

Travel Rule Disclosure

coinpass.com

What is the Travel Rule?

The Financial Action Task Force (FATF), which is an intergovernmental body charged with setting global money laundering, terrorist and proliferation financing standards and protocols, proposed in 2019 a number of measures to tackle the threat of money laundering and terrorist financing in the crypto industry, as well as preventing sanctioned individuals and entities from using virtual or more commonly called, crypto assets.

This took the form of FATF revised Recommendation 16 (Wire Transfers) in which crypto asset businesses, collectively referred to as Virtual Asset Service Providers (VASPs), and financial institutions engaged in virtual or crypto asset transfers would be required to obtain in respect of crypto asset transactions certain "originator" and "beneficiary" information and to share this information with Counterparty VASPs or financial institutions during or before a crypto asset transaction.

This new requirement was called the "FATF Travel Rule" and the UK equivalent, the "UK Travel Rule".

coinpass as a UK registered crypto asset business (crypto asset exchange provider) or VASP will be required under the UK Travel Rule from 1st September 2023 to collect, transmit and retain information about the originators and beneficiaries of all crypto asset transactions falling under the new Travel Rule regime.

EURO DE MINIMIS Thresholds

Under the UK Travel Rule, there is a requirement to transmit certain crypto transaction data when the following conditions are met:

- at least one Counterparty (the Originator VASP, the Beneficiary VASP, or the Intermediary VASP) carries out business outside the UK with respect to the transaction, and
- the transfer is equal to or exceeds the equivalent in crypto assets of 1,000 euros

For transactions below the 1,000 euro de minimis threshold, where coinpass acts as the Originator VASP we would still be required to still collate and transmit the name and customer identification number or if not available, unique transaction identifier of the originator and beneficiary.

Inter-Crypto Business Transfer

The following Information must be obtained and provided on payment originators:

Business relationship

- Name of firm (registered or trading name)
- Customer identification number or if not available, unique transaction identifier

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- Registered office or principal place of business address

Individual relationship

- Name of individual, and one of the following:
- Customer identification number or if not available, unique transaction identifier
- Individual's address
- Individual's birth certificate number, passport number or national ID card number
- Individuals date and place of birth

Exemption for UK-only Transactions

Where crypto asset transfers are conducted between two UK-domiciled crypto businesses there will be an exemption from all the UK's Travel Rule requirements and only the provision of the following Travel Rule data will apply:

- The rationale for this domestic exemption is that all UK crypto asset businesses are legally obliged to conduct Know Your Customer (KYC) and sanctions-screening checks on all their customers in accordance with the UK's Money Laundering and Terrorist Financing Regulations. So, in the UK Governments / HM Treasury's view the risks inherent to domestic transfers should be inherently lower than those being conducted to and from outside the UK.

However, where coinpass' customers intend sending funds to overseas crypto firms / VASPs, we will need to ensure our full compliance with the UK Travel Rule. That means that we will only be able to process transactions with overseas firms that are able to receive and provide transfers of personal data under the Travel Rule protocols.

coinpass will accordingly pay due regard to transactions with VASPs located in jurisdictions that have not implemented regulatory requirements for crypto assets. Where the Counterparty VASP is not subject to equivalent anti-money laundering requirements in the jurisdiction in which it operates, we would consider the transaction as being high risk and will on a risk basis, assess whether or not the transaction can be carried out in compliance with our Travel Rule obligations.

How might this affect you?

TRANSACTIONS BETWEEN VIRTUAL ASSET SERVICE PROVIDERS (VASPS)

When executing transactions above 1,000 euros to a customer of another VASP, you will need to provide at least the name of the beneficiary (i.e., the person to whom you are sending the assets to), which coinpass will then supplement, where required, with any details we hold, such as the destination wallet address.

coinpass' anticipates there will be a minimal wait for most transactions to be processed while any transactional information is verified between parties and committed to the blockchain, (or rejected).

In a relatively small number of cases, the receiving VASP may require additional information which may delay the transaction by a few minutes.

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TRANSACTIONS TO NON-CUSTODIAL WALLETS

For transfers to non-custodial wallets, coinpass will collect the beneficiary's name only. For inbound transfers exceeding 1,000 euros originator details may be requested as part of our Anti-Money Laundering controls.

WHY WAS MY WITHDRAWAL TO ANOTHER EXCHANGE REJECTED?

When you initiate a withdrawal to another exchange, coinpass will gather and transmit the necessary information required by that exchange for the purposes of processing the transaction. It's important to note that the receiving exchange makes the final decision on whether to accept or reject the transaction.

Rejections may occur if there is a discrepancy between the name associated with your account in our records and the one registered with the receiving exchange. Another possibility is if the receiving exchange's transaction monitoring systems detect a potential issue with the transaction.

Should a transaction be rejected, coinpass will promptly notify you via email and suggest that you either attempt the withdrawal again or reach out to the receiving exchange for further clarification.

PROCEDURE FOR INACCURATE, INCOMPLETE INFORMATION

Where the coinpass becomes aware that any information required by Travel Rule is missing or does not correspond with the customer due diligence information, we hold on you, we will under the Travel Rule have to consider whether to:

delay making the crypto asset available to you until any information required is received or any discrepancy resolved; and

if the information is not received or discrepancy resolved within a reasonable time, to return the crypto asset to the Originator VASP.

HOW WILL MY PERSONAL INFORMATION BE PROTECTED?

coinpass has partnered with Sum and Substance (Sumsb) to ensure our continued compliance with the UK Travel Rule.

Sumsb has obtain and maintains the highest-level data security certification and is compliant with both EU and UK GDPR.

KEY TRAVEL RULE DEFINITIONS

1. "Beneficiary crypto asset business" means the crypto asset business which receives the crypto asset transfer from the ordering crypto asset business directly or through an intermediary crypto asset business and makes the crypto assets available to the beneficiary.
2. "Beneficiary intermediary crypto asset business" means an intermediary crypto asset business acting on behalf of the beneficiary crypto asset business.

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3. “Beneficiary” means the intended recipient of a crypto asset from an originator.
4. “Crypto asset business” means a crypto asset exchange or a custodian wallet provider.
5. “Crypto asset transfer” means an inter-crypto asset business transfer or an unhosted wallet transfer.
6. “Crypto asset” means a cryptographically secured digital representation of value or contractual rights that uses a form of distributed ledger technology and can be transferred, stored or traded electronically, and includes a right to, or interest in, the crypto asset.
7. “Inter-crypto asset business transfer” means a transaction carried out by two or more crypto asset businesses which involves the making available of a crypto asset of an originator to a beneficiary, provided that at least one of the crypto asset businesses involved in the transaction is carrying on business in the United Kingdom in respect of the transaction (whether that is a crypto asset business acting for the originator or a crypto asset business acting for the beneficiary or an intermediary crypto asset business).
8. “Intermediary crypto asset business” means a crypto asset business which, in the course of an inter-crypto asset business transfer is not acting for the originator or the beneficiary; and receives and transmits a crypto asset on behalf of a crypto asset business.
9. “Legal person” means an entity or body which has an existence separate and distinct from the persons (legal or natural) comprising that entity or body e.g., a company or corporation.
10. “Natural person” means a living human being.
11. “Originator” means a person who owns a crypto asset and allows a transfer of that crypto asset.
12. “Travel rule protocol”(“TRP”) means an open protocol to implement the FATF’s Travel Rule for Virtual Assets
13. The Travel Rule Protocol (TRP) is a lean open-sourced protocol developed by Standard Chartered, ING, BitGo, and others to ensure quick and easy data transfer in accordance with the FATF Travel Rule requirements
14. “Unhosted wallet transfer” means the transfer of a crypto asset either by an originator from an unhosted wallet to the crypto asset business of a beneficiary; or by the crypto asset business of the originator to the unhosted wallet of a beneficiary, with a view to making the crypto asset available to the beneficiary.
15. “Unhosted wallet” means software or hardware that enables a person to store and transfer a crypto asset on their own behalf, and in relation to which a private cryptographic key is administered by that person.
16. “Unique transaction identifier” means the combination of letters, numbers or symbols determined by a crypto asset business which permits the traceability of the transaction from the originator to the beneficiary.
17. “Working day” means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971(7) in any part of the United Kingdom.