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## Topic description

# What are the implications of trust minimized transactions for AML/ATF?

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The Financial Action Task Force (FATF) is an intergovernmental organization tasked with the development of policies to combat money laundering. In recent years, the FATF has put virtual assets in the spotlight and has released several documents addressing risks and mitigations related to them. It is obvious that censorship resistant transaction systems using pseudonymous accounts are at odds with FATF standards and goals. Accordingly, FATF focuses on centralized intermediaries, used as “on-” and “off-ramps”, e.g. exchanges. FATF has developed several guidelines to regulate these VASPs (Virtual Asset Service Providers).

## 1. Computer Science Task

Current cryptocurrency exchanges already implement several measures to protect against money laundering and to implement the “know-your customer (KYC)” rules. They differ widely, based on the exchange, its location, and the residence country of customers.

Construct an overview of the required identification and justification steps for customers of multiple (at least five) cryptocurrency exchanges. You might obtain this from documentation published on the web. Some exchanges have rather stringent rules (e.g., Swissquote bank, Bitstamp; these are located in Europe) and others have “relaxed” rules (e.g., Binance, Kraken). Include details of their identification procedures.

Further rules may apply for transactions to or from “uncontrolled” cryptocurrency wallets, such as those that customers operate themselves and where they control the corresponding keys.

Construct an overview of the necessary reporting and identification requirements. What kind of personal data does one have to provide? Which transfers are possible, which ones are not possible? Which steps and security measures are currently required for transfers to and from an exchange? What differs between when customers transfer coins to or from their own wallets, when they transfer coins to or from other markets and exchanges, and when they exchange coins again into fiat currency?

## 2. Law Task

The standards and recommendations published by the FATF have led to regulatory activities in several countries and has resulted in the introduction of extensive registration, monitoring and reporting requirements.

- Analyze decentralized transaction networks under FATF/Geldwäschereigesetz/GwV

- Identify and analyze relevant financial intermediaries and their duties in a selected transaction network (e.g. Monero, Dash etc.)

## Materials/Literature

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