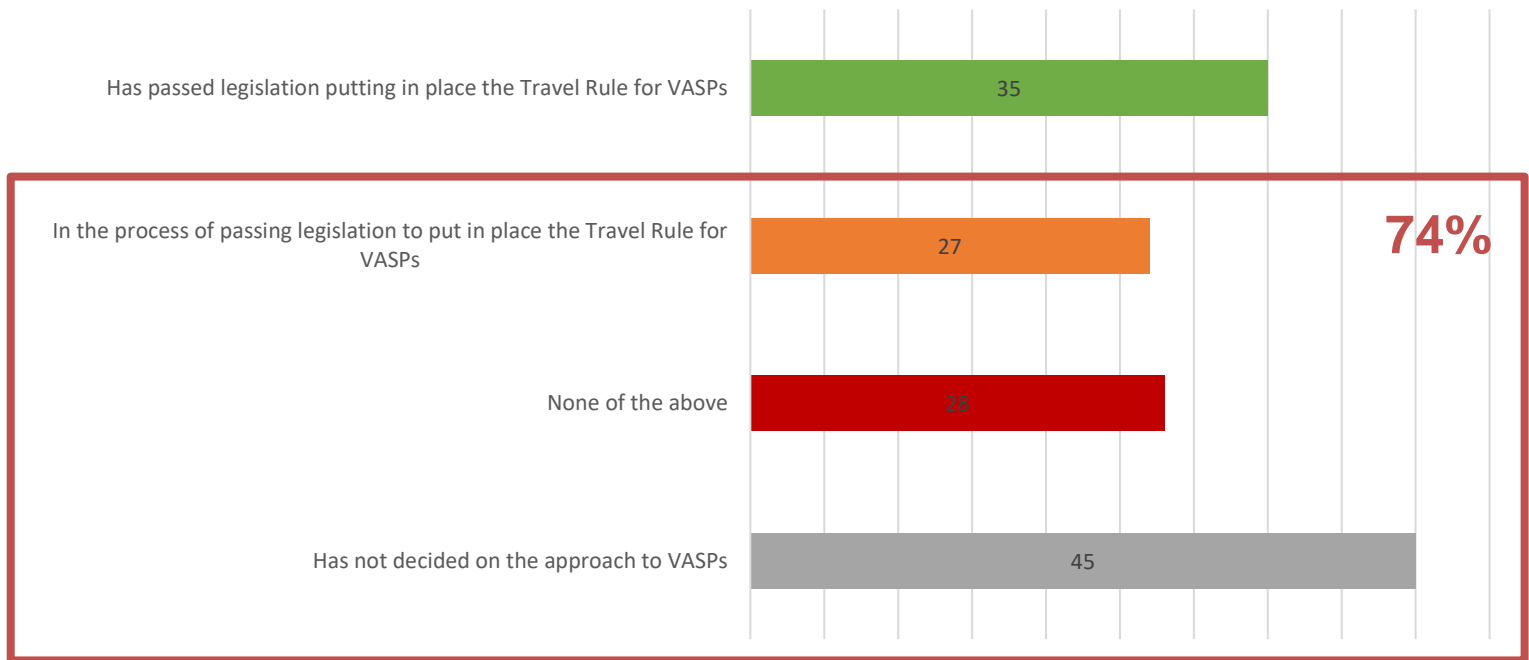
Countries should ensure that ordering VASP, obtain and hold required and accurate/verified originator information and required beneficiary information and submit the information to beneficiary VASP.

Countries should ensure that beneficiary VASP obtain and hold required originator information and required and accurate/verified beneficiary information.

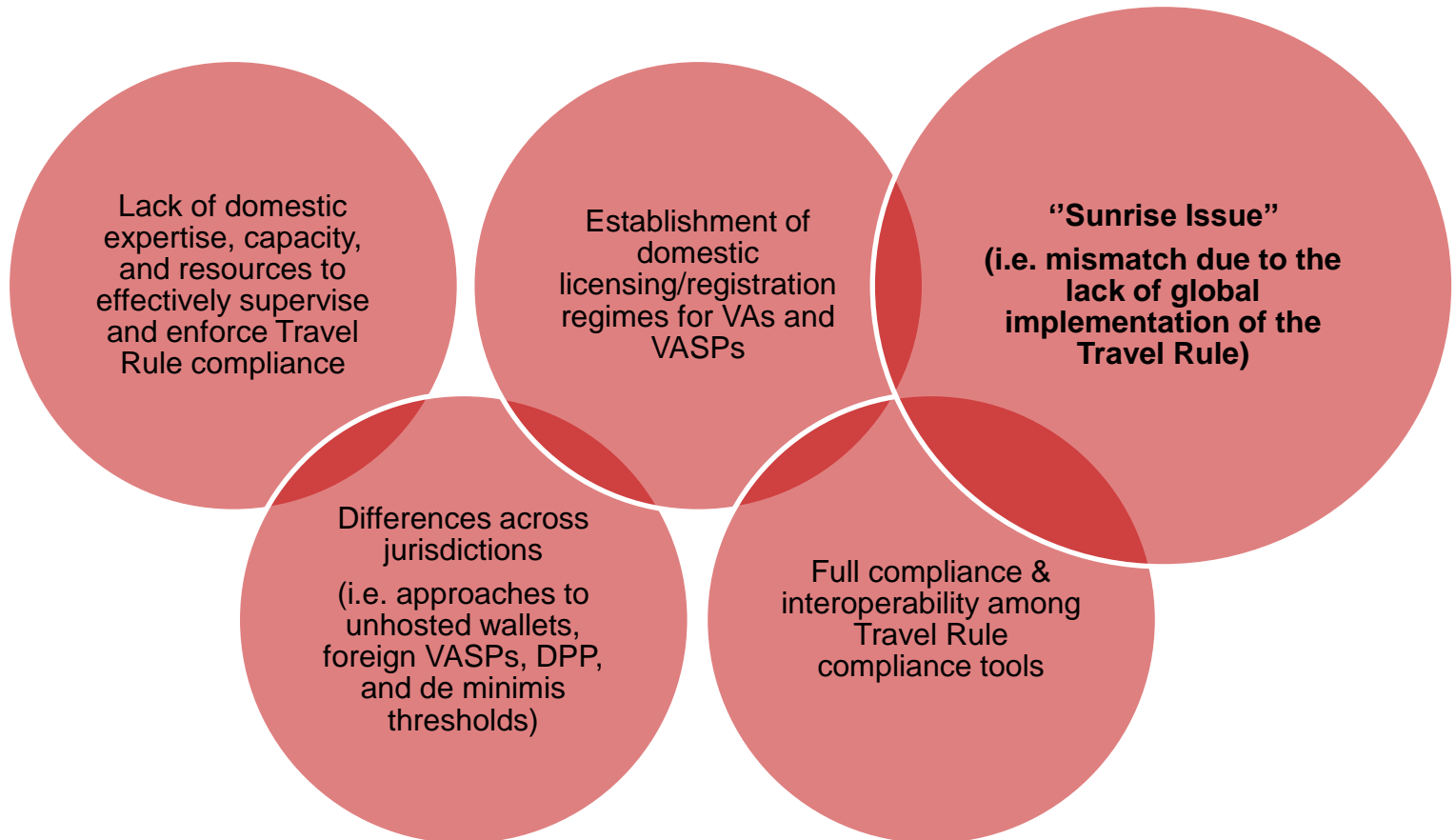
15.9 Preventative AML/CFT measures including the Travel Rule

Travel Rule implementation by 135 jurisdictions (2023 FATF Survey) (excluding 16 jurisdictions which prohibit the use of VAs and VASPs)

Has your jurisdiction passed the Travel Rule for VASPs? (2023 FATF Survey)



Common challenges implementing the Travel Rule

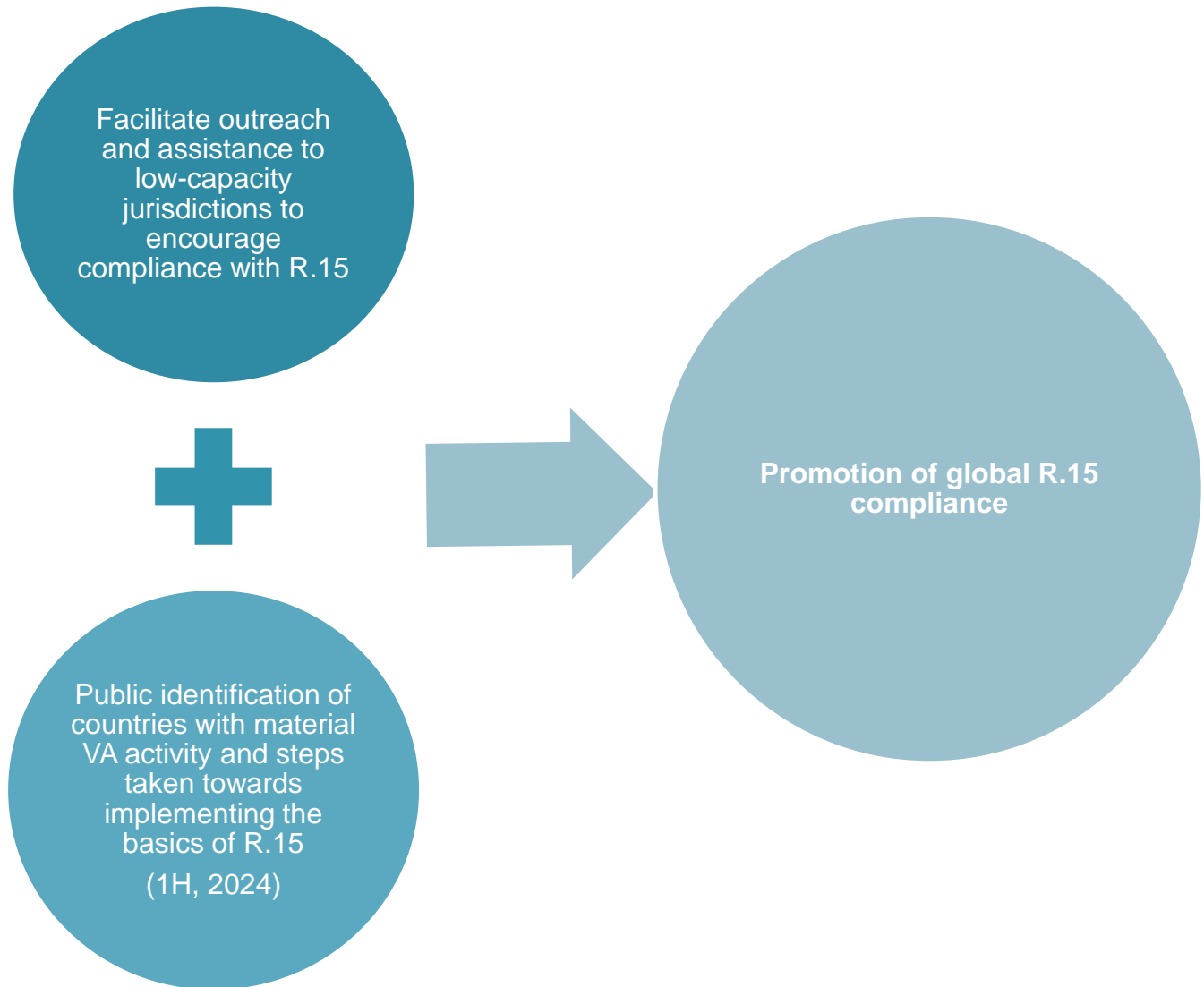




Emerging Risks



VACG's Roadmap to improve R.15 compliance



Next steps

- Continue to conduct **outreach** and provide assistance to low-capacity jurisdictions to encourage compliance with R.15
- **Publicly identify** which countries with significant VA activity have started regulating VASPs and which have not, in the first half of 2024
- Continue to **share finding, experiences and challenges**, including relating to DeFi and unhosted wallets, including P2P, and monitor market developments to ensure the relevance of current AML/CFT Standards
- **Report to FATF** in June 2024 on progress on implementation
- Continue responding to the ongoing and growing threat of VA misuse in ML/TF/PF by **promoting global implementation** of the FATF Standards and the Travel Rule.



Reference





