

FCA sets out expectations for UK cryptoasset businesses complying with the Travel Rule

From 1 September 2023, cryptoasset businesses in the UK will be required to collect, verify, and share information about cryptoasset transfers, under the Financial Action Task Force (FATF) Anti-Money Laundering and Counter-Terrorist Financing rules, known collectively as the Travel Rule.

This is in line with the FCA's consumer protection and competitiveness objectives and the Travel Rule, along with the Financial Promotions regime for Cryptoassets in October 2023 will help the FCA better protect people, the integrity of the markets, and support the sustained competitiveness of the cryptoasset sector in the UK.

The Travel Rule is designed to bring greater transparency in cryptoasset transfers, increasing the difficulty for criminals to utilise crypto for illicit activity. The Travel Rule is aimed at advancing anti-money laundering (AML) and counter-terrorist financing (CTF) efforts, as well as to aid crypto businesses in detecting suspicious transactions and conducting effective sanctions screenings.

The FCA will expect firms to take reasonable steps, conducting thorough due diligence to comply with the Travel Rule, including when using third-party suppliers. They also expect firms to fully comply when sending or receiving a cryptoasset transfer to a firm that is in the UK, or any jurisdiction that has implemented the Travel Rule. Firms are further reminded to regularly review the implementation status of the Travel Rule in other jurisdictions and adapt business processes as appropriate.

When firms send a cryptoasset transfer to a jurisdiction without the Travel Rule, the FCA will expect firms to take all reasonable steps to establish whether the firm can receive the required information. If the firm cannot receive the necessary information, UK cryptoasset Firms must still collect and verify the information as required by the Money Laundering Regulations (MLRs) and should store that information before making the cryptoasset transfer.

When Firms receive a cryptoasset transfer from a jurisdiction without the Travel Rule, if the

cryptoasset transfer has missing or incomplete information, UK cryptoasset Firms must consider the countries in which the firm operates and the status of the Travel Rule in those countries. This should form part of a Firms risk-based assessment of whether to make the cryptoassets available to the beneficiary.

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