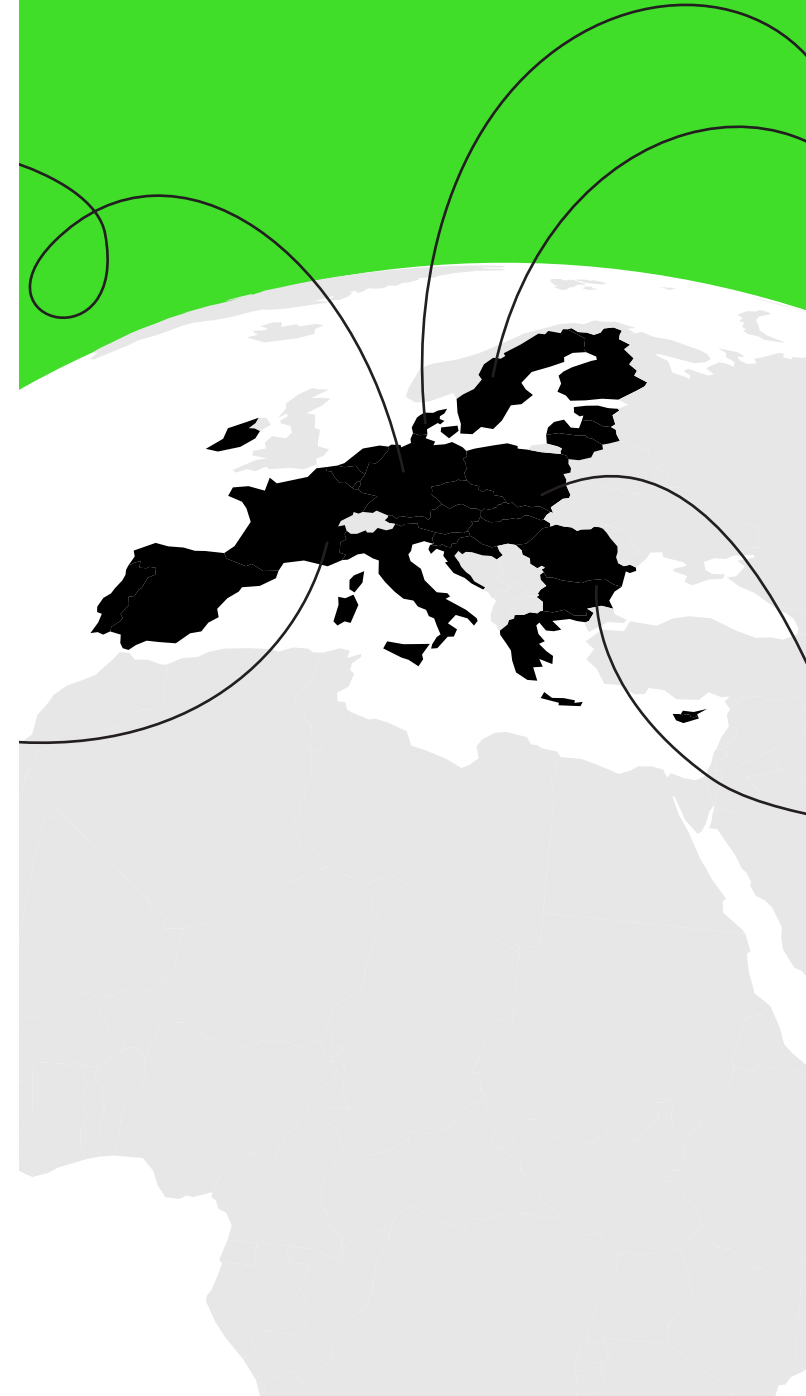


FATF Travel Rule Requirements **in the EU**

The European Union (EU) has developed a comprehensive regulatory framework for the crypto industry, highlighted by the Markets in Crypto-assets (MiCA) Regulation and the Transfer of Funds Regulation (TFR). These regulations provide uniform guidelines for consumer protection, asset classification, licensing requirements, and market abuse, while also implementing the Financial Action Task Force's (FATF) crypto Travel Rule. MiCA and TFR were approved on April 20, 2023, with the Travel Rule for crypto-asset service providers (CASPs) set to take effect on December 30, 2024.

Timeline of regulatory action:

- May 31 2023** ○ MiCA and TFR were adopted.
- November 23 2023** ○ The EBA launched a public consultation on new Travel Rule Guidelines, revising three guidelines: ML/TF Risk Factors, Travel Rule, and Risk-based Supervision.
- February 26 2024** ○ Notabene submitted a response to the EBA's public consultation.
- July 4 2024** ○ The EBA published the final Travel Rule Guidelines.
- December 30 2024** ○ The crypto Travel Rule comes into effect for all EU CASPs.





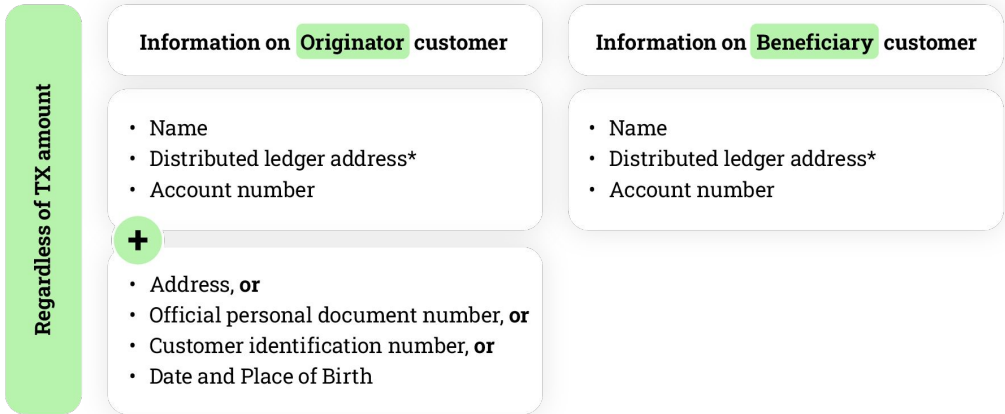
1. What is the minimum threshold?

The revised TFR removed the de minimis threshold. Once in force, EU CASPs must comply with Travel Rule obligations for every transaction, regardless of its amount.

2. What personally identifiable information are EU CASPs required to share?

Natural persons

Under Article 14, paragraphs 1 and 2 of the TFR, CASPs must ensure transfers include the following for both originator and beneficiary:

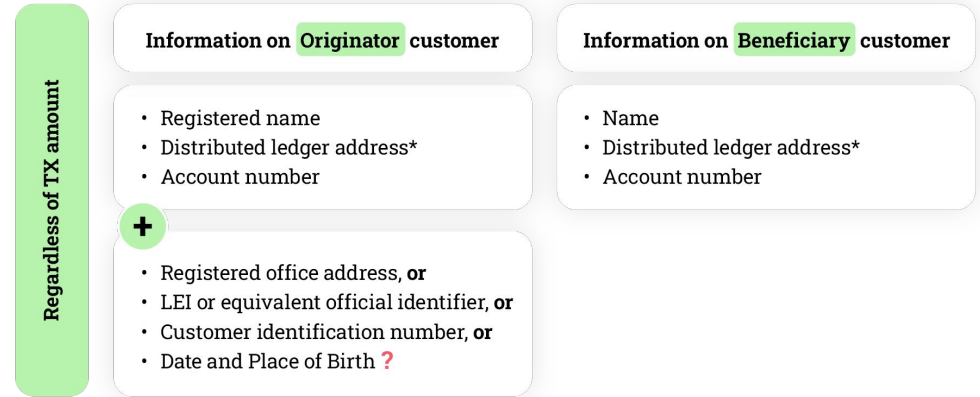


*In cases where a transfer of crypto-assets is registered on a network using DLT or similar technology

According to the Travel Rule Guidelines (§39), the specific originator information that CASPs should transmit or demand receiving must allow for sufficient certainty in the originator's identification and support the effective implementation of sanction screening requirements.

Legal persons

The TFR does not specify the information required when the originator person is a legal person (e.g., a corporation). However, the EBA's Travel Rule Guidelines provide helpful guidance in this respect by clarifying what information must be provided in such cases.



* Note: Regarding the date and place of birth, the EBA does not clarify what would be required instead if the originator is a legal person. In some jurisdictions, VASPs are required to provide a date and place of incorporation, but the EU requirement is unclear.

3. What are the payment and messaging systems requirements?

The Travel Rule guidelines set requirements on how information should be transmitted. CASPs must evaluate selected messaging or payment protocols based on the following:

- Ability to communicate with other internal core systems and with messaging or payment and settlement systems of the counterparty of a transfer
- Compatibility with other blockchain networks
- Reachability and success rate of transfers
- Ability to detect transfers with missing or incomplete information
- Data integration, security, and reliability



4. Are there differences in customer PII requirements for cross-border transfers versus transfers within the European Union?

No, there are no differences. The revised TFR removed simplified requirements for transactions within the EU.

5. What are the obligations for beneficiary CASPs?

European Beneficiary CASPs must:

- 1. Receive Required Information:** Beneficiary CASPs must receive specific information about each transaction's originator and beneficiary customers .
- 2. Detect Non-Compliance:** Implement robust policies and procedures to detect incoming transactions lacking necessary information
 - ➔ Methods for detecting missing, incomplete, or meaningless information
 - ➔ Pre and post-monitoring practices aligned with ML/TF risk levels
 - ➔ Establish criteria for recognizing risk-increasing factors

6. How should beneficiary CASPs manage non-compliant transactions?

The EBA's Travel Rule guidelines outline steps beneficiary CASPs should do to handle transactions that lack information about the originator or beneficiary.

1. Transaction Handling: If the beneficiary CASP detects a transaction lacking information, they may choose to execute, reject, return, or suspend the transfer, following effective risk-based procedures.

2. Requesting Missing Information: Beneficiary CASPs can request missing information instead of outright rejecting or returning a transfer. However, if they decide to reject or return the transfer, they must notify the prior CASP in the transfer chain of this action

3. Insufficient Information: If the information received does not allow for unambiguous identification of transaction parties, the recommended action is to reject or return the crypto asset transfer.

4. Sufficient but Incomplete Information: In cases where the information, although incomplete, still allows for unambiguous identification of transaction parties, the beneficiary CASP can decide whether to execute, reject, or return the transfer. If opting to execute, the reasoning must be documented appropriately.



7. How should European CASPs manage non-compliant counterparties?

1. **Assessment:** CASPs must use both quantitative and qualitative criteria to assess whether the counterparty has repeatedly failed to meet its obligations.
2. **Actions:** If the assessment reveals repeated non-compliance, CASPs should consider the following steps:
 - ➔ Sending a warning to the counterparty.
 - ➔ Exploring alternative methods of managing counterparty risk.
 - ➔ Terminating the business relationship or rejecting future transfers.
 - ➔ Reporting repeatedly non-compliant counterparties to the competent authority responsible for AML/CTF supervision.

8. What are the non-custodial or self-hosted wallet requirements in the European Union?

The obligations applicable to transactions between CASPs and self-hosted wallets depend on the transaction amount and whether the transaction involves a CASP customer or a third party.

	A	B	C
	≤ € 1,000	> € 1,000 1st party	> € 1,000 3rd party
TFR	Obtain and hold information	Assess customer ownership or control	🔊
Travel Rule Guidelines	CASPs should collect the originator or beneficiary information from their customer	Use at least one suitable technical means to verify ownership or control	Apply appropriate risk mitigation measures. Verify originator or beneficiary identity by collecting data from additional sources or other suitable methods.

A Transactions of 1,000 euros or less: These transactions are subject to information collection requirements.

B Transactions exceeding 1,000 euros where the wallet owner is a CASP customer: CASPs must use one method by default for verifying wallet ownership/control.

C For transactions exceeding 1,000 euros where the wallet owner is not a customer of the CASP: Article 19a(1)/(a) of Directive (EU) 2015/849 (AMLD) applies. CASPs must assess and mitigate risks of transfers to or from self-hosted wallets, including identity verification, requesting extra transfer information, and enhancing transaction monitoring.

9. Regulations

1. **Transfer of Funds Regulation:** [Regulation \(EU\) 2023/1113](#).
2. **Travel Rule Guidelines:** [European Banking Authority \(EBA\), 2024](#)

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Notabene developed the crypto industry's only pre-transaction decision-making platform, enabling customers to identify and stop high-risk activity before it occurs. With a focus on security, privacy, and user experience, Notabene's multi-source data and software enables real-time decision-making, counterparty sanctions screening, self-hosted wallet identification, and more.

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FATF TRAVEL RULE
REQUIREMENTS IN THE EU