

**To:**

Australian Transaction  
Reports and Analysis Centre  
4 National Circuit  
Barton, ACT  
2600

**27 June 2025**

Coinbase Global, Inc. together with Coinbase Australia Pty. Ltd. and its other subsidiaries, **(Coinbase)** appreciates the opportunity to respond to the second public consultation on new AML/CTF Rules **(the "Rules")** published by the Australian Transaction Reports and Analysis Centre **(AUSTRAC)**.

Coinbase started in 2012 with the idea that anyone, anywhere, should be able to send and receive Bitcoin easily and securely. Today, we are publicly listed in the United States and provide a trusted and easy-to-use platform that millions of verified users in over 100 countries rely on to access the crypto economy.

We thank AUSTRAC for its collaborative approach to the update of Australia's AML/CTF regime so far and have further iterated our recommendation on a de minimis threshold for Travel Rule application as well as recommending an observation period post-March 2026 for AUSTRAC to work with industry on implementation of compliance solutions. To support Travel Rule compliance, Coinbase along with an industry consortium, has created the Travel Rule Universal Solution Technology (TRUST). We look forward to expanding the TRUST solution within Australia as it implements the Travel Rule.

We appreciate your thoughtful efforts to develop and modernise the Australian AML and CTF regime, and we look forward to continued engagement.

Sincerely,



Tom Duff Gordon  
VP, International Policy  
Coinbase Global, Inc.



John O'Loughlen  
Country Manager  
Coinbase Australia Pty Ltd

## Introduction

Coinbase is committed to the Australian market, and its local entity, Coinbase Australia Pty Ltd, is a reporting entity registered with AUSTRAC.

As well as seeking to be the most trusted brand serving the Australian market with our products and services, we are also committed to being a trusted party in the development and regulation of Australia's digital asset industry. We have been an active contributor to the policy dialogue in Australia, and have most recently responded to the Attorney-General's [first](#) and [second](#) rounds of consultation on modernising Australia's AML and CTF regime in June 2023 and June 2024 as well as the first round of consultation on the [new AML/CTF rules](#). We are honoured to contribute our thoughts and expertise to AUSTRAC's second public consultation on new AML/CTF Exposure Draft Rules.

In this submission we provide a targeted response and primarily make three key suggestions to the Rules. We suggest:

- Further ensuring that the Travel Rule does not unintentionally capture software providers;
- Clarifying the definition of 'Tracing Information' for Travel Rule purposes;
- Implementing a value threshold for the application of the Travel Rule, noting advancements in micro payments; and
- Creating an observational period post-March 2026 for virtual asset service providers (VASPs) to work in partnership with AUSTRAC on implementation of the updated rules

We also thank AUSTRAC for changes, clarifications, and explanations provided in response to the first public consultation on the Rules.

Coinbase supports applying the Travel Rule to VASPs to help law enforcement and regulatory agencies detect, investigate, and prosecute money laundering and other financial crimes by creating and preserving an information trail of senders and recipients of large fund transfers.

We recognise the need for global coordination for Travel Rule compliance and have created an industry consortium, launching TRUST - the Travel Rule Universal Solution Technology. Today, TRUST includes over 140 VASPs around the world, allowing them to comply with the Travel Rule while also protecting the privacy and security of their

customers. We discussed TRUST in more detail in our response to the first exposure draft rules.

## Targeted Response

We recognise that this second round of consultation on the proposed Rules marks an iteration on the previous consultation, and much of this consultation applies to the wide variety of businesses that will be new to being supervised under Australia's AML/CTF regulations. As such, we have provided a targeted response focusing on the key impacts to Coinbase's business, primarily in relation to the value transfer rules (or the "Travel Rule").

## Acknowledgement of Changes

We would like to express our sincere appreciation to AUSTRAC for conducting this consultation process in a genuinely collaborative manner, adapting proposed measures when presented with compelling evidence and reasoning by the industry. Providing comprehensive explanations regarding the policy intent behind proposed rules and delivering detailed reasoning for modifications demonstrates a commendable commitment to meaningful engagement.

### Software providers

We would like to thank AUSTRAC for providing insight into its stance towards software providers and their relationships towards value transfers. The specific examples noting that instruction messaging services like Swift, the NPP, and card scheme operators will generally not be intermediary institutions, helps resolve some of the ambiguity around the scope of the rules.

However, we suggest that additional clarifications would be beneficial especially in relation to virtual asset networks and encourage AUSTRAC to work with the virtual asset industry while it is creating guidance for the rules. We also suggest some additional clarifications in the next section under 'Ensuring that the Travel Rule Applies to Virtual Asset Custodians, Not Mere Software Providers'.

### Extension of IFTI reporting regime

Coinbase supports the Department of Home Affairs' proposal to develop transitional rules extending the international funds transfer instruction (IFTI) reporting regime until after 2026. We agree with the need for further specific consultation on international value transfer requirements (IVTR) and recommend that full IVT reporting not be required for

VASP activities until a sufficient portal or API is developed to allow for automated reporting processes.

## **Sunrise Issue**

As countries around the world implement Travel Rule on different timelines and with different expectations, flexibility is key to ensure useful implementation in any single jurisdiction. As we noted in our previous submission, a core concern for compliant entities is the information security of counterparties who are required to receive and store sensitive customer information. We commend AUSTRAC for providing this flexibility in subsections 66A(9) and (10) of the Amended AML/CTF Act allowing registered entities to assess whether intermediary and beneficiary entities can sufficiently safeguard the confidentiality of customer information.

## **Place of Birth**

We also commend the practical removal of the requirement to obtain and verify Place of Birth as part of customer due diligence during the onboarding process.

## **Suggested Improvements and Clarifications**

### **Ensuring that the Travel Rule Applies to Virtual Asset Custodians, Not Mere Software Providers**

We appreciate AUSTRAC's acknowledgement in this second consultation round that multiple responses submitted during the first round sought clarification on whether the Rules might inadvertently capture software providers under the definitions of "ordering institution," "beneficiary institution" and "intermediary institution." To that end, we recommend that these terms be amended to more clearly exclude software providers who do not hold custody of payer or payee funds. Such clarification will protect consumers and encourage the development and use of innovative financial technologies in Australia.

As a foundational note, we note that there are numerous entities globally that offer self-hosted virtual asset wallets (or other software applications) enabling users to maintain sole custody of their funds – meaning that only the user (not the software provider) can unilaterally transfer virtual assets from the wallet to another virtual wallet address. To execute these transactions within the self-hosted wallet, the user may interact with the software provider's application – for example, they may use the application's user interface to select how much value they want to transmit and to which address. Throughout these user-directed transactions, the software provider never gains

custody over the user's funds - in other words, the provider lacks "total independent control" over the funds.<sup>1</sup>

Similarly, even sophisticated software applications like multi-party computation (MPC) wallets remain non-custodial. MPC wallets enhance the security of the user's virtual assets by dividing the wallet's private key into "shards" distributed across multiple parties. When a user seeks to withdraw funds from their MPC wallet, a predefined threshold of the key shards need to collaborate to generate a valid transaction. While the MPC wallet provider may play a role (e.g., contributing their shard to authorize a transaction), the provider crucially lacks the ability to unilaterally withdraw funds; only the wallet's *user* can initiate and drive transactions. In other words, an MPC wallet is non-custodial because the provider cannot exercise total independent control over the funds within the wallet.

In light of the above, we suggest that the Rules clarify that Travel Rule obligations do not apply to non-custodial software providers, whose role in a value transfer is typically minimal and passive. To illustrate, the Rules define an "ordering institution" as one that "accepts an instruction for a transfer of value on behalf of a payer." This broad phrasing could mistakenly apply, for example, to software providers whose application interfaces accept user instructions for self-directed transactions. We appreciate that AUSTRAC (in the second consultation) made efforts to temper this concern, noting that "the ordering institution must have some capacity to determine whether to give effect to the instruction." But here too, applying Travel Rule obligations to entities who merely have "some capacity" could unintentionally sweep up non-custodial wallet providers (including MPC wallets).

In the alternative, subjecting non-custodial providers to the Travel Rule would introduce several risks and inefficiencies. First, software developers (who are often small teams of computer programmers) are poorly suited to securely collect and store large amounts of sensitive user data, unlike custodial institutions with the requisite staff, resources, and expertise in compliance, privacy, and security matters. Indeed, such mandates would invite cyber threats, creating vulnerabilities for consumer data. Second, imposing undue regulatory burdens would deter developers from offering non-custodial solutions within Australia, hindering innovation in the virtual asset sector.

Thus, we recommend the following revisions to the Rules:

- **Section 7-1 (regarding ordering institutions):** add a new subsection (5): "With regard to a transfer of value from a virtual asset wallet, Subsection (2) does not

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<sup>1</sup> Financial Crimes Enf't Network, Guidance, *Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies*, FIN-2019-G001, p. 15-16 (May 9, 2019) (describing "total independent control" as a key factor in determining whether an intermediary in a virtual asset transaction is a regulated money transmitter, particularly in the context of hosted wallets where the provider has total independent control over the value within a wallet).

apply to a person unless the transfer of value is made from a custodial wallet controlled by that person."

- **Section 7-2 (regarding beneficiary institutions):** add a new subsection (5): "With regard to a deposit of value to a virtual asset wallet, Subsection (2) does not apply to a person unless the deposit of value is to a custodial wallet controlled by the person."

## Clarifying the Definitions of "Tracing Information" for Travel Rule Purposes

Sections 7-3 through 7-5 of the Rules require institutions to collect, verify, and/or transmit "tracing information" associated with a transfer. To remove an unclear, and possibly duplicative, portion of the definition of "tracing information," we propose the following amendment to Section 1-4 of the Rules:

**Tracing information**, in relation to a transfer of value, means information that satisfies the following: ... **(b)(ii)** for a transfer of a virtual asset in circumstances where the asset is to be made available to the payee by transferring it to a custodial wallet—enables the beneficiary institution to identify the ~~payee's~~ ~~payer's~~ virtual asset holdings in the wallet (such as by providing the wallet address, including the destination tag or memo details, if applicable); or

This change would reflect that the *beneficiary* institution should be able to use the tracing information to identify the *payee* (the beneficiary institution's own customer), as opposed to the *payer* (who would often instead be the customer of the *ordering* institution). This change would further be consistent with the parallel definition of "tracing information" in (b)(i), describing it as "the information ... for a transfer in circumstances where the value is to be made available to the payee by depositing it into an account *held by the payee*." (emphasis added). Further, it would be duplicative to require in (b)(ii) that tracing information include the *payer's* virtual asset holdings, given that this information is already required under (a)(ii) of the same provision.

## Flexibility on Accuracy of Certain Information Required During VASP Registration

Under Section 3-14(e)(ii) and (f) of the Rules, regarding the new registration requirements for VASPs, applicants would be required to provide "information on ... the expected average total monetary value of customers' money, virtual assets and property with which the candidate would deal ... per month over the first 12 months following registration" as well as controlled wallet addresses and the virtual assets that the wallet can store.

Necessarily, responses provided to meet these requirements during registration will be educated estimates. Dealing amounts per month, wallets controlled, and virtual assets

served can change rapidly for many reasons – such as customer preferences, security best practices, and market conditions. Accordingly, during the registration process and any post-registration supervisory follow ups, we suggest that AUSTRAC take an accommodative approach in assessing information provided under Section 3-14 (e) and (f).

## **Implementation of a Value Threshold for the Travel Rule**

We reiterate our recommendation that the Rules provide for a threshold-based application of the Travel Rule for virtual asset transfers of 1000 AUD. This would balance effective AML compliance with innovation, while aligning with the approach to Travel Rule implementation adopted in similar jurisdictions.

As innovation in virtual asset use rapidly accelerates, we are seeing practical implementation of micropayments at scale using virtual assets.<sup>2</sup> The implementation of Travel Rule reporting for small virtual asset transactions creates disproportionate compliance burdens that undermine microtransaction viability.

When transaction values are minimal—often cents to dollars—the cost of collecting and transmitting counterparty information exceeds the transaction value itself, eliminating legitimate use cases like micropayments for digital content pay-per-use, pay-per-article, or pay-per individual API request. Ultimately, without a de minimis threshold, when IVTRs are required AUSTRAC may find its systems require the ability to accept *trillions* of reports every year from VASPs processing micropayments on behalf of their customers.

A risk-based approach with reasonable de minimis thresholds would preserve AML objectives while maintaining the economic viability of legitimate small-value transfers. This would enable fractional payments, supporting innovation in micropayment ecosystems while focusing regulatory resources on transactions posing meaningful financial crime risks.

## **An Observational Period for Travel Rule Implementation**

It is important that the implementation of the Travel Rule for VASPs in Australia is conducted with an understanding of the challenges it poses from a practical compliance front. To ensure a smooth transition, we suggest that from implementation of the requirements on 31 March, AUSTRAC commits to a period of observation and collaboration with VASPs, limiting enforcement actions and fines to those who flagrantly disregard their compliance requirements.

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<sup>2</sup> Reppel, E, et.al. "x402: An Open Standard for Internet-Native Payments: An HTTP Based Protocol for Agents, Context Retrieval, APIs, and More." Coinbase Developer Platform. <https://www.x402.org/x402-whitepaper.pdf>.

From our experience with the application of Travel Rule requirements in other jurisdictions, an observation period will ensure a constructive relationship between AUSTRAC and industry, allowing for the development of best-in-class solutions for unique issues faced by the virtual asset sector. We suggest that this period would extend for at least 12 months.

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