

# Travel Rule Implementation Report

*DAI Compliance Report*

*Byline: DAI Research Desk · June 2026*

## Executive Summary

FATF Recommendation 16, extended to virtual assets in June 2019, mandates that VASPs obtain, hold, and transmit originator and beneficiary information for transfers exceeding USD/EUR 1,000. As of mid-2026, implementation remains fragmented across jurisdictions, creating compliance complexity for cross-border VASPs. The EU's Transfer of Funds Regulation (TFR) eliminates de minimis thresholds entirely, the UK applies a £1,000 threshold under amended Money Laundering Regulations, Singapore's MAS enforces comprehensive requirements via PSN02, the UAE's VARA mandates real-time compliance, and the US applies FinCEN's 31 CFR 1010.410(f) with a \$3,000 threshold for unhosted wallets. The "sunrise problem"—inability to exchange data with non-compliant counterparties—persists despite emergence of interoperability protocols including TRP, Sygna Bridge, and Notabene. Compliance officers face heightened enforcement risk as regulators transition from guidance to active supervision.

## Background

FATF Recommendation 16 historically applied to wire transfers in the traditional banking system, requiring transmittal of accurate originator and beneficiary information to detect money laundering and terrorist financing. In June 2019, FATF amended its standards to explicitly cover "virtual asset transfers," defining VASPs to include exchanges, custodians, and transfer services. The Interpretive Note to R.16 clarified that VASPs must obtain and transmit:

- **Originator information:** name, account number (e.g., public address), physical address or national identity number or date/place of birth
- **Beneficiary information:** name, account number (public address)

This data must travel with the transaction or be made available immediately upon request. FATF conducted a 12-month review in 2020, reaffirming the standard and urging jurisdictions to implement by mid-2021. The October 2021 revised Guidance emphasized that the rule applies to transfers between VASPs regardless of blockchain protocol, and that VASPs must not process transfers when required information is missing.

## Current Landscape (2026)

Implementation velocity accelerated sharply in 2023–2025 following FATF's third-round mutual evaluations and high-profile sanctions evasion cases. Key developments include:

**Threshold Divergence:** Jurisdictions have adopted inconsistent monetary thresholds, complicating global compliance architecture. The EU's zero threshold contrasts sharply with the US \$3,000 unhosted wallet trigger, creating a compliance "lowest common denominator" problem where VASPs default to strictest requirements.

**Technology Standards:** The InterVASP Messaging Standard (IVMS 101), published by the Joint Working Group on interVASP Messaging Standards in September 2020, provides JSON schema for structured data exchange. Version 1.0 defines person and entity identifiers, address structures, and nationality fields. Adoption is widespread but not universal; some legacy systems still rely on free-text fields.

**Protocol Solutions:** The Travel Rule Protocol (TRP, formerly TrustVerse), Sygna Bridge (developed by CoolBitX), and Notabene's network represent competing interoperability layers. TRP uses a decentralized identity model with peer-to-peer exchange; Sygna employs a bridge server architecture; Notabene operates a centralized directory service. No single protocol has achieved market dominance. Compliance officers report maintaining 2–3 simultaneous integrations to maximize counterparty coverage.

**Sunrise Problem Mitigation:** Early objections centered on inability to comply when the beneficiary VASP does not support travel rule messaging. Regulators have generally responded that this is a risk management issue, not grounds for non-compliance. VASPs must conduct due diligence on counterparties, decline transfers to non-compliant entities, or accept the compliance risk. Some jurisdictions (notably MAS) explicitly require VASPs to assess counterparty compliance.

## Jurisdiction Snapshots

### European Union

- **Instrument:** Regulation (EU) 2023/1113 on information accompanying transfers of funds and certain crypto-assets (TFR), effective 30 December 2024
- **Threshold:** None. All crypto-asset transfers must include originator and beneficiary information regardless of amount
- **Unhosted Wallets:** Crypto-asset service providers (CASPs) must collect originator/beneficiary name and address for transfers  $\geq$  EUR 1,000 involving unhosted wallets; risk-based verification required
- **Enforcement:** National competent authorities designated under MiCA; first supervisory actions reported in Belgium (FSMA) and France (AMF) Q1 2026
- **Key Provision:** Article 14 mandates CASPs ensure availability of information throughout payment chain before execution

### United Kingdom

- **Instrument:** Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) (Amendment) Regulations 2023 (SI 2023/824), amending MLR 2017
- **Threshold:** GBP 1,000 (approximately USD 1,270)
- **Definition:** "Cryptoasset transfer" broadly includes any on-chain transaction; unhosted wallet transfers subject to same threshold
- **Guidance:** FCA published final guidance in July 2023 (FG23/4), clarifying expectation of immediate availability via secure messaging
- **Enforcement Signal:** FCA issued first S.55L variation order (public censure withheld) to an unnamed exchange for travel rule failures in February 2026, citing systematic gaps in beneficiary screening

### Singapore

- **Instrument:** Payment Services Act (PSA) Notice PSN02 on Prevention of Money Laundering and Countering the Financing of Terrorism – Digital Payment Token (DPT) Service, revised 28 April 2023
- **Threshold:** SGD 1,500 (approximately USD 1,100)
- **Counterparty Due Diligence:** Paragraph 10 requires DPT service providers to "take reasonable measures" to verify counterparty VASP compliance before processing transfers
- **Unhosted Wallets:** Risk-based assessment required; enhanced due diligence if originator or beneficiary uses unhosted wallet and transaction  $\geq$  SGD 1,500
- **MAS Supervisory Approach:** Annual attestations required; MAS conducted targeted reviews in Q4 2025 focusing on protocol integration completeness

### United Arab Emirates (Dubai)

- **Instrument:** Virtual Asset Regulatory Authority (VARA) Travel Rule Rulebook, effective 18 October 2023
- **Threshold:** None for VASP-to-VASP transfers; AED 3,700 (USD 1,000) for unhosted wallet involvement
- **Real-Time Requirement:** Article 6.2 mandates information exchange must occur contemporaneously with or immediately prior to transaction execution
- **Technology Mandate:** VASPs must implement interoperability solution supporting IVMS 101 standard; approved solutions listed on VARA registry (currently includes Notabene, Sygna, and TRP)
- **Supervision:** VARA conducted on-site inspections Q1 2026; two license suspensions issued for non-functional integrations

### United States

- **Instrument:** FinCEN Rule 31 CFR 1010.410(f), "Recordkeeping and travel rule requirements for transactions involving convertible virtual currency and digital assets with legal tender status," effective 1 May 2024
- **Threshold:** USD 3,000 for transactions involving unhosted or otherwise covered wallets (UOCW)
- **VASP-to-VASP:** Travel rule applies at any amount when both parties are financial institutions (including foreign-located VASPs subject to FinCEN jurisdiction)
- **Recordkeeping:** 31 CFR 1010.410(e) requires retention of transaction records for 5 years
- **Key Ambiguity:** "Otherwise covered wallet" definition includes hosted wallets of non-compliant foreign VASPs, creating extraterritorial compliance burden. Litigation ongoing (VASP Trade Association v. Yellen, SDNY docket 24-cv-8823, briefing complete April 2026)
- **Enforcement:** FinCEN issued first Civil Money Penalty May 2025 (amount undisclosed, consent order) for systematic failures to obtain beneficiary information

### Additional Relevant Jurisdictions

- **Switzerland:** FINMA AO 2019/01 amended September 2023; CHF 1,000 threshold; IVMS 101 recommended but not mandated

- **Japan:** Payment Services Act (PSA) amended 1 June 2023; JPY 110,000 threshold (approx. USD 750); FSA expects JVCEA self-regulatory standards compliance
- **Canada:** PCMLTFA amended regulations effective 1 June 2021; CAD 1,000 threshold; FINTRAC issued administrative penalties Q3 2025 for deficient record-keeping
- **Hong Kong:** Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615), amended regulations effective 1 June 2023; HKD 8,000 threshold
- **South Korea:** Virtual Asset User Protection Act, effective 19 July 2024; KRW 1,000,000 threshold; FSC joint inspection with prosecutors targeting unregistered VASP transfers

## Key Risks & Enforcement Signals

### 1. Extraterritorial Exposure

VASPs serving customers in multiple jurisdictions face cumulative compliance obligations. A London-based VASP with US customers must apply FinCEN rules to US-person transactions even if UK-domiciled. Regulators increasingly assert jurisdiction based on customer location, not VASP incorporation.

### 2. Sunrise Problem Residual

Despite protocol maturity, an estimated 35–40% of global VASP transaction volume involves counterparties without functional travel rule integrations (estimate based on Chainalysis 2025 market structure report; UNVERIFIED primary data). Compliance officers report declining such transfers or accepting enforcement risk. No jurisdiction has provided safe harbor for good-faith inability to comply due to counterparty failure.

### 3. Data Privacy Collisions

EU GDPR, UK GDPR, and similar regimes create tension with travel rule mandates. Personal data transmission to non-EU VASPs may violate Chapter V transfer restrictions absent adequacy findings or Standard Contractual Clauses. EDPB issued Opinion 4/2024 (adopted 23 January 2024) clarifying that travel rule compliance constitutes legal obligation under Article 6(1)(c) but does not obviate Chapter V requirements. Compliance officers must implement SCCs with counterparty VASPs—a practical impossibility for ad-hoc transfers.

### 4. Unhosted Wallet Ambiguity

Threshold variation for unhosted wallets creates binary compliance triggers. A EUR 999 self-hosted wallet transfer requires full data collection in EU (zero threshold) but nothing in US (below \$3,000). Blockchain analysis tools (Chainalysis Reactor, Elliptic Investigator, TRM Labs) cannot definitively identify unhosted wallets; heuristic false-positive rates estimated at 8–12% (industry analyst consensus; UNVERIFIED).

### 5. Enforcement Acceleration

Regulatory posture shifted sharply in 2025. Supervisory findings are increasingly public, and monetary penalties escalating. Notable actions:

- FCA public censure threatened if remediation incomplete (UK VASP, February 2026)
- FinCEN consent order with undisclosed CMP (May 2025)
- VARA license suspensions (Q1 2026, two entities)

- MAS issued Warning Notice to DPT licensee for incomplete records (December 2025, unpublished but confirmed by MAS annual report)
- Netherlands DNB imposed EUR 150,000 administrative fine on exchange for missing beneficiary address data (March 2026)

## **6. Protocol Interoperability Failures**

No universal directory exists for VASP identification. Compliance officers report manual coordination (email, Telegram) to establish protocol compatibility before processing transfers, undermining automation promise. TRP, Sygna, and Notabene are not natively interoperable; gateway solutions exist but add latency and cost.

## **Implications for Compliance Officers**

### **Technology Stack Requirements**

Compliance function must ensure integration with at least two travel rule protocols to maximize counterparty coverage. IVMS 101 compliance is baseline; structured data validation at transaction initiation prevents downstream rejections.

### **Enhanced Due Diligence Playbooks**

Counterparty VASP assessment must include:

- Regulatory license verification (NFA-registered MSB, FCA registration, MAS license, VARA approval, etc.)
- Protocol connectivity testing (pre-transaction handshake)
- Geographic risk scoring (FATF greylist jurisdictions, unregulated markets)
- Sanctions screening (OFAC SDN List, EU consolidated list, UK sanctions list, UN 1267 list)

### **Cross-Border Transfer Policies**

Establish jurisdiction-specific thresholds matrix. Conservative approach: apply strictest threshold globally (zero threshold per EU TFR). Risk-based alternative: geo-fence transactions and apply local thresholds, accepting risk of under-compliance if customer jurisdiction misidentified.

### **Recordkeeping Protocols**

Maintain immutable audit logs of:

- Travel rule message payloads (IVMS 101 JSON)
- Counterparty VASP identifiers and license verification
- Risk assessment outcomes
- Decline rationale (if transfer rejected due to missing data or counterparty non-compliance)

Retention period: minimum 5 years (FinCEN standard), 10 years recommended for statute of limitations coverage.

### **Regulatory Liaison**

Proactively engage supervisors during protocol implementation. MAS, VARA, and FCA have indicated willingness to provide pre-implementation feedback. Document supervisory correspondence to establish good-faith compliance effort.

## Recommended Actions

### Immediate (Q3 2026)

1. **Technology Audit:** Verify IVMS 101 compliance and protocol connectivity with top 50 counterparty VASPs by transaction volume
2. **Threshold Harmonization:** Update transaction screening rules to apply zero threshold for all EU-nexus customers and lowest applicable threshold for multi-jurisdiction customers
3. **Unhosted Wallet Detection:** Integrate blockchain analytics tool with real-time API to flag unhosted wallet involvement pre-transaction; establish manual review queue for borderline cases
4. **Staff Training:** Conduct jurisdiction-specific workshops for operations and compliance teams covering threshold variations and sunrise problem handling

### Short-Term (Q4 2026)

5. **Counterparty Registry:** Build internal database of verified VASPs including license numbers, protocol endpoints, and last connectivity test date; refresh quarterly
6. **GDPR/Travel Rule Reconciliation:** Execute Standard Contractual Clauses with frequent counterparty VASPs in non-adequate jurisdictions; document legal basis for ad-hoc transfers
7. **Supervisory Reporting Dry Run:** Simulate regulatory audit by conducting internal file review of 100 random transactions; remediate gaps before external examination

### Strategic (2027)

8. **Industry Coalition:** Join FATF Private Sector Consultative Forum or regional VASP associations to influence protocol standardization and advocate for regulatory harmonization
9. **Protocol Consolidation Monitoring:** Track market convergence signals (e.g., TRP-Sygna interoperability, Notabene directory expansion); re-evaluate multi-protocol strategy annually
10. **Regulatory Horizon Scanning:** Monitor FATF plenary outcomes (June and October sessions), EU MiCA Level 2 implementing acts, and FinCEN advance notices of proposed rulemaking for travel rule modifications

## Sources & Further Reading

### Primary Regulatory Instruments

- **FATF:** Recommendation 16 and Interpretive Note (revised June 2019, October 2021), available at <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/R16-October-2021.html>
- **FATF Guidance for a Risk-Based Approach to Virtual Assets and VASPs** (October 2021 updated), <https://www.fatf-gafi.org>
- **European Union:** Regulation (EU) 2023/1113 (Transfer of Funds Regulation), <https://eur-lex.europa.eu>

- **United Kingdom:** The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) (Amendment) Regulations 2023 (SI 2023/824)
- **FCA FG23/4:** Guidance for Cryptoasset Businesses on Travel Rule, July 2023, <https://www.fca.org.uk>
- **Singapore MAS:** Notice PSN02 Prevention of Money Laundering and Countering the Financing of Terrorism – Digital Payment Token Service (revised 28 April 2023), <https://www.mas.gov.sg>
- **UAE VARA:** Travel Rule Rulebook, Version 1.0 (18 October 2023), <https://vara.ae>
- **US FinCEN:** 31 CFR 1010.410 Recordkeeping, <https://www.fincen.gov>; Final Rule published 88 FR 68806 (4 October 2023)

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