FATF Recommendation 15 and the travel rule

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The standard

The FATF amended Recommendation 15 in October 2018 to require countries to regulate virtual asset service providers (VASPs) for anti-money-laundering and counter-terrorist-financing purposes, and added definitions of "virtual asset" and "virtual asset service provider" to its glossary. A VASP is any natural or legal person who, as a business, conducts one of five activities for or on behalf of another person. The activities are exchange between virtual assets and fiat currencies, exchange between virtual assets, transfer of virtual assets, safekeeping or administration of virtual assets or of instruments enabling control over them, and participation in or provision of financial services related to an issuer's offer or sale of a virtual asset. In June 2019 the FATF adopted the Interpretive Note to Recommendation 15, which requires licensing or registration of VASPs, supervision and the full range of preventive measures. Paragraph 7(b) of the Note contains the "travel rule". Originating and beneficiary VASPs must obtain, hold and transmit required originator and beneficiary information on virtual asset transfers, subject to a de minimis threshold that countries may set at USD or EUR 1,000.[1]

The FATF's "Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers" of 28 October 2021 refined the standard in six areas. These were the definitions of virtual asset and VASP, the application of the standards to stablecoins, the risks of peer-to-peer transactions, licensing and registration, implementation of the travel rule, and information sharing among VASP supervisors. It took the position that the creators, owners and operators of a DeFi arrangement who maintain control or sufficient influence may be VASPs even if the arrangement describes itself as decentralised. NFTs, by contrast, are generally outside the definition unless used for payment or investment.[2] Since 2022 the FATF has published annual "targeted updates" on implementation. The sixth, of 26 June 2025, reported that 99 jurisdictions had passed or were passing travel-rule legislation and that most illicit on-chain activity now involved stablecoins. It recorded that the Democratic People's Republic of Korea had stolen US$ 1.46 billion from the Bybit exchange in February 2025, of which only 3.8 per cent had been recovered. It concluded that the jurisdictions accounting for about 98 per cent of global virtual-asset activity had to implement the standards in full for them to work.[3]

Landing in Switzerland

Switzerland did not need new legislation to capture VASPs because its AMLA has always defined financial intermediaries by function. Exchange, custody and transfer of crypto assets fall within Art. 2 para. 3 AMLA as the activities of a professional who accepts, keeps or helps to transfer assets belonging to others. FINMA confirmed the position in its ICO Guidelines of February 2018 and in its

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Guidance 02/2019 on blockchain payments, which applied the travel rule through the existing Art. 10 AMLO-FINMA on information transmitted with payment orders. Switzerland chose not to adopt the USD/EUR 1,000 de minimis threshold for the travel rule, so that every transfer carries information. It also required verification of the beneficial ownership of unhosted wallets before transfers to or from them. The lowering of the exchange-transaction identification threshold to CHF 1,000 in 2021 followed the FATF's concern about occasional transactions. Switzerland's 2016 FATF mutual evaluation preceded the virtual-asset amendments, but its follow-up reports have rated it largely compliant with Recommendation 15.[4]

Landing in Singapore

Singapore legislated. The Payment Services Act 2019, which commenced on 28 January 2020, was drafted after the October 2018 amendment and designed to capture the FATF's VASP definition under the label "digital payment token service". The Payment Services (Amendment) Act 2021 widened the definition to transfer, custody and brokering so that it matched the FATF glossary word for word once the amendments commenced in April 2024. MAS Notice PSN02 implements the preventive measures and the travel rule for DPT service providers, with the threshold set at S$ 1,500 for full information. The DTSP regime of the Financial Services and Markets Act 2022 responded to the FATF's concern about VASPs that operate from one jurisdiction while serving customers in others, a concern the FATF articulated in the 2021 guidance and repeated in each targeted update. Singapore's 2016 mutual evaluation and its follow-ups rate it compliant or largely compliant with Recommendation 15.[5]

The next round

Both jurisdictions face the FATF's fifth round of mutual evaluations, which began in 2025 with a stronger focus on effectiveness. Virtual assets will be assessed as an immediate outcome in their own right. The author expects the evaluators to test three points: the supervision of unhosted-wallet transfers, the treatment of DeFi front-ends under the "control or sufficient influence" test and the enforcement record against unlicensed offshore providers. Switzerland's SRO model and Singapore's direct supervision will be compared on effectiveness, with the results feeding the next revision of AMLO-FINMA and PSN02.

Notes

1. FATF, Recommendation 15 and Interpretive Note to Recommendation 15, as amended October 2018 and June 2019, in "International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation: The FATF Recommendations", updated edition. The travel rule is INR 15, paragraph 7(b).
2. FATF, Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers, 28 October 2021, Paris. The six focus areas are listed in the FATF's publication note. On DeFi see paragraphs 67 ff. of the Guidance.
3. FATF, "FATF urges stronger global action to address illicit finance risks in virtual assets", sixth targeted update on virtual assets and VASPs, 26 June 2025. The update was accompanied by Best Practices on Travel Rule Supervision

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of the same date.

4. FINMA Guidelines for enquiries regarding the regulatory framework for initial coin offerings (ICOs), 16 February 2018. FINMA Guidance 02/2019 of 26 August 2019. Art. 51a AMLO-FINMA. FATF, Mutual Evaluation Report Switzerland, December 2016, and enhanced follow-up reports 2020 and 2023. See Part F, Chapters II to IV.
5. Payment Services Act 2019, First Schedule, Part 3, as amended by the Payment Services (Amendment) Act 2021. MAS Notice PSN02, paragraph 13. FSMA 2022, Part 9. FATF, Mutual Evaluation Report Singapore, September 2016, and follow-up reports. See Part L, Chapters I to III.

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