

Information accompanying transfers of funds and certain crypto-assets

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The Committee on Economic and Monetary Affairs and the Committee on Civil Liberties, Justice and Home Affairs jointly adopted the report by Ernest URTASUN (Greens/EFA, ES) and Assita KANKO (ECR, BE) on the proposal for a regulation of the European Parliament and of the Council on information accompanying transfers of funds and certain crypto-assets (recast).

Currently, there are no rules in the EU allowing crypto-asset transfers to be traced and providing information on the originator/beneficiary of such crypto-asset transfers. Therefore, a loophole has been created enabling the use of crypto-assets to facilitate, fund and hide criminal activities and launder proceeds, since illicit flows can move easily and anonymously without any geographical limitations across jurisdictions, with a better chance of remaining unhindered and undetected.

The recast proposal intends to close this loophole by **extending the current regime applied to wire transfers to transfers of crypto-assets**.

The committee responsible recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the proposal as follows:

Scope

The Regulation will apply to transfers of funds, irrespective of currency, or of crypto-assets, which are sent or received by a payment service provider, a crypto-asset transfer provider or an intermediary payment service provider established in the Union.

The Regulation should not apply to providers of ancillary infrastructure that enables another entity to provide services related to the transfer of crypto-assets. It should not apply to transfers of crypto-assets that fulfil any of the following conditions: (i) both the originator and the beneficiary are providers of crypto-asset transfers acting on their own behalf; (ii) the transfers constitute person-to-person transfers of crypto-assets carried out without the involvement of a provider of crypto-asset transfers or obliged entity.

Increased transparency of information accompanying transfers of crypto-assets

Members suggested that transfers of crypto-assets should be accompanied by **information on the originator** such as inter alia: (i) the name of the originator; (ii) the originator's wallet address, where a transfer of crypto-assets is registered on a network using distributed ledger technology or similar technology, and the crypto-asset account of the originator, where an account is used to process the transaction; (iii) the originator's crypto-asset account, where a transfer of crypto-assets is not registered on a network using distributed ledger technology or similar technology; (iv) the originator's address, country, official personal document number, customer identification number or date and place of birth.

Moreover, the following **information on the beneficiary** should be provided: (i) the name of the beneficiary; (ii) the beneficiary's wallet address, where a transfer of crypto-assets is registered on a network using distributed ledger technology or similar technology, and the beneficiary's crypto-asset account, where such an account exists and is used to process the transaction; (iii) the beneficiary's crypto-asset account, where a transfer of crypto-assets is not registered on a network using distributed ledger technology or similar technology.

Unique transaction identifier

In the case of a transfer not made from or to an account, the provider of crypto-asset transfers of the originator should ensure that the transfer of crypto-assets is accompanied by a **unique transaction identifier and record the originator and beneficiary address identifiers on the distributed ledger**. To that end, providers of crypto-asset transfers should rely on suitable tools, including innovative technological solutions, to ensure that the transfer of crypto-assets can be individually identified.

In particular crypto-asset service providers should establish effective procedures to detect **suspicious** crypto-assets, in particular any link with illegal activities, including fraud, extortion, ransomware or darknet marketplaces, or whether the crypto-asset has passed through mixers or tumblers or other anonymizing services.

Unhosted wallet

Where there is a transfer of crypto-assets from an unhosted wallet, the provider of crypto-asset transfers of the beneficiary should collect and retain the relevant information from its customer, verify the accuracy of that information, make such information available to competent authorities upon request, and ensure that the transfer of crypto-assets can be individually identified.

For transfers of crypto-assets from unhosted wallets which are already verified and have a known originator, providers of crypto-asset transfers should not be required to verify the information of the originator accompanying each transfer of crypto-assets.

The provider of crypto-asset transfers should maintain a record of all transfers of crypto-assets from unhosted wallets and notify the competent authority of any customer having received an amount of **EUR 1 000** or more from unhosted wallets.

Specific high-risk factors in relation to transfers of crypto-assets

Providers of crypto-asset transfers should refrain from executing or facilitating transfers associated with a high risk of money-laundering, terrorist financing and other criminal activities.

The provider of crypto-asset transfers should also determine on a risk sensitive basis whether to reject any future transfers of crypto-assets from or to, or restrict or terminate its business relationship with, a provider of crypto-asset transfers associated with a high risk of money-laundering, terrorist financing and other criminal activities.

Public register of non-compliant crypto-asset service providers

In order to facilitate the identification of illicit actors that pose a great risk from a AML/CFT perspective, the European Banking Authority (EBA) should maintain a **public register of non-compliant crypto-asset service providers**, consisting of entities which cannot be linked to any recognised jurisdictions, do not apply any identification measures on their customer and offer anonymising services, given their role in undermining the effectiveness of AML/CFT systems and controls.

Increased speed of adoption

Lastly, Members stressed that in order to speed up its adoption and ensure that crypto-asset service providers and other obliged entities put in place effective mechanisms to comply with the travel rule for combatting money laundering and terrorism financing, the current recast proposal should be decoupled from the rest of the new AML package and should be linked to the existing AMLD framework until the

entry into force of the new regime, while preserving the alignment with the upcoming Regulation on Markets in Crypto-assets [MiCA].