

Public Statement on Virtual Assets and Related Providers

Orlando, FL, United States, 21 June 2019 - The Financial Action Task Force (FATF) today adopted and issued an Interpretive Note to Recommendation 15 on New Technologies (INR. 15) that further clarifies the FATF's previous amendments to the international Standards relating to virtual assets and describes how countries and obliged entities must comply with the relevant FATF Recommendations to prevent the misuse of virtual assets for money laundering and terrorist financing and the financing of proliferation.

Previously, in October 2018, the FATF updated its Standards to clarify their application to virtual assets and virtual asset service providers by amending Recommendation 15 and adding two new definitions to the FATF Glossary. The United Nations Security Council welcomed these and other ongoing efforts by the FATF to address the regulation and supervision of virtual asset activities and virtual asset service providers, including in its Resolution 2462 of March 28, 2019. Today's action by the FATF builds on those developments. INR. 15 establishes binding measures relevant for both countries and virtual asset service providers (as well as other obliged entities that engage in or provide virtual asset products and services) in order to establish a more level playing field across the virtual asset ecosystem.

The obligations require countries to assess and mitigate their risks associated with virtual asset activities and service providers; license or register service providers and subject them to supervision or monitoring by competent national authorities—(notably, countries will not be permitted to rely on a self-regulatory body for supervision or monitoring)—and implement sanctions and other enforcement measures when service providers fail to comply with their AML/CFT obligations; and underscore the importance of international cooperation. Some countries may decide to prohibit virtual asset activities based on their own assessment of the risks and regulatory context, or to support other policy goals.

Further, INR. 15 requires countries to ensure that service providers also assess and mitigate their money laundering and terrorist financing risks and implement the full range of AML/CFT preventive measures under the FATF Recommendations, including customer due diligence, record-keeping, suspicious transaction reporting, and screening all transactions for compliance with targeted financial sanctions, among other measures, just like other entities subject to AML/CFT regulation. This includes coordination with relevant authorities to ensure the compatibility of AML/CFT requirements with Data Protection and Privacy rules and similar provisions. Also today, the FATF published updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers, which builds upon the FATF's groundbreaking 2015 guidance paper, to further assist countries and providers of virtual asset products and services in understanding and complying with their AML/CFT obligations.

The threat of criminal and terrorist misuse of virtual assets is serious and urgent, and the FATF expects all countries to take prompt action to implement the FATF Recommendations in the context of virtual asset activities and service providers. The FATF will monitor implementation of the new requirements by countries and service providers and conduct a 12-month review in June 2020.

The development of INR. 15 and the update Guidance has benefited greatly from dialogue with the private sector to better understand the technology underlying virtual assets, different types of virtual assets and the associated business models, existing technological solutions for potentially enhancing AML/CFT compliance, and the money laundering and terrorist financing risks that the misuse of virtual assets can pose absent effective regulation, supervision, and industry AML/CFT controls. Both the FATF and its members will continue dialogue with the private sector as governments and industry implement the FATF Recommendations, in order to ensure an effective response to the risks.

The FATF will establish a Contact Group to engage industry and monitor industry-led efforts to enhance compliance with the FATF Standards and better safeguard the international financial system from abuse.

Finance Ministers and Central Bank Governors at the G20 meeting in Fukuoka welcomed and expressed their support for the FATF's actions on the regulation and oversight of virtual assets and virtual asset service providers. Today, the FATF has successfully delivered on the G-20 call to regulate and supervise virtual asset activities and related service providers for AML/CFT and to further clarify the FATF's expectations for how countries must develop robust AML/CFT frameworks in this regard. The FATF will continue to take steps to ensure the effective regulation and supervision of how new technologies are used, including in the context of virtual assets, in order to mitigate the associated money laundering and terrorist financing risks and support responsible innovation across the financial services sector.