Stage five: AML onboarding and the travel rule

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An issuer of payment tokens in Switzerland is a financial intermediary under the AMLA from the moment the tokens are transferable, and must identify the participants in the sale, establish beneficial ownership, apply a risk-based approach and report suspicions to MROS.[1] That means a know-your-customer process for every purchaser in the sale, which is why public sales in Switzerland run through an SRO-affiliated issuer or a regulated distributor with an onboarding platform. The CHF 1,000 threshold below which exchange transactions may proceed without identification applies to exchange transactions. It does not cover a token sale in which the issuer creates a business relationship with the purchaser.[2]

In Singapore the AML regime attaches to the licensee, so an issuer that needs no PSA licence has no statutory AML duty, while a licensed distributor applies MAS Notice PSN02 in full, including the travel rule for transfers of digital payment tokens.[3] The delivery of purchased tokens to the participants' wallets at the token generation event is a transfer to which the travel rule may apply if executed by a licensee. The distribution mechanics should therefore let participants claim their tokens from a smart contract after onboarding, with the issuer never acting as a transfer intermediary.

Notes

1. AMLA, SR 955.0, Art. 2 para. 3 lit. b (issuance of means of payment as financial intermediation), Arts 3 to 6 (due diligence) and Art. 9 (reporting); FINMA ICO Guidelines 2018, section 3.4. Part F, Chapters II and III.
2. Anti-Money Laundering Ordinance-FINMA of 3 June 2015 (AMLO-FINMA; GwV-FINMA), SR 955.033.0, Art. 51a (threshold of CHF 1,000 per thirty days for exchange transactions in virtual currencies). Part F, Chapter III.
3. MAS Notice PSN02, "Prevention of Money Laundering and Countering the Financing of Terrorism – Digital Payment Token Service", as amended, paras 6 to 8 (customer due diligence) and para. 13 (value transfers; travel rule). Part L, Chapters II and III.

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