Introducing
AML for VFA Issuers

Conclusion

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What does the future hold?
MALTA ANGLE

- An update to the NRA?
- Frequently updated guidance
- Training to MLROs for VFA actors
- Those entities that have customers related to VCs and VAs will need to update their BRA.
What does the future hold?
GLOBAL ANGLE

• Mark Carney Head of the FSB “cryptoassets do not pose risks to global financial stability at this time”
• There is a range of responses to virtual currencies/crypto assets across the globe. The global regulatory environment for VCs and CAs is changing rapidly. This is making it challenging to ensure a consistent global approach which could increase risks
• Some countries may decide to prohibit VC activities but there is a danger that the growing phenomenon may push them underground

• The BCBS is currently taking forward work, in which the EBA is actively engaged, to clarify the prudential treatment of banks’ exposures to/holdings of crypto-assets
• There is a need to clarify the appropriate accounting treatment of crypto-assets, which in most cases would provide a link to the existing prudential treatment.
• The FATF will provide an updated guidance on the risk based approach to regulating virtual asset service providers, including their supervision and monitoring and guidance for operational and law enforcement authorities on identifying and investigating illicit activity involving virtual assets.
**What does the future hold?**

**EU ANGLE**

- Current EU financial services law does not apply to a number of forms of crypto-asset/activity. Based on the analysis conducted by the EBA, typically crypto-assets fall outside the scope of EU financial services regulation (the EBA identifies only limited cases in which crypto-assets may qualify as electronic money).
- Specific services relating to crypto-asset custodian wallet provision and crypto-asset trading platforms may not constitute regulated activities under EU law.
- The emergence of divergent approaches across the EU has been identified.
- The EBA considers that there would be merit in the European Commission carrying out a cost/benefit analysis to assess whether EU level action is appropriate and feasible at this stage to address the issues set out above.

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**What does the future hold?**

**Resolving compliance concerns**

- Actors in the VC space should seek to develop technology based solutions that will improve compliance.
- Innovation in AML/CFT compliance - improving existing VC protocols or developing entirely new VCs built on fundamentally different underlying protocols that can build in risk mitigants or facilitate customer identification and transactions monitoring.
- Third party digital identity systems may also be developed to facilitate AML/CFT compliance that might better fit VC products and services.
Shape of things to come....

- FATF has been working on an Interpretive Note to Recommendation 15. The text of the new Interpretive Note has been finalised, and will be formally adopted as part of the FATF Standards in June 2019.
- Jurisdictions may require VASPs that offer products and/or services to customers in, or conduct operations from, their jurisdiction to be licensed or registered in this jurisdiction.
- VASPs should be supervised or monitored by a competent authority (not a SRB), which should conduct risk-based supervision or monitoring.
- The occasional transactions designated threshold above which VASPs are required to conduct CDD is USD/EUR 1,000.
- Countries should ensure that originating and beneficiary VASPs obtain and hold required and accurate originator information and required beneficiary information on virtual asset transfers, submit the above information to beneficiary VASPs and counterparts (if any), and make it available on request to appropriate authorities.

What does the future hold?

- “….leading crypto companies should aspire to meet the standards and leading practices established by traditional financial services companies. We believe that this will help promote trust and accelerate the adoption of crypto by investors and institutional clients” Coinbase CFO and CCO