

AML/CFT COMPLIANCE • FATF RECOMMENDATION 16

The Travel Rule

Enabling Compliant Virtual Asset Transfers at Global Scale

Achieving FATF Recommendation 16's objective of preventing terrorists, perpetrators of money laundering and associated predicate offences (e.g., fraud), and other criminals from having unfettered access to wire payments or value transfers for moving their funds.

WHAT IS THE TRAVEL RULE?

The Travel Rule is the AML/CFT requirement to collect and submit specified originator and beneficiary information alongside transfers to support traceability; it requires that critical information "travel with" the transfer. For virtual assets, FATF extended this and its other AML/CFT Recommendations to VASPs through Recommendation 15 and its Interpretive Note in 2019. Travel Rule regulations are now in force or being implemented across many jurisdictions.

99

Jurisdictions enacting or implementing
Travel Rule regulations (2025)

International Adoption

For a borderless industry
operating 24/7/365

Combatting Fraud

Whole of System Approach - AML
regulators, Financial Intelligence Units,
Law Enforcement & Private Sector

KEY OBLIGATIONS FOR VASPs

ORIGINATING VASP MUST:

- Identify accurate originator name and account (deposit wallet address);
- Obtain beneficiary name and account/wallet address;
- Transmit data immediately and securely to beneficiary VASP before/during transfer;
- Screen against sanctions lists and other watchlists; and
- Retain all Travel Rule records for a minimum of 5 years.

BENEFICIARY VASP MUST:

- Receive, verify and retain originator and accurate beneficiary data;
- Conduct AML/CFT screening, rejecting non-compliant (including non-approved counterparties) and incomplete transfers; and
- Report suspicious transactions to competent authorities.

Obligations and thresholds vary by jurisdiction and transfer context.

Other Related FATF Guidances

- 2021: **FATF Updated Guidance** – Most regulations are based on this.
- 2023: **FATF Targeted Update** – Slow adoption, sub-standard implementation, solution shortcomings
- 2024: **FATF Targeted Update (Jun)** - Solutions shortcomings, CPTV DD | **Mutual Evaluation Framework** includes effectiveness of implementation
- 2025: **FATF R.16 Revision** | **FATF Targeted Update** | **FATF Best Practice on TR Enforcement** | **FATF Asset Recovery**
- 2026: **Stablecoins and Unhosted Wallets** | **FATF Understanding and Mitigating the Risks of oVASPs**

DATA REQUIRED UNDER THE TRAVEL RULE

ORIGINATOR (SENDER)

- Full legal name
- Account number or wallet address
- Physical address, OR national ID number, OR date/place of birth
- Customer identification number

BENEFICIARY (RECIPIENT)

- Full legal name
- Account number or wallet address

Objectives-Based TRAVEL RULE Compliance

- Effectively deters illicit activity and builds user trust, with near-elimination of impersonation scams.
- Effective counterparty due diligence identifies legal entities of operating VASPs, weeds out high-risk VASPs, and provides communication network for STRs and risk mitigation efforts.
- Produces high-quality data that supports AML/CFT transparency for effective asset tracing and recovery.
- Protects customer personal data and complies with applicable data protection laws internationally.

SELECTING THE RIGHT TRAVEL RULE SOLUTION

- Ability to meet FATF standards (for the "List of Guiding Questions for Travel Rule Solutions," see 2023/2025 FATF Targeted Updates)
- Ensures compliance to Personal Data Protection Laws
- Audited for technology risks and security controls best practices

"THE SUNRISE ISSUE"

When a VASP subject to Travel Rule obligations interacts with a counterparty in a jurisdiction that has not yet fully implemented equivalent requirements. This creates legal, regulatory, and operational fragmentation referred to as "The Sunrise Issue." The FATF and several jurisdictions suggest restricting transfers to first-parties only as an enhanced risk-mitigation measure.

Sources: <https://www.fatf-gafi.org/en/topics/virtual-assets.html> and <https://www.verifyvasp.com/en/news/what-is-a-verified-network/>