

# FATF Travel Rule toolkit

- *For crypto businesses in Singapore*

*Prepared for you by*

CoolBitX®

**ELLIPTIC**



This **FATF Travel Rule toolkit** for crypto businesses in Singapore is prepared for you by **CoolBitX** and **Elliptic**.

We have partnered to help financial service providers **respond swiftly** to FATF's Travel Rule requirements by **June 2021**.

# What is the **FATF Travel Rule**?

The Financial Action Task Force (FATF) is an intergovernmental organisation founded in 1989 on the initiative of the G7 to develop policies to **combat money laundering**.

Recommendation 16's "Travel Rule" requires of Virtual Asset Service Providers (VASPs): **originators and beneficiaries** of all transfers of digital funds must **exchange identifying information**. Simply put, the information about the parties involved in a transaction, must "travel" from the sender to the receiver.



# Crypto **regulatory** development in Singapore







So **why** do you need to adopt a  
**FATF Travel Rule solution now?**

# Benefits in facing **regulations**



**Demonstrate to regulators** that your business is actively seeking to be compliant.



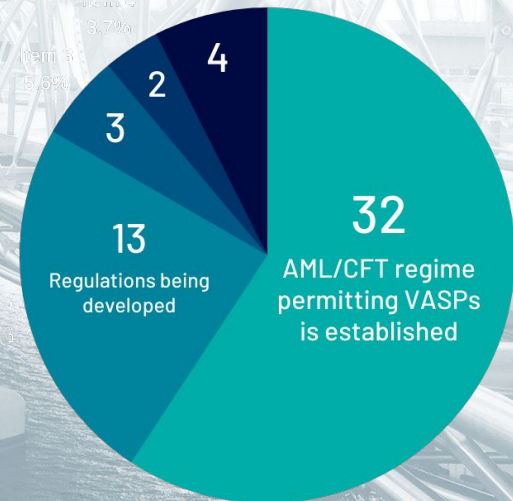
**Position your company as a progressive industry leader** - you're in good company with the big players.



**Be part of a VASP alliance** that exerts industry influence.

Progress in implementing VASP AML/CFT regulatory regimes:

- **32** jurisdictions that the FATF surveyed have imposed AML/CFT regulations on VASPs
- **13** jurisdictions are developing regulations to approve VASPs
- **3** jurisdictions have prohibited VASPs
- **2** jurisdictions are developing regulations to prohibit VASPs
- **4** jurisdictions have yet to decide





## Benefits for **your customers**



**Build trust** with your customers, give them peace of mind because your operation is compliant.



**Institutional investors** are waiting to join compliant VASPs to help mitigate their AML/CFT risk.



**Fortify your business** against the advances of money launderers, terrorists and other bad actors.



# Benefits for **your team**



**Be proactive:** Integrate a solution that best suits your business into your compliance workflows now, instead of being forced to do so later.



**Future-proof:** The right solution provider will actively engage regulators and industry groups, giving you expert insights in not only current but incoming regulations as well.



**Avoid implementation delays:** There is no way around the Travel Rule, therefore it is better to **act now** before implementation bottlenecks and costs spike as **June 2021** draws near.

**Avoid AML fines.** According to ACFCS:

- In 2018, **29** AML fines of **\$4.27bn** were imposed.
- In 2019, **58** AML penalties were handed down, totaling **\$8.14bn**.





So **how** do you **evaluate**  
**FATF Travel Rule solutions?**

## Here is a **checklist** for you

Factor		Consideration
Tested	<input type="checkbox"/>	Has the solution demonstrated successful production tests of <b>live data transfers by VASPs</b> ?
Industry-Standard Messaging	<input type="checkbox"/>	Does the solution implement the industry-approved <u>interVASP messaging standard (IVMS101)</u> ?
Interoperability Roadmap	<input type="checkbox"/>	Has the provider indicated that they will pursue <b>interoperability with other solutions providers</b> ?
	<input type="checkbox"/>	Have they set out a target <b>timetable</b> and roadmap for achieving this?
Governance	<input type="checkbox"/>	Has the solutions provider demonstrated a commitment to maintaining a sound governance model?
	<input type="checkbox"/>	Is the governance model <b>transparent</b> ?

Factor	Consideration	
Data Privacy and Security	<input type="checkbox"/>	Does the solution maintain customer <b>privacy</b> and is the data transferred in a <b>secure</b> way?
	<input type="checkbox"/>	Is the provider working to ensure its solution is <b>compliant with regional-specific measures</b> such as the EU's General Data Protection Regulation (GDPR)?
Confidence of VASPs and Regulatory Bodies	<input type="checkbox"/>	Have any <b>regulated VASPs confirmed</b> their intention to use the solution?
	<input type="checkbox"/>	Has the solution earned the confidence of <b>regulatory bodies</b> ?
Straightforward Implementation	<input type="checkbox"/>	Can the solution be implemented without causing major disruption to your compliance team's workflows?
	<input type="checkbox"/>	Can the implementation be conducted in a <b>timely</b> manner?
Minimal Friction to End User	<input type="checkbox"/>	Can you implement and utilize the solution without significantly disrupting the user experience of your customers?



# A **step-by-step** overview of a **Travel Rule solution workflow**



## Step 1 & 2

### Receive and verify wallet address ownership

▶▶ Travel Rule Solution Action: **Identify the recipient of the transaction's beneficiary VASP.**

After receiving the transfer instructions from the transaction sender, the originator VASP has to identify who owns the destination wallet address so that it will know who to speak to for the information exchange.



This step is similar to a postal service where the sender writes the receiver's info on an envelope and posts it into a mailbox.

## Step 3

### Verify that the VASP belongs to a list of VASPs

#### ▶▶ Travel Rule Solution Action: **Global list of VASPs.**

Simply knowing a VASP's identity is not enough- you will have to verify that the receiving VASP is a trusted entity.

A trusted VASP can be a licensed exchange by jurisdiction or certified as an ISO Information Security Management System (ISMS) based on different VASP or jurisdictional policies.

Currently there are a limited number of licensed VASPs in leading jurisdictions like Japan, and the United States. Therefore the industry is working on a standard due diligence form for the purposes of identifying a trusted VASP.

A Travel Rule solution should be able to help confirm that the receiving VASP is a trusted entity for their member VASPs.



This step is similar to a postal service where the letter arrives at a post office and its destination country is being checked against a sanctions list to ensure that it can be delivered.

## Step 4

### Acquire VASP Routing Information

▶▶ Travel Rule Solution Action: **Help originator VASP get beneficiary VASP routing information.**

Identify which Travel Rule solutions and protocols they're supporting. After validating that the receiving VASP is a trusted one, the sending VASP has to acquire the technical routing information of the receiving VASP and choose the best way to send the information.

Details the VASP routing information of each Travel Rule solution could include:

- API endpoints as communication channels.
- Public key for data encryption.
- VASP code as a unique identifier.
- Fixed Server IP address when a VASP only accepts API requests from whitelisted IP addresses.



This step is similar to a postal service where the sender identifies the method of delivery- for example airmail/surface mail/express delivery

## Step 5

### Exchange-Required Information

▶▶ Travel Rule Solution Action: **Exchange the required personal information between two transacting VASPs.**

Originator VASPs initiate the information exchange in a privacy protected channel to the beneficiary VASP.

The beneficiary VASP approves the transfer request with an auditable trail back to the originator VASP.

The originator VASP can continue to send the blockchain transaction as requested.

Things you should be aware of regarding the exchange:

- Transaction speed of the information exchanged.
- Extra cost of each exchange.
- Data encryption for privacy concerns.



This step is similar to a postal service where the delivery is on the way!





Introducing **Sygna Bridge**,  
a **Travel Rule** solution  
developed by **CoolBitX**.

Syгна Bridge works in **real-time** and only takes a **few seconds** to process.



### **Compliance with FATF requirements, confirmed by Big 4 accounting firm**

In May 2020, CoolBitX shared with the FATF Contact Group **proof of its successful Travel Rule cross-border data transfers** between leading exchanges SBI VC (Japan), Bitsonic (Korea) and BitoPro (Taiwan). The production report was audited and verified by a Big Four accounting firm.



### **1st live FATF travel rule solution**

Launched in 2019 as a **first-to-market FATF Travel Rule technical solution** to help VASPs comply with the FATF's updated Recommendation 16 data-sharing requirement.



### **20 MoUs signed globally (TW, KR, JP, CA, SG, HK)**

In July 2020, it was announced that Syгна Bridge 2.0 supports IVMS101. This achievement marks a major milestone for a technical solution provider (TSP) – ensuring that its Travel Rule network data is **cross-compatible** with that of other providers.



We are the leadership team of CoolBitX,

*let us show you  
how we can help you.*

[www.coolbitx.com](http://www.coolbitx.com)

[www.sygna.io](http://www.sygna.io)



*"Sygna Bridge is another major step in our compliance efforts, whereby members of the Sygna Alliance may seamlessly and efficiently share KYC information without being constricted to a closed loop."*

— Yoshitaka Kitao,  
President & CEO of SBI Holdings

CoolBitX® SYGNA®

Sygna Bridge is a compliant, user-friendly, and secure data exchange solution that allows VASPs to communicate regulation-ready information.

Taipei - HQ | Tokyo | Seoul | London  
San Francisco



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*let us show you  
how we can help you.*

[www.elliptic.co](http://www.elliptic.co)

# ELLIPTIC

Elliptic is a leading provider of blockchain forensic and AML/CFT compliance solutions for the cryptoasset industry and financial institutions.

London - HQ | New York | Tokyo | Singapore

*"Elliptic has been our trusted partner since 2015, helping to strengthen our AML program and create a new standard for compliance in the crypto industry. We value their emphasis on data precision, as well as commitment to build a more transparent & safer crypto economy."*

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