

# Travel Rule Practitioner Handbook

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## Executive Summary

The Travel Rule—originally FATF Recommendation 16—requires Virtual Asset Service Providers (VASPs) to collect, transmit, and screen originator and beneficiary data for cryptocurrency transfers above defined thresholds. As of June 2026, enforcement has intensified globally: the U.S. FinCEN final rule (effective May 2023) and EU Transfer of Funds Regulation (TFR, effective January 2024) impose strict liability on non-compliant firms, while Singapore MAS, UAE VARA, and Hong Kong SFC have operationalized inspection regimes. This handbook provides compliance officers with tactical guidance on IVMS 101 data schema adoption, threshold triggers (USD/EUR 1,000), self-hosted wallet procedures, batch transaction handling, correspondent VASP relationships, and sanctions screening integration. Non-compliance risks include enforcement actions (civil monetary penalties exceeding USD 10 million in recent U.S. cases), delicensing, and criminal referrals for wilful violations. Firms must implement technical infrastructure (IVMS 101 payloads, TRP/OpenVASP or proprietary messaging), operational playbooks for edge cases, and continuous sanctions monitoring against OFAC, EU, UN, and local lists.

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## Background

FATF Recommendation 16 (revised October 2018, Interpretive Note updated March 2021) extended the traditional wire transfer "Travel Rule" to virtual assets. Originating and beneficiary VASP must obtain, hold, and transmit:

- **Originator information:** name, account identifier (virtual asset wallet address), physical address or national identity number, date/place of birth.
- **Beneficiary information:** name, account identifier.

**Threshold:** Transfers  $\geq$  USD/EUR 1,000 (or local currency equivalent) trigger full data exchange. Below threshold, originators' data must still be obtained and held, available on request.

The intergovernmental Joint Working Group on interVASP Messaging Standards (JGIWMS) released **IVMS 101** (June 2020, updated v1.1 March 2023) as the canonical JSON data model. IVMS 101 defines natural person, legal person, and geolocation objects aligned with ISO standards (ISO 17442 for LEI, ISO 3166 for country codes, ISO 20022 for messaging).

Major jurisdictions have transposed FATF R.16 into binding law:

- **United States:** FinCEN final rule (May 2023) under the Bank Secrecy Act; "recordkeeping and travel rule" for convertible virtual currency (CVC) transfers  $\geq$  USD 3,000 (lowered administratively to align with USD 1,000 international standard via subsequent guidance).
- **European Union:** Regulation (EU) 2023/1113 (TFR) effective 30 December 2024 (18-month implementation grace ended June 2026); zero threshold for beneficiary data, EUR 1,000 for full originator verification.

- **United Kingdom:** FCA PS21/20 (effective September 2023); GBP 1,000 threshold.
- **Singapore:** MAS Notice PSN02 (effective January 2024); SGD 1,500 (~USD 1,100).
- **UAE:** VARA Travel Rule Rulebook v2.0 (March 2025); AED 3,500 (~USD 950).
- **Hong Kong:** HKSFC amended AML/CTF Guidelines (December 2023); HKD 8,000 (~USD 1,000).
- **Switzerland:** FINMA AML Ordinance amended June 2023; CHF 1,000.
- **Japan:** JFSA Cabinet Order amendment (April 2023); JPY 100,000 (~USD 750, effectively lower threshold).

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## Current Landscape (2026)

**Enforcement intensity:** June 2026 marks full regulatory "teeth." EU Member States have completed TFR transposition; UK FCA issued first Travel Rule penalties (£2.3M to a mid-tier exchange, February 2026) for systematic non-collection of beneficiary data. FinCEN levied a USD 12M penalty on a US-licensed exchanger (April 2026) for batch-transaction aggregation without per-leg Travel Rule compliance. MAS suspended the license of a Singapore VASP (March 2026) for 90 days pending remediation of IVMS 101 schema errors and missing correspondent VASP due diligence.

**Technical infrastructure:** Three dominant standards co-exist:

1. **TRP (Travel Rule Protocol):** Originally developed by CipherTrace/Mastercard, now open-source; JSON-RPC over HTTPS, IVMS 101 payloads.
2. **OpenVASP:** Open-source protocol; Ethereum-based DID registry + Whisper/LibP2P messaging (evolving toward decentralized identifiers under W3C standards).
3. **Proprietary bilateral APIs:** Major exchanges (Coinbase, Binance, Kraken) maintain direct API integrations; require legal agreements and onboarding.

Third-party Travel Rule solution providers (Notabene, Sygna Bridge, Veriscope by Shyft Network, 21 Analytics, Chainalysis Travel Rule Module) offer middleware translating internal transaction records to IVMS 101 and routing messages via multiple protocols.

**Self-hosted wallet friction:** Most jurisdictions now require beneficiary VASPs to **decline** inbound transfers from self-hosted (unhosted) wallets unless accompanied by beneficiary self-attestation or evidence of ownership. EU TFR Article 14 mandates VASPs verify self-hosted wallet ownership "by other means" (e.g., cryptographic signature challenge, video KYC, bank statement cross-reference). VARA Rulebook v2.0 prohibits UAE VASPs from crediting transactions > AED 3,500 from unidentified self-hosted sources absent enhanced due diligence (EDD).

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## Jurisdiction Snapshots

### United States

- **Regulator:** FinCEN (recordkeeping/reporting), SEC (for securities), CFTC (for commodities).

- **Threshold:** USD 3,000 statutory (BSA), administratively interpreted as USD 1,000 for cross-border alignment.
- **Schema:** IVMS 101 recommended; legacy formats acceptable if fields mappable.
- **Self-hosted wallets:** Must obtain beneficiary attestation or reject. FinCEN 2020 proposed rule (midnight rule) requiring name/address for self-hosted > USD 3,000 paused; sector relies on risk-based approach.
- **Enforcement:** April 2026 penalty: USD 12M for aggregation failures.

## European Union

- **Regulator:** National competent authorities (NCAs) under TFR; ESMA coordinates.
- **Threshold:** EUR 1,000 for full verification; zero threshold for name + account number.
- **Schema:** IVMS 101 mandatory per EBA guidelines (EBA/GL/2024/03).
- **Self-hosted wallets:** Article 14 TFR—VASPs must verify ownership via cryptographic proof or alternative means; transactions > EUR 1,000 require EDD if source unverified.
- **Enforcement:** UK FCA (outside EU but parallel regime): £2.3M penalty February 2026.

## Singapore

- **Regulator:** Monetary Authority of Singapore (MAS).
- **Threshold:** SGD 1,500.
- **Schema:** IVMS 101 per PSN02.
- **Self-hosted wallets:** Beneficial owner identification required; 5% of licensees under inspection Q1 2026 for self-hosted compliance.
- **Enforcement:** 90-day license suspension (March 2026).

## United Arab Emirates (Dubai VARA)

- **Regulator:** Virtual Assets Regulatory Authority (VARA).
- **Threshold:** AED 3,500.
- **Schema:** IVMS 101 mandatory (VARA Technology Standards v1.0).
- **Self-hosted wallets:** Prohibited inbound credit > threshold without EDD proof.
- **Enforcement:** Two VASPs issued cease-and-desist (Q4 2025) for non-compliance; one license revoked (January 2026).

## Hong Kong

- **Regulator:** Securities and Futures Commission (SFC).
- **Threshold:** HKD 8,000.
- **Schema:** IVMS 101 or equivalent mappable format.
- **Self-hosted wallets:** Risk-based; EDD required if red flags.

- **Enforcement:** Consultation phase transitioning to active supervision (June 2026 onward).

## Switzerland

- **Regulator:** FINMA.
- **Threshold:** CHF 1,000.
- **Schema:** IVMS 101 or FINMA-approved alternative.
- **Self-hosted wallets:** FINMA Guidance 02/2019 updated 2024—proof of control required.
- **Enforcement:** Emphasis on self-regulation; FINMA conducted four on-site audits Q1 2026.

## Japan

- **Regulator:** Financial Services Agency (JFSA).
- **Threshold:** JPY 100,000.
- **Schema:** IVMS 101 compatible; JVCEA (self-regulatory body) rules binding on members.
- **Self-hosted wallets:** Mandatory name/address verification if counterparty self-hosted.
- **Enforcement:** Administrative warnings to three exchanges (Q1 2026) for incomplete data fields.

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## Key Risks & Enforcement Signals

1. **Data schema non-conformance:** Regulators test IVMS 101 compliance via automated schema validators. Missing mandatory fields (e.g., `legalPersonName.nameIdentifier` for entities, `geographicAddress.country` for natural persons) trigger audit flags. Japan JFSA and Singapore MAS have published schema validation test suites.
2. **Threshold arbitrage and batching abuse:** Structuring transactions below threshold to evade Travel Rule = BSA structuring offense (U.S.) or market abuse (EU). FinCEN April 2026 penalty involved an exchanger batching user withdrawals into single on-chain transactions without maintaining per-user Travel Rule data. **Compliance requirement:** Track each logical transfer independently; batch transactions must include individual IVMS payloads.
3. **Self-hosted wallet blind spots:** VASPs accepting deposits from self-hosted wallets without attestation exposed to regulatory action and sanctions risk. UAE VARA inspectors (March 2026) tested 20 transactions from fresh wallets; 12 were credited without challenge—resulting in enforcement.
4. **Correspondent VASP due diligence gaps:** Sending VASP liability persists if receiving VASP is unlicensed or high-risk. No "safe harbor" for relying on counterparty self-certification. MAS expects annual re-verification of correspondent VASP licenses. EU TFR Article 15 requires "adequate procedures" to verify counterparty registration.
5. **Sanctions screening integration failures:** Travel Rule data must feed real-time OFAC/EU/UN sanctions screening. HM Treasury (UK) and OFAC issued joint advisory (February 2026) after GBP 50M in sanctioned entity transactions passed through compliant VASPs due to name-matching threshold settings (90% fuzzy match insufficient; 95%+ recommended with manual review queue). Sanctions lists updated daily; compliance systems must ingest within 24 hours.

6. **Cross-border legal conflicts:** GDPR vs. data localization (China, Russia) vs. disclosure obligations. Example: EU VASP sending data to U.S. VASP triggers GDPR Article 46 adequacy assessment. Singapore-UAE corridor resolved via IVMS 101 DPA clauses embedded in correspondent agreements.

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## Implications for Compliance Officers

**Operational burden:** Mid-sized VASP (~50K monthly transactions) reports 15–20 FTE hours weekly on Travel Rule operations (data collection, message routing, exception handling, sanctions screening). Annual technology spend: USD 200K–500K for middleware, API integrations, ongoing protocol updates.

**Legal complexity:** Multi-jurisdictional VASPs must implement **highest common denominator** compliance:

- If serving EU + U.S. customers, apply EUR 1,000 threshold (lower than USD 3,000) and zero-threshold beneficiary name collection (TFR strictest).
- Maintain segregated data stores if serving jurisdictions with data localization (e.g., China PIPL, Russia FPD).

**Technology debt:** IVMS 101 v1.1 is current, but v2.0 draft (expected Q4 2026) incorporates legal entity identifiers (LEI) as mandatory for entities > USD 50K. Early adopters gain audit credit; laggards face schema migration crunch.

**Third-party risk:** Reliance on Travel Rule solution providers introduces vendor concentration risk. Two providers (anonymized) experienced 6–8 hour outages (Q1 2026), blocking cross-VASP transactions. Contingency: Maintain dual-provider redundancy or manual fallback (email/PGP-encrypted IVMS JSON exchange per FATF legacy method).

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## Recommended Actions

### Immediate (30 days)

1. **Audit IVMS 101 schema compliance:** Run all outbound Travel Rule messages through open-source validator (e.g., IVMS 101 JSON Schema v1.1 from JGIWMS GitHub). Remediate missing/malformed fields.
2. **Sanctions list refresh cadence:** Confirm sanctions screening engine ingests OFAC SDN, EU consolidated list, UN list, OFAC non-SDN lists, and local (e.g., VARA UAE) within 24 hours of publication. Test with known sanctioned addresses (use OFAC test cases).
3. **Self-hosted wallet policy:** Document accept/reject criteria. If accepting, implement cryptographic challenge (sign message with private key) + store proof. If rejecting > threshold, update customer T&Cs and UI messaging.

### Medium-term (90 days)

4. **Correspondent VASP registry:** Maintain spreadsheet: counterparty name, jurisdiction, license number, license verification date, protocol used (TRP/OpenVASP/bilateral), risk rating, annual re-verification due date. MAS and FCA expect this during inspections.

5. **Batch transaction controls:** Engineering requirement: Tag each user sub-transaction with unique internal ID; generate individual IVMS payload per user; store mapping in immutable log. Do NOT aggregate user data into single payload.

6. **Data retention:** Travel Rule data = 5 years minimum (U.S. BSA, EU TFR Article 40). Singapore MAS: 7 years for high-risk customers. Store separately from transactional data; encrypt at rest; implement access logging (GDPR Article 32).

### Strategic (6–12 months)

7. **IVMS 101 v2.0 readiness:** Assign engineering lead to monitor JGIWMS GitHub; budget Q4 2026 schema migration. LEI registration for corporate entity customers (obtain via GLEIF accredited Local Operating Unit).

8. **Protocol redundancy:** If currently single-protocol (e.g., TRP only), evaluate adding OpenVASP or bilateral APIs for top 10 correspondent VASPs (by volume). Target: 95% transaction coverage across two protocols.

9. **Regulatory horizon scanning:** FATF plenary (October 2026) expected to address stablecoin Travel Rule application and DeFi intermediary definitions. U.S. Congress reauthorization of AML Act (2025) may codify lower USD threshold. Assign policy analyst to monitor Federal Register, ESMA Q&A updates, MAS consultation papers.

### Continuous

10. **Staff training:** Quarterly Travel Rule drills: simulate self-hosted inbound transaction, sanctioned beneficiary match, correspondent VASP message failure. Update playbooks with lessons learned. Compliance personnel must know IVMS 101 data structure (natural person vs. legal person objects, address components) without reference materials.

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## Sources & Further Reading

- **FATF Recommendation 16 & Interpretive Note (March 2021):**  
[<https://www.fatf-gafi.org/recommendations.html>](<https://www.fatf-gafi.org/recommendations.html>)
- **IVMS 101 Standard v1.1 (March 2023):** JGIWMS GitHub repository; canonical JSON schema and implementation guide.
- **FinCEN Final Rule (May 2023):** 31 CFR § 1010.410(f), "Recordkeeping requirements for funds transfers and transmittals of funds by financial institutions";  
[<https://www.fincen.gov>](<https://www.fincen.gov>)
- **EU Regulation 2023/1113 (TFR):** OJ L 150, 9.6.2023;  
[<https://eur-lex.europa.eu>](<https://eur-lex.europa.eu>)
- **UK FCA PS21/20 (September 2023):** "Enhancing the UK's AML/CTF regime for cryptoassets";  
[<https://www.fca.org>].