



FINANCIAL ACTION TASK FORCE
GROUPE D'ACTION FINANCIÈRE

Virtual Assets

FATF Secretariat
November 2021

FATF's Work

2018

Standards Change: Glossary

2019

Standards Change: R.15 & INR.15

Two New Guidance:

Risk-based Approach & Financial Investigations

2020

Three Reports:

G20 Report on Stablecoins; First 12-month Review;

ML/TF Red Flag Indicators

2021

One Report & One Guidance:

Second 12-month Review & Risk-based Approach

FATF Standards: implementation



- Public and private sectors have made progress
- Global effective implementation of Standards still required

FATF Standards: implementation

Table 1. Progress in implementing AML/CFT regulatory regimes for VASPs⁴

	FATF	FSRB	Total
Jurisdiction has necessary legislation for AML/CFT regime for VASPs			
<i>Permit and regulate VASPs</i>	27	25	52
<i>Prohibit VASPs</i>	1	5	6
Jurisdiction is in the process of introducing necessary legislation/regulations for AML/CFT regime for VASPs			
<i>Permit and regulate VASPs</i>	7	19	26
<i>Prohibit VASPs</i>	0	0	0
Jurisdiction has decided its approach on VASPs, but has not yet commenced the necessary legislative/regulatory process.			
<i>Permit and regulate VASPs</i>	1	5	6
<i>Prohibit VASPs</i>	1	5	6
Jurisdiction is yet to decide what approach to take for VASPs			
<i>Approach to VASPs under consideration</i>	1	31	32
Total	38	90	128

FATF Standards: implementation

Table 2. Key data for 2nd 12-month review questionnaire of jurisdictions

52 jurisdictions regulating VASPs

36 jurisdictions licensing / registering VASPs

29 jurisdictions inspecting VASPs

18 jurisdictions sanctioning VASPs

2 374 VASPs registered/licensed

Risk Landscape



- Types of offences:
Predicate > Money laundering > Terrorist Financing
- Value:
Relatively small compared with traditional ML/TF cases
- Types of virtual assets:
30+ (majority cases using 1 type of virtual asset)
- Cases using more than 1 type of virtual assets:
Layering of illicit proceeds

Misuse



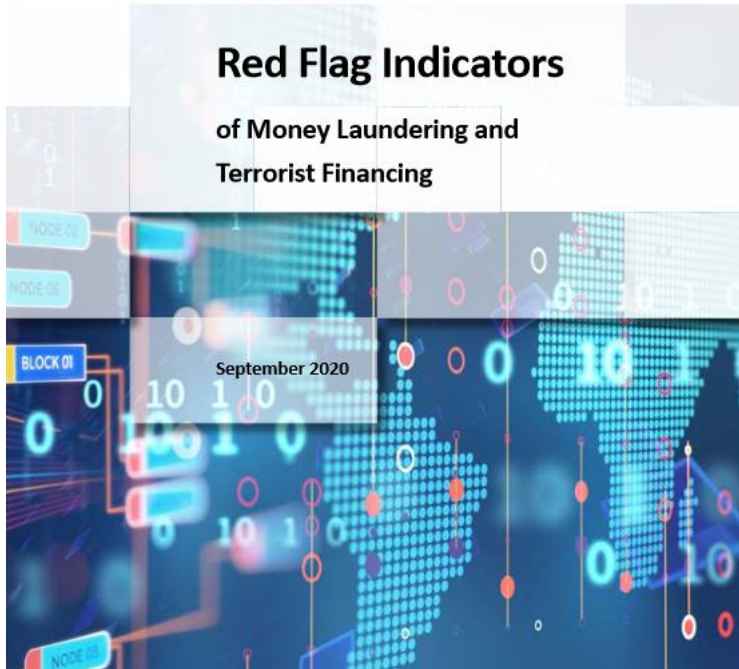
FATF REPORT

Virtual Assets

Red Flag Indicators

of Money Laundering and
Terrorist Financing

September 2020



- Drugs & Narcotics
 - Layering drug proceeds
 - Transacting drug trafficking activities on dark web

- Fraud, scams, theft, ransomware, extortion
 - Ponzi scheme
 - Investment fraud
 - Ransomware attacks
 - Trojan virus attacks
 - Kidnapping
 - Extortion
 - Taking bribes
 - Romance scams

Misuse



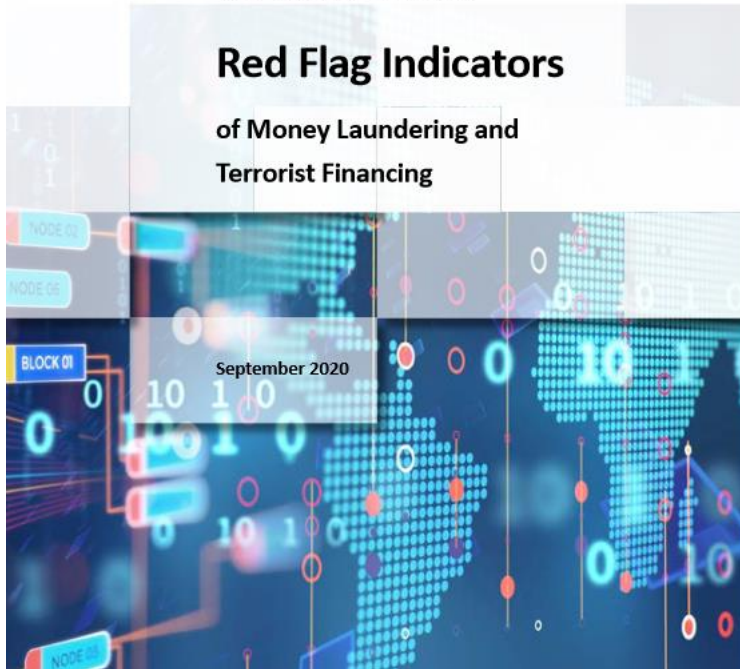
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September 2020



- Involvement of Professional ML Network
 - Darkweb laundering service
 - Recruiting money mules online who collect or transfer illicit proceeds in VAs

Red Flag Indicators



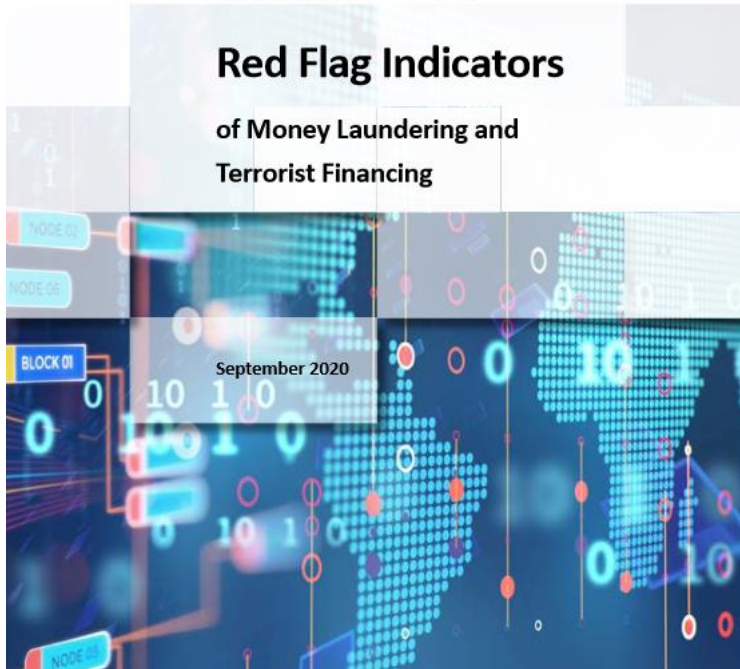
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Virtual Assets

Red Flag Indicators

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September 2020



- Anonymity
 - Using more than one type of virtual assets, despite additional transaction fees?
 - Using mixing or tumbling services?
 - Moving a virtual asset from a public/transparent blockchain to a centralised exchange and then trading it for privacy coin?

Red Flag Indicators



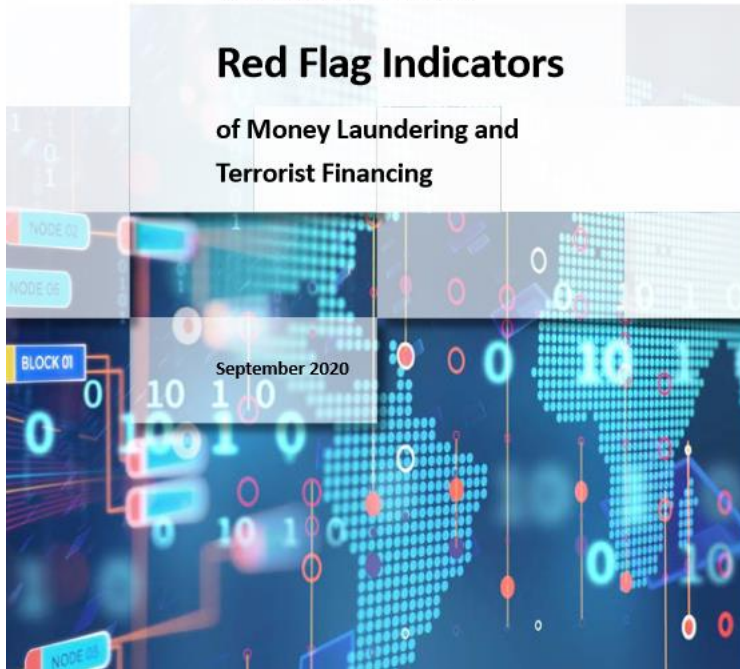
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Virtual Assets

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- Transactions & Transaction Patterns
 - Size and frequency?
 - New customers?
 - All users?

- Senders or recipient
 - Account creation?
 - During CDD process?
 - Profile?
 - Money mule/scam victims-specific?

- Source of funds/wealth

Red Flag Indicators



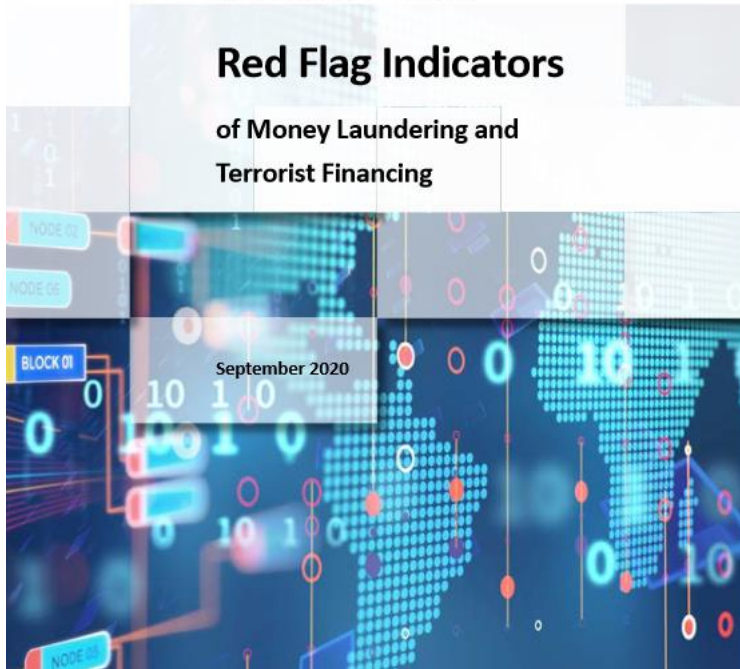
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Virtual Assets

Red Flag Indicators

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- Geographical Risks
 - Virtual asset service providers operating in (high risk) jurisdictions that have no AML/CFT regulation on virtual assets?
 - Funds & business profile of customers

Risk Indicators

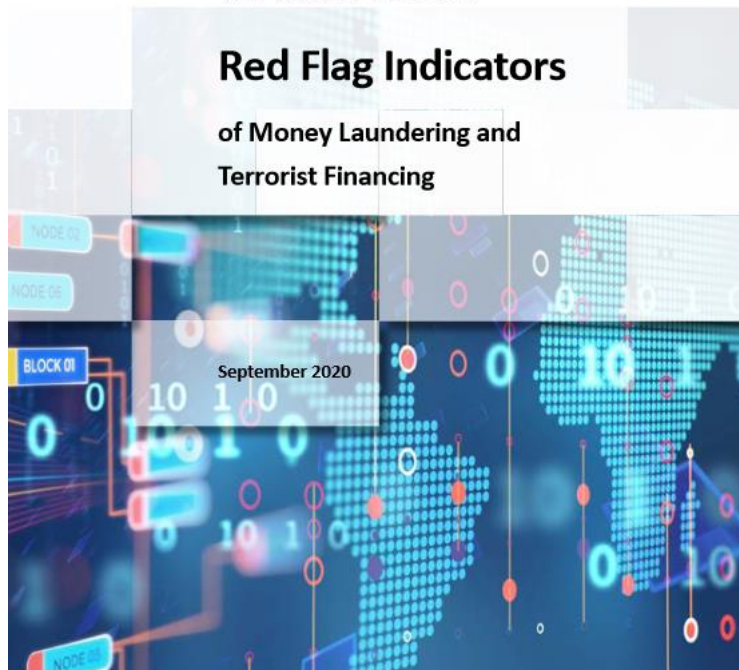


FATF REPORT

Virtual Assets

Red Flag Indicators

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- Specific to virtual assets
 - Nature and scope of VA payment channel/system
 - Use of anonymising techniques for VA fund transfers
 - Exposure to Internet Protocol anonymisers such as Tor, I2P

- Specific to virtual asset server providers
 - Sophistication of AML/CFT programme
 - Nature/Scope of VA account, product, or service

Emerging Trends



- Use of VASPs registered or operated in jurisdictions without or with weak AML/CFT regulation
- Immediate transfer of VAs to VASPs registered or operated overseas
- Use of multiple VA exchanges (both local and/or overseas)
- Continued use of tools and methods to increase anonymity of transactions

Stablecoins



- Sharing similar ML/TF risks as virtual assets:
 - Anonymity
 - Global reach
 - Allows layering of illicit funds

- Potential for mass adoption:
 - Exchangeability
 - Liquidity

- Design features:
 - Degree of centralization
 - Governance
 - Access

Peer-to-Peer



- Potentially be used to avoid AML/CFT controls in the FATF Standards
 - Customer due diligence
 - Reporting of suspicious transactions

- No obliged entities involved in preventing or mitigating ML/TF risks



Risk Mitigation & What's Next

- Implementation of FATF Standards
- Capability building
- Supervision and monitoring
- International cooperation
- Information sharing



Thank you!

Updated FATF Standards

- <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html>

Updated Assessment Methodology

- <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology%2022%20Feb%202013.pdf>

Easy Guide to FATF Standards on VAs/VASPs

- https://www.fatf-gafi.org/media/fatf/documents/bulletin/FATF-Booklet_VA.pdf

VA Red Flag indicators

- **New!** <http://www.fatf-gafi.org/media/fatf/documents/recommendations/Virtual-Assets-Red-Flag-Indicators.pdf>

RBA VA/VASP Guidance

- [https://www.fatf-gafi.org/fr/publications/recommandationsgafi/documents/guidance-rba-virtual-assets.html?hf=10&b=0&s=desc\(fatf_releasedate\)](https://www.fatf-gafi.org/fr/publications/recommandationsgafi/documents/guidance-rba-virtual-assets.html?hf=10&b=0&s=desc(fatf_releasedate))
- **New!** <https://www.fatf-gafi.org/media/fatf/documents/recommendations/Updated-Guidance-VA-VASP.pdf>

12-month Review reports

- <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/12-month-review-virtual-assets-vasps.html>
- **New!** <https://www.fatf-gafi.org/media/fatf/documents/recommendations/Second-12-Month-Review-Revised-FATF-Standards-Virtual-Assets-VASPS.pdf>

FATF report to G20 on so-called stablecoins

- <http://www.fatf-gafi.org/publications/virtualassets/documents/report-g20-so-called-stablecoins-june-2020.html>