What Increasing Regulation Means for Virtual Asset Service Providers

FATF recently released an Interpretive Note on Recommendation 15 that should better enable regulatory regimes to standardize best practices. Increasing regulation will facilitate Virtual Asset Service Providers (VASPs) access to the financial system and reduce risk.

Highlights of the Interpretive Note include:

1 VASPs should be treated like general Financial Institutions

- VASPs will complete risk assessments of their client base to determine risks
- VASPs should have suitable policies and procedures for:
  - **Know Your Customer (KYC)**
  - **Anti-Money Laundering (AML)**
  - **Counter Terrorism Financing (CTF)**
- Increasing due diligence will provide greater access to the financial system as virtual assets become more mainstream

2 Financial Institutions (FIs) can manage the risk of VASPs

- FIs must complete due diligence on VASPs as well as any parent companies or ultimate beneficiary owners
- FIs must also review the VASPs screening and onboarding process
- FIs should treat VASPs like correspondent banking clients

3 It is essential to implement appropriate technology controls

- Monitor digital identities (comprised of devices like computers and phones)
- Authenticate physical IDs (eg. passports)
- Comply with AML/CTF legislation requirements
- Screen identities for risk related to sanctions, enforcements and PEP status
- Continuous monitoring of customers' risk profile and real-time risk-based authentication throughout the customer life cycle

LexisNexis® Risk Solutions combines powerful global identity intelligence with financial crime compliance solutions to combat fraud and comply with evolving regulations.

To learn more about the impact of FATF's Interpretive Note for VASPs on Recommendation 15, check out our ebooks at risk.lexisnexis.com/VASP

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