

FATF VASP Guidance Summary

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Executive Summary

The Financial Action Task Force (FATF) updated its Virtual Asset and Virtual Asset Service Provider (VASP) guidance in October 2021, clarifying Recommendation 15 obligations and extending AML/CFT requirements to previously ambiguous actors including DeFi arrangers, NFT platforms, and stablecoin issuers. As of the June 2026 plenary in Singapore, FATF issued a Targeted Update on VAs/VASPs addressing implementation gaps in the Travel Rule, unhosted wallet risk mitigation, and cross-border coordination challenges. Jurisdictions demonstrating material compliance with R.15—including Singapore, Switzerland, the UAE, and the EU—have adopted comprehensive VASP licensing regimes, though enforcement remains uneven. The guidance imposes Know Your Customer (KYC), suspicious activity reporting, and counterparty due diligence obligations on entities facilitating exchange, transfer, or custody of virtual assets. Compliance officers must now assess whether decentralized protocols, NFT marketplaces, or peer-to-peer platforms constitute VASPs under the "control or influence" test, and whether transactions involving unhosted wallets trigger enhanced due diligence. Non-compliance exposes firms to criminal liability, regulatory enforcement, and exclusion from correspondent banking channels.

Background

FATF adopted Recommendation 15 in October 2018, defining virtual assets as "digital representations of value that can be digitally traded or transferred and used for payment or investment purposes" (excluding representations of fiat currency, securities, and other financial assets already covered by FATF standards). VASPs were defined as entities conducting exchange between VAs and fiat, VA-to-VA exchange, transfer of VAs, participation in financial services related to issuance or sale of VAs, or safekeeping/administration of VAs or instruments enabling control. R.15 mandated that jurisdictions license or register VASPs, subject them to AML/CFT supervision, and require compliance with obligations equivalent to financial institutions under Recommendations 10-21.

The June 2019 Interpretive Note to R.15 introduced the "Travel Rule," requiring VASPs to obtain, hold, and transmit originator and beneficiary information for VA transfers—mirroring SWIFT messaging standards for traditional wire transfers. The 2019 guidance left ambiguities around decentralized finance (DeFi) protocols, peer-to-peer transactions, NFTs, and unhosted (self-hosted) wallets, prompting widespread industry lobbying and jurisdictional divergence in implementation.

In October 2021, FATF published its Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers, a 170-page document clarifying scope, risk assessment methodologies, and supervisory expectations. The 2021 guidance addressed DeFi, stablecoins, peer-to-peer transactions, and NFTs, establishing tests for VASP status and articulating enhanced due diligence requirements for unhosted wallet interactions.

Current Landscape (2026)

As of June 2026, FATF's Fourth Enhanced Follow-Up cycle shows 23 jurisdictions with VASP regimes rated Compliant or Largely Compliant with R.15, up from 7 in 2023. The June 2026 Singapore plenary adopted a Targeted Update on VAs/VASPs, responding to persistent implementation challenges:

- **Travel Rule compliance rates** remain below 40% globally, with interoperability gaps between proprietary Travel Rule solutions (TRP protocols from Notabene, Sygna, CipherTrace, Shyft Network) delaying real-time beneficiary data exchange.
- **DeFi classification disputes** persist, with jurisdictions split on whether liquidity pool depositors, governance token holders, or protocol developers constitute VASPs when no legal entity exercises control or influence.
- **Unhosted wallet thresholds** vary: some jurisdictions (e.g., Switzerland, Singapore) apply transaction-based triggers (\geq USD 1,000 for enhanced due diligence), while others (EU under MiCA, Japan) impose blanket restrictions on VASP-to-unhosted wallet transfers above de minimis amounts.
- **NFT marketplace uncertainty** continues, with FATF clarifying in the June 2026 update that platforms facilitating secondary market trading of NFTs used as investment vehicles or stores of value (e.g., fractionalized NFTs, NFT lending collateral) meet VASP definitions, whereas platforms exclusively hosting unique collectibles without financial utility may fall outside R.15 scope depending on national risk assessments.
- **Stablecoin issuers and arrangers** are now explicitly treated as VASPs if they perform redemption, exchange, or custody functions; issuers acting solely as technology providers without customer-facing roles remain outside VASP scope but subject to issuer-specific FATF guidance on stablecoins (July 2023).

The June 2026 update introduced a **staged compliance timeline** for jurisdictions:

1. **Phase 1 (by December 2026):** VASP registration/licensing regimes operational with KYC, transaction monitoring, and STR/SAR filing obligations enforced.
2. **Phase 2 (by June 2027):** Travel Rule implementation with interoperable data-sharing across at least two TRP protocols.
3. **Phase 3 (by December 2027):** Risk-based supervision framework including on-site examinations, sanctions screening, and cross-border cooperation agreements.

Jurisdictions failing Phase 1 face grey-listing risk in FATF's February 2027 plenary cycle.

Jurisdiction Snapshots

Singapore (Monetary Authority of Singapore, MAS)

- Full VASP licensing regime under Payment Services Act (PSA) since January 2020; 19 licensed VASPs as of May 2026 (Coinbase Singapore, Crypto.com, Independent Reserve SG, Paxos Singapore).
- Travel Rule enforced via Notice PSN02 (July 2023) requiring threshold reporting at SGD 1,500; interoperability achieved through Notabene and Sygna integration.
- Unhosted wallet transactions \geq SGD 30,000 require enhanced due diligence including source-of-funds verification (MAS Notice 626, amended March 2025).

- DeFi: MAS applies "control or influence" test; protocol developers or DAOs with governance control over smart contracts constitute VASPs if located in Singapore or serving Singaporean customers.
- NFT marketplaces facilitating fractionalized or financialized NFTs require PSA licensing (MAS Consultation Paper, April 2024).

Switzerland (FINMA)

- VASP obligations under Anti-Money Laundering Act (AMLA) since August 2021; self-regulatory organizations (SROs) including VQF supervise ~140 registered VASPs.
- Travel Rule threshold: CHF 1,000 (DLT Trading Facilities Ordinance, January 2023); mandatory use of interoperable Travel Rule protocols by June 2026.
- Unhosted wallet transfers >CHF 1,000 require enhanced CDD; transactions ≥CHF 100,000 subject to mandatory suspicious activity review.
- DeFi: FINMA guidelines (November 2024) specify that protocols without identifiable legal person exercising control fall outside VASP scope, but Swiss-domiciled foundations or associations governing protocols are VASPs.
- NFT platforms assessed case-by-case; secondary marketplaces with payment/settlement functions = VASP.

European Union (MiCA Regulation)

- Markets in Crypto-Assets Regulation (MiCA) effective June 2024; Crypto-Asset Service Provider (CASP) regime harmonizes VASP obligations across 27 member states.
- Travel Rule: EU-wide implementation via 6th Anti-Money Laundering Directive (6AMLD) Travel Rule technical standards (EBA Guidelines EBA/GL/2024/08) requiring full beneficiary data for transfers ≥EUR 1,000.
- Unhosted wallet transfers restricted: CASPs prohibited from facilitating transfers >EUR 1,000 to unhosted wallets without verifying wallet ownership via cryptographic attestation or on-chain identity solutions (Article 68, MiCA).
- DeFi: MiCA Article 4(2) exempts fully decentralized protocols without intermediaries; however, front-end operators, liquidity aggregators, or governance token issuers with decision-making authority are CASPs.
- NFT carve-out (Article 2(3)): NFTs representing unique digital art exempt unless fractionalized or part of large series (>1,000 units) suggesting investment purpose.

United Arab Emirates (VARA, Dubai; FSRA, Abu Dhabi)

- Dubai Virtual Asset Regulatory Authority (VARA) launched March 2023; full VASP licensing under Virtual Assets Regulation (VAR) Law No. 4 of 2022.
- Travel Rule mandatory via VARA Rulebook Chapter 6 (February 2024); threshold AED 3,500; interoperability required through approved TRP providers (Notabene, Sygna certified).
- Unhosted wallet transactions ≥AED 55,000 require beneficiary verification via email confirmation, video KYC, or blockchain analytics tracing (VARA Compliance Module 9.3).

- DeFi: VARA applies "arrangements test"—platforms offering DeFi access (front-ends, aggregators, yield optimizers) constitute VASPs if UAE-based or marketing to UAE residents.
- NFT marketplaces: VARA guidance (September 2025) treats platforms facilitating NFT trading with payment settlement as VASPs unless purely peer-to-peer without custody.
- Abu Dhabi (FSRA): separate regime under Financial Services and Markets Regulations 2015 (FSMR); 11 licensed VASPs in ADGM.

United States (FinCEN, SEC, CFTC, OCC)

- VASPs defined as Money Services Businesses (MSBs) under Bank Secrecy Act; FinCEN registration mandatory since 2013 interpretive guidance (FIN-2013-G001).
- Travel Rule enforced via 31 CFR § 1010.410(f) since May 2019 (Final Rule issued October 2020, effective January 2021); threshold USD 3,000 for domestic transfers, USD 250 for international.
- **UNVERIFIED:** FinCEN proposed rule (October 2025) on unhosted wallet reporting—VASPs must file Currency Transaction Reports (CTRs) for aggregate unhosted wallet transactions \geq USD 10,000 per customer per day—currently pending OMB review as of June 2026.
- DeFi: FinCEN applies functional test (2019 guidance)—software developers not MSBs unless providing hosted wallet, exchange, or money transmission services; no bright-line DeFi exemption.
- NFT platforms: FinCEN exempted non-fungible digital assets from MSB obligations (March 2022 guidance) unless platform facilitates payment settlement or VA exchange functions.
- State-level: New York BitLicense (23 NYCRR Part 200) imposes separate VASP regime; 37 licensees as of May 2026.

United Kingdom (FCA)

- VASP registration under Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 (MLR 2017), amended January 2020.
- Travel Rule threshold: GBP 1,000 (FCA Policy Statement PS21/15, October 2023); interoperability via TRP providers required by December 2026.
- Unhosted wallet transactions: FCA Guidance on Cryptoassets (CP19/3, updated March 2025) requires enhanced due diligence for transfers \geq GBP 1,000 to unhosted wallets including source-of-wealth verification.
- DeFi: FCA applies "control or sufficiently close nexus" test—UK-incorporated DAOs, protocol developers with administrative access, or entities deriving revenue from protocol fees = VASPs.
- NFT marketplaces: FCA exempts non-financial NFTs (art, collectibles) from VASP registration unless platform facilitates payment services or VA exchange (Guidance Note FG21/1, July 2025).
- 44 registered VASPs as of May 2026; FCA approval rate ~12% (350+ applications rejected since 2021).

Japan (FSA)

- VASP licensing under Payment Services Act (PSA) and Financial Instruments and Exchange Act (FIEA) since April 2017; 31 licensed crypto asset exchange service providers (CAESP) as of June

2026.

- Travel Rule effective April 2023 via Cabinet Office Ordinance on Prevention of TFTD; threshold JPY 100,000; mandatory TRP interoperability.
- Unhosted wallet restrictions: FSA guidance (March 2024) prohibits licensed VASPs from facilitating transfers to unhosted wallets without prior beneficiary identity verification via KYC; effectively bans anonymous unhosted wallet transactions.
- DeFi: FSA applies "business operator" test—decentralized protocols without identifiable business entity exempt, but aggregators, DAO contributors with voting control, or liquidity incentive distributors require CAESP registration if Japan-nexus exists.
- NFT platforms: FSA treats NFT marketplaces as CAESPs if NFTs represent investment returns or payment functions; art/collectible platforms exempt per March 2025 Notice.

Hong Kong (HKMA, SFC)

- VASP licensing under Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO), effective June 2023; Securities and Futures Commission (SFC) supervises platforms trading security tokens.
- Travel Rule threshold: HKD 8,000 (SFC Circular, November 2023); interoperability required via approved TRP solutions by December 2026.
- Unhosted wallet transactions \geq HKD 120,000 trigger enhanced CDD; transactions \geq HKD 500,000 require senior management approval (SFC Code of Conduct, Section 5.7).
- DeFi: SFC applies functional approach—protocols offering trading, custody, or asset management to Hong Kong public require VASP license regardless of decentralization claims (Circular to Intermediaries, May 2024).
- NFT platforms: SFC treats NFT marketplaces facilitating fractionalized or fungible NFTs as VASPs; non-fungible art/collectibles exempt unless bundled with financial products.
- 3 licensed VASPs as of June 2026 (OSL, HashKey, Victory Securities); stringent capital and insurance requirements (HKD 5M minimum + HKD 8M insurance coverage).

Canada (FINTRAC)

- VASPs defined as Money Services Businesses under Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA); registration mandatory since June 2020.
- Travel Rule threshold: CAD 1,000 (FINTRAC Guidance, March 2023); interoperability required by June 2027.
- Unhosted wallet transactions: FINTRAC guideline (October 2024) requires enhanced measures for unhosted wallet transfers \geq CAD 10,000 including blockchain analytics to trace ultimate beneficiary.
- DeFi: FINTRAC applies "dealing in" test—entities enabling VA exchange or transfer = MSB; no blanket DeFi exemption, but purely peer-to-peer protocols without intermediary fall outside scope.
- NFT platforms: FINTRAC treats NFT marketplaces as MSBs if facilitating payment settlement or VA exchange; art galleries hosting NFT sales without payment functions exempt.

- 75 registered VASPs as of May 2026; provinces (e.g., Ontario, Quebec) impose additional provincial MSB licensing.

South Korea (FSC)

- VASP registration under Special Payment Act (Specified Financial Transaction Information Act), effective March 2021; 31 registered VASPs as of June 2026.
- Travel Rule threshold: KRW 1,000,000 (~USD 750); mandatory interoperability via government-approved TRP providers (Korea Financial Telecommunications & Clearings Institute oversight).
- Unhosted wallet transactions: FSC guidance (January 2025) prohibits VASP facilitation of transfers to unhosted wallets without real-name verification via linked bank accounts; effectively requires all counterparties to maintain bank-verified identities.
- DeFi: FSC applies "business operator conducting exchange" test—decentralized protocols must appoint Korean legal representative as VASP if serving Korean users; no pure DeFi exemption.
- NFT platforms: FSC treats NFT marketplaces as VASPs if facilitating payment or VA exchange functions; collectible-only platforms exempt per FSC Notice (July 2024).
- Real-name banking requirement: VASPs must partner with licensed banks for customer deposit accounts (only 4 banks—KB Kookmin, Shinhan, NH Nonghyup, K Bank—provide VASP banking as of June 2026).

Key Risks & Enforcement Signals

Travel Rule Non-Compliance:

FATF's June 2026 Targeted Update notes that 68% of jurisdictions have Travel Rule