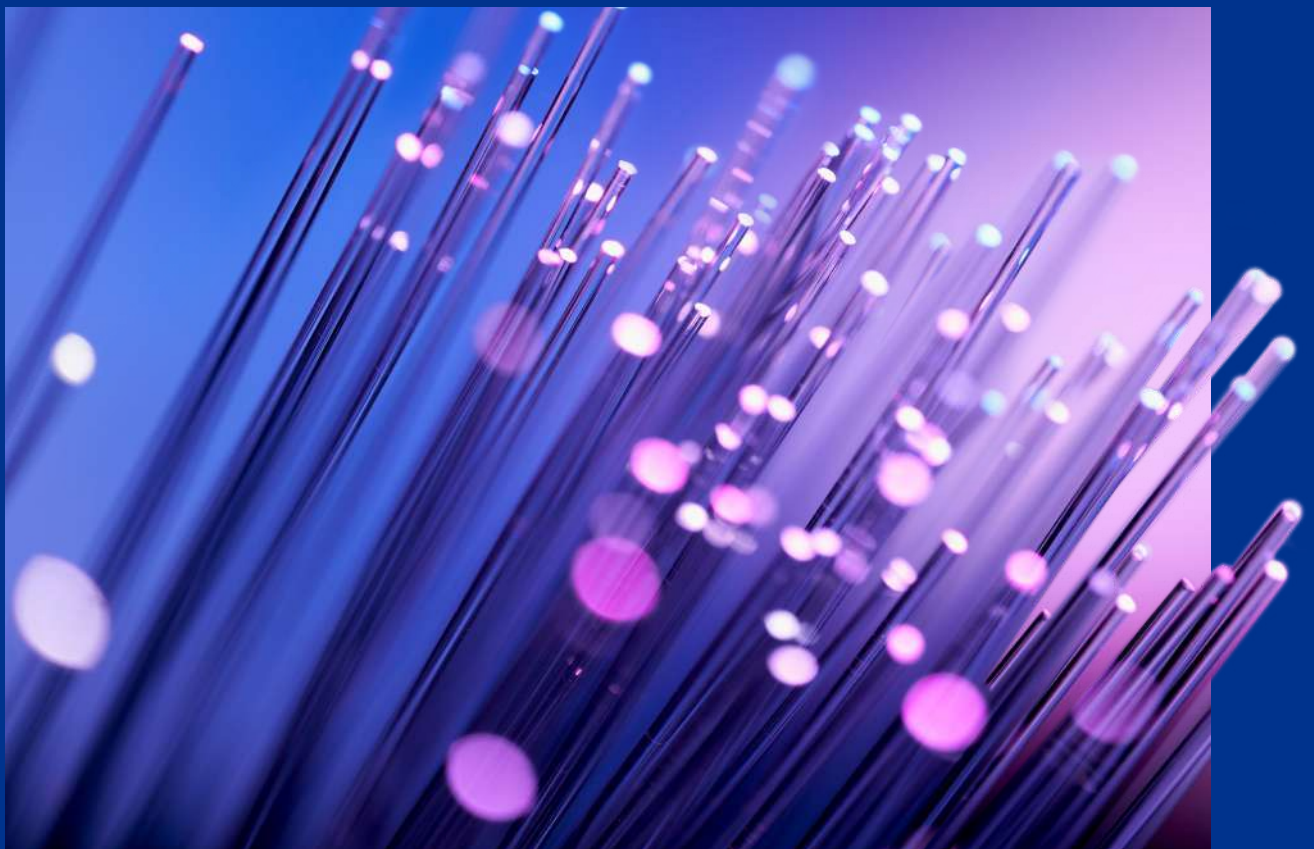


The Travel Rule

**Transfer of Crypto Assets
in Germany and the European Union**
Brochure



Contents

| | |
|--|----------|
| The Travel Rule | 2 |
| <hr/> | |
| Background | 3 |
| <hr/> | |
| German Crypto Asset Transfer Regulation | 4 |
| <hr/> | |
| KryptoWTransferV and European Travel Rule | 5 |
| Threshold, Who Must Comply and Supervisory Body | |
| Exchange of Data | |
| Self-hosted Wallets | |
| <hr/> | |
| Contact | 8 |

¹ In this document, the term “virtual asset service provider” (VASP) is used for ease of reading. The term originates from the terminology of the FATF and is used internationally. In the regulations of the European Union, the term “Crypto asset service provider” (CASP) is used, therefore we will use this term where we speak about the EU TFR Regulation. Both terms predominantly describe the same circumstances, but are not congruent in terms of definition and scope.

The Travel Rule

Dear readers,

The FATF’s Recommendation 16 is often referred to as the “Travel Rule” because the information on the transfer’s originator and its beneficiary “travels” with the transaction and is preserved by both parties involved in the transfer:

Recommendation 16, along with its interpretative note (INR. 16 - 2021) on wire transfers, mandates that “countries should ensure that ordering institutions (whether a VASP [virtual asset service provider] or other obliged entity such as a FI [Financial Institution]) involved in a VA [virtual asset] transfer, obtain and hold required and accurate originator information and required beneficiary information and submit the information to beneficiary institutions (whether a VASP or other obliged entity, such as a FI), if any.”

Additionally, it is imperative for countries to mandate that institutions receiving crypto asset transfers not only obtain and retain information regarding the originator but also ensure the accuracy of the data pertaining to the beneficiary.

The EU Transfer of Funds Regulation (TFR), which amends Regulation (EU) 2015/847, adapts the existing Travel Rule from traditional finance to the crypto sector and aligns the Union’s strategy with the updated FATF standards on the prevention of money laundering and terrorist financing.

It now applies to the transfer of a variety of funds. These can consist of cash, scriptural money and electronic money, as well as virtual assets, where at least one of the payment service providers or crypto-asset service providers (CASPs¹) involved in the transfer of funds or transfer of crypto-assets is established or has its registered office in the Union.

It also applies to intermediary CASPs, e.g., businesses that are not the originator’s or beneficiary’s CASP, but which receive and transmit transfers of crypto-assets on behalf of one of these CASPs or of another intermediary.

June 2019

Extension on FATF Recommendations to Virtual Asset Service Providers: Recommendation No. 15

01.10.2021

Entry into force of the German regulation on enhanced due diligence requirements for the transfer of crypto assets: Crypto Asset Transfer Regulation (KryptoWTransferV)

27.05.2023



Update to the KryptoWTransferV, in particular its transitional provisions and expiry: "Pursuant to §7 (2) sentence 1, the Regulation shall expire on the day from which the new version of Regulation (EU) 2015/847 applies"

31.05.2023

Adoption of the updated version of Regulation (EU) 2015/847: "Transfer of funds regulation" (2023/1114)

30.12.2024



Entry into force of the updated version of Regulation (EU) 2015/847: "Transfer of funds regulation" (2023/1114, cf. Article 40)

Background

The regulatory framework for [VASPs](#) began with the expansion of the of the Financial Action Task Force (FATF) recommendations to include virtual assets. Subsequently, Germany enacted the [Crypto Asset Transfer Regulation](#) in line with the FATF's Travel Rule, effective from October 2021. When the first Crypto Asset Transfer Regulation came into force, it allowed businesses to obtain extensions of up to two years. In May 2023, the transitional regulation¹ replaced the previous version. It grants a 12-month grace period², or a maximum of 24 months, to obliged entities that are unable to meet their obligations.

Presently, the European Union has progressed its regulatory stance with the adoption of the Transfer of Funds Regulation (TFR). The updates to the [TFR](#) were carried out on 31 May 2023 and are set to apply from 30 December 2024, aligning with the onset of the Markets in Crypto-Assets ([MiCA](#)) regulation. The Crypto Asset Transfer Regulation will automatically be replaced by the updated TFR once it has come into effect.

Against this background, this document highlights both the requirements of the current regulation in Germany, the forthcoming changes for German VASPs, and the application of the new TFR.

¹ Crypto Asset Transfer Regulation (KryptoWTransferV) can be accessed at: <https://www.recht.bund.de/bgbl/1/2023/135/VO> accessed March 15th 2024

² According to § 5 (3) KryptoWTransferV

German Crypto Asset Transfer Regulation

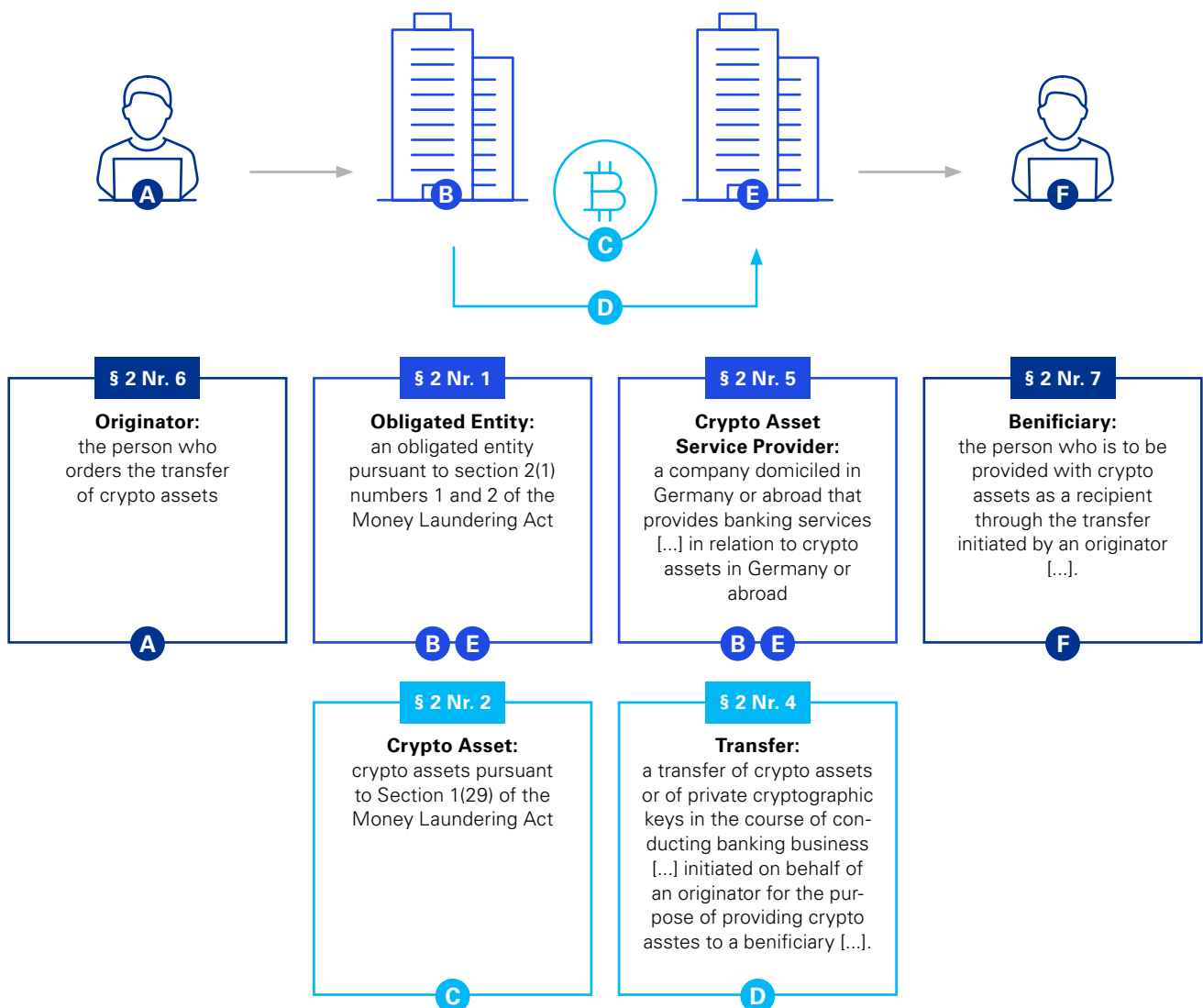
In Germany, the Travel Rule is implemented via the Kryptowertetransferverordnung (KryptoWTransferV), on the basis of the German Money Laundering Act [GwG], which came into force on 1 January 2020.

The KryptoWTransferV sets out the obligations of financial service providers and payment service providers for the transfer of crypto assets and requires financial institutions to identify and verify the identity of their customers, keep records of transactions, and report suspicious transactions to the Financial Intelligence Unit. The updated [KryptoWTransferV](#) entered into force on 27 May 2023.

KryptoWTransferV key definitions (§2):

KryptoWTransferV – Terms

Transfer, Originator, Beneficiary, Obligated Entity, Crypto Asset Service Provider (CASP), Crypto Asset



Source: KPMG in Germany, 2024



KryptoWTransferV and European Travel Rule

Current: KryptoWTransferV



Coming soon: EU TFR¹



Threshold

The German Travel Rule requires the collection, storage and transmission of originator and beneficiary data for every transfer between VASPs. However, less information is required for transactions of less than € 1,000.

Under the European TFR guidelines, every transfer involving CASPs, as well as transactions to and from self-hosted wallets (as long as a CASP is involved), requires the accurate collection, retention and transfer of originator and beneficiary information.

Who must comply?

In short, companies providing financial services, credit businesses and investment services related to crypto assets in Germany are obliged entities.

Crypto-asset service providers (CASPs), in accordance with the EU's Markets in Crypto Assets [definition](#). These are companies that perform: the custody and administration of crypto assets on behalf of third parties, the operation of a trading platform for crypto assets, the exchange of crypto assets for fiat currency that is legal tender, the exchange of crypto assets for other crypto assets, the execution of orders for crypto assets on behalf of third parties, the placing of crypto assets, the reception and transmission of orders for crypto assets on behalf of third parties, or providing advice on crypto assets.

What is the supervisory body?

The supervisory body responsible according to the KryptoWTransferV is BaFin, the Federal Financial Supervisory Authority in Germany.

In circumstances where the EU TFR is applicable, the BaFin acts as the regulator.

[BaFin](#)

¹ According to the draft law on the digitalisation of the financial market ([FinmadiG](#)), the Federal Financial Supervisory Authority (BaFin) is responsible for monitoring the requirements for providers of crypto-asset services.



Which data has to be exchanged?

| | |
|---|---|
| <p>Transactions between virtual asset service providers must be accompanied by the following:</p> <ul style="list-style-type: none"> • Originator's full name • Additional identifier – One of the following: <ul style="list-style-type: none"> – Originator's physical address – Originator's official document number – Originator's account number (VASP) – Originator's date and place of birth • Originator's distributed ledger address¹ • Beneficiary's full name • Beneficiary's distributed ledger address¹ | <p>Transactions between virtual asset service providers must be accompanied by the following:</p> <ul style="list-style-type: none"> • Originator's full name • Originator's physical address • Additional identifier: <ul style="list-style-type: none"> – Originator's official document number – Originator's account number (VASP) – Alternatively, the Originator's date and place of birth are also sufficient • Originator's account number² • Originator's LEI (Legal Entity Identifier) <ul style="list-style-type: none"> – In the absence of an LEI, another equivalent official identifier is permitted • Beneficiary's full name • Beneficiary's account number² • Beneficiary's LEI (Legal Entity Identifier) <ul style="list-style-type: none"> – In the absence of an LEI, another equivalent official identifier is permitted |
| <p>If both VASPs involved are established in the EU, it is sufficient to exchange:</p> <ul style="list-style-type: none"> • Originator's distributed ledger address¹ • Beneficiary's distributed ledger address¹ <p>If the transfer exceeds € 1,000, the originating VASP must be able to provide the required information within three working days on request.</p> | <p>According to the EU TFR, each transaction between VASPs requires the collection, storage and transmission of complete and accurate originator and beneficiary data (see data details on the left).</p> |
| <p>If one of the VASPs involved is established outside the EU and the transfer does not exceed € 1,000, it is sufficient to only exchange:</p> <ul style="list-style-type: none"> • Originator's full name • Originator's distributed ledger address¹ • Beneficiary's full name • Beneficiary's distributed ledger address¹ | |
| <p>¹ In the case of the 'distributed ledger address' not being bound to a person, a unique transaction identifier (e.g. the blockchain transaction hash) is required.</p> | <p>² The account number can either be a 'crypto-asset account' that is an account managed by a service provider for individuals or entities to facilitate crypto-asset transfer; or it can be a 'distributed ledger address'. If there is no account number, a unique transaction identifier can be used.</p> |

Disclaimer: This page does not cover all the details of both regulations. There are also requirements for the verification of travel rule data, and in certain special cases additional data fields may be required.

Self-hosted wallets

Transactions with [self-hosted wallets](#) fall under Germany's implementation of the Travel Rule if an obliged entity (VASP) is involved in the transfer of virtual assets. Therefore, [peer-to-peer](#) transfers are excluded.

Obligated entities are required to assess and determine the money-laundering and terrorist-financing risk of the transfer using risk-appropriate measures that ensure traceability. The measure of collecting, storing and checking the name and address of the wallet's owner is risk-appropriate pursuant to Section 4 KryptoWTransferV. Therefore, proof of ownership must be carried out.

For transfers to or from a self-hosted wallet, the CASP must collect and retain counterparty information. Counterparty verification of ownership/control (proof of ownership¹) of the self-hosted wallet is only required for transfers of over € 1,000. In any case, the CASP must ensure that each transfer is uniquely identifiable. Peer-to-peer transfers (where no CASP is involved) are excluded from the regulation.

¹ **EBA Guidelines Consultation Paper** on preventing the abuse of funds and certain crypto-assets transfers for money laundering and terrorist financing purposes under Regulation (EU) 2023/1113 mentions this description.



Contact

KPMG AG Wirtschaftsprüfungsgesellschaft

The SQUAIRE / Am Flughafen
60549 Frankfurt
Germany



Timo Purkott

Partner,
Financial Services
T +49 69 6587-1533
tpurkott@kpmg.com



Lucas Betschart

CEO
lucas@21analytics.ch



Alexander Klöpffer

Manager,
Financial Services
T +49 69 6587-6354
jkloepper@kpmg.com



Dominik Spicher

Senior Researcher
dominik@21analytics.ch

The following people contributed
to this brochure:

Dennis Dungen

Financial Services



Hannah Zacharias

Marketing & Regulatory Engagement Lead
hannah@21analytics.ch

www.kpmg.de

www.kpmg.de/socialmedia



21 Analytics provides privacy-first Travel Rule compliance software that doesn't share your data with us or anyone else. Founded by Bitcoiners active in the industry since 2014, 21 Analytics leverages its experience to advance our ideas of combining compliance with data protection and strengthening privacy for financial intermediaries and their customers.

21analytics.ch

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG AG Wirtschaftsprüfungsgesellschaft, a corporation under German law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.