

Travel Rule Course



Sumsub's Travel Rule Solution: Maximum Value From a Complete Suite

This module covers VASPs' challenges and how Sumsub's solutions effectively address them. These solutions include risk scoring with an extensive VASP network, verifying self-hosted wallets, integrating AML checks, and using advanced rules engines to enhance compliance and security.

Module 4 covers the following areas:

- Challenges and Sumsub's solutions
- The largest VASP Network with risk-scoring
- Self-hosted wallets verification
- Crypto transaction monitoring
- Integrated AML checks
- Advanced rules engines

Your hosts:



Ilya Brovin,
Chief Growth Officer
at Sumsub



Emeka Mgbenu,
Senior Product Manager
at Sumsub

Session 1

Challenges and Sumsub's solutions

In the fast-evolving world of Virtual Asset Service Providers (VASPs), compliance with international regulations such as the Financial Action Task Force (FATF) Travel Rule is essential. This rule demands transparency and accountability when transferring virtual assets, posing significant challenges to VASPs, particularly in identifying and verifying counterparties. Below is an exploration of these challenges and how Sumsub provides solutions.

Primary challenges and solutions

Identification and verification of counterparties

- 1) **Challenge:** FATF requires VASPs to identify and verify the counterparty before sending Travel Rule data.
- 2) **Solution:** Sumsub uses multiple blockchain analytics tools to attribute VA addresses and a feature to prevent erroneous data disclosure. It ensures accuracy and privacy by notifying the beneficiary VASP without revealing personal data and confirming wallet addresses.

Communication and data transfers

Efficient communication and secure data transfers are crucial for compliance with regulatory frameworks such as the Travel Rule. A major challenge in this field is the absence of a unified protocol that allows seamless data exchange between different VASP systems.

- 1) **Challenge:** Lack of a unified protocol and need for interoperability between different VASP systems
- 2) **Solution:** Sumsub supports multiple protocols (Sumsub Protocol, TRP, GTR, Code, and Sygna (coming soon)) and provides a free account for manual data transfer and transaction confirmation, ensuring compliance for all VASPs.

The flexibility provided by Sumsub's support of multiple protocols ensures that all VASPs, regardless of their technology infrastructure, can adhere to global standards for data security and compliance.

Data protection compliance

1) Challenge: Ensuring data protection while transmitting sensitive information under the Travel Rule

2) Solution: Sumsub conducts independent audits and holds certifications in data protection and information security (ISO 27001, ISO 27017, ISO 27018). It maintains compliance with EU GDPR, UK GDPR, and CCPA, and data transfers are encrypted.

Jurisdiction-specific data requirements

VASPs are required to comply with varying regulatory frameworks across different jurisdictions. These regulations dictate specific data requirements for verifying and transferring virtual assets, creating complexities in global transactions.

1) Challenge: Varying data requirements across different jurisdictions

2) Solution: Sumsub customizes solutions to meet specific regulatory requirements, using the most stringent set of rules when jurisdiction is unclear, ensuring comprehensive compliance

The primary challenge for VASPs operating across borders is that data requirements differ significantly depending on the jurisdiction. For example, the European Union's General Data Protection Regulation (GDPR) mandates strict rules for data handling and protection, while the United States requires adherence to the Bank Secrecy Act (BSA) and its related anti-money laundering (AML) regulations. These differences can lead to confusion, especially when transactions occur across multiple jurisdictions with conflicting rules.

Verification of different crypto wallet types

As virtual assets continue to evolve, the verification of different types of crypto wallets presents unique challenges for Virtual Asset Service Providers (VASPs). Given the wide variety of wallet types, from custodial to non-custodial, each with its own verification requirements, ensuring regulatory compliance becomes a complex task.

1) Challenge: Handling various crypto wallet types with unique verification requirements.

2) Solution: Sumsub supports various methods for verifying wallet ownership, including the ability to verify wallet ownership by digital signatures or through an AOPP method (Address Ownership Proof Protocol).

The wide range of crypto wallet types requires tailored verification approaches to ensure compliance with regulatory requirements. Below, we examine how Sumsup's diverse methods effectively meet these challenges:

- 1) Leverage** Sumsup's blockchain analytics and privacy features for accurate counterparty identification and verification
- 2) Utilize** Sumsup's multi-protocol support for seamless communication and data transfers
- 3) Adopt** Sumsup's data protection measures to ensure compliance with global regulations
- 4) Customize** compliance approaches using Sumsup's jurisdiction-specific solutions
- 5) Choose** appropriate wallet verification methods from Sumsup's flexible options to meet regulatory requirements

Session 2

The largest VASP Network with risk-scoring

Assessing the risk associated with counterparties in transactions is a significant challenge for VASPs, especially given virtual assets' decentralized and evolving nature. Sumsub addresses these challenges by offering access to the largest network of VASPs, all equipped with risk-scoring capabilities that enhance compliance and transaction security.

Here, we explore risk assessment challenges and highlight the best solutions.

Challenges

- 1) Counterparty risk evaluation:** The FATF requires VASPs to identify and assess the risks associated with each counterparty before processing a transaction. This involves reviewing various data points such as transaction history, compliance status, and risk factors. For many VASPs, especially smaller entities, this process can be complex and resource-intensive, leading to potential delays or non-compliance with the Travel Rule.
- 2) Data integrity and decision-making:** Risk assessments must be based on accurate, comprehensive data to prevent potential fraud or non-compliant transactions. However, ensuring data integrity and real-time decision-making is challenging without advanced analytical tools. Many VASPs struggle with the manual data collection and evaluation required to meet FATF standards effectively.

Solutions

- 1) Sumsub's risk-scoring network:** Sumsub offers VASPs access to an extensive network of virtual asset service providers, all equipped with integrated risk-scoring capabilities. These scores are based on a detailed analysis of factors like transaction history, compliance records, and risk indicators, helping VASPs make informed decisions quickly and efficiently. This system enables secure, compliant transactions in line with FATF guidelines.
- 2) Comprehensive data analytics for compliance:** Our solution automates the analysis of critical data points, such as transaction behavior and compliance records, to ensure accurate risk assessment. This system is tailored to support high-volume transactions while maintaining real-time risk checks, even for small value transfers below the FATF's minimum threshold (USD/EUR 1000)

Sumsub's risk-scoring capabilities and extensive VASP network offer a powerful solution for complying with the FATF Travel Rule while ensuring secure, compliant transactions. By leveraging comprehensive data analytics and automated decision-making tools, VASPs can easily mitigate risks and navigate complex regulatory environments.

Session 3

Self-hosted wallet verification

In the world of virtual assets, verifying unhosted or self-hosted wallets is critical to meeting regulatory compliance requirements across various jurisdictions.

Sumsup provides a variety of solutions and methods to help VASPs verify wallet ownership securely and efficiently.

Solutions

- 1) Verifying unhosted/self-hosted wallets:** Critical for regulatory compliance across various jurisdictions
- 2) Sumsup's support for wallet verification:** Offers multiple methods for verifying wallet ownership
- 3) Flexibility in verification options:** Sumsup allows VASPs to choose the verification method that best suits their needs
- 4) Ensuring regulatory compliance:** Sumsup's diverse verification options help VASPs remain compliant with regulatory requirements

Verification methods

- 1) Digital signature verification:** One method provided by Sumsup to verify ownership of wallets
- 2) AOPP (Address Ownership Proof Protocol):** Another method supported by Sumsup for wallet verification

Sumsup's diverse range of verification methods, including digital signatures and AOPP, ensures that VASPs can securely confirm wallet ownership while maintaining flexibility in their approach.

Session 4

Crypto transaction monitoring

Sumsub's platform integrates with various blockchain analytics providers to offer comprehensive risk assessments for cryptocurrency assets and wallet addresses. This can utilize Sumsub's native providers or allow VASPs to connect their preferred analytics services via a Bring Your Own Key (BYOK) method.

Key Features

Wallet risk scoring

- 1) **Integration:** Sumsub integrates multiple blockchain analytics providers, either native or via BYOK (Bring Your Own Key).
- 2) **Risk Scores:** Wallets are assigned risk scores, which can be numeric (0-1, 1-10) or labeled (high, low, medium). These scores are based on aggregated risk signals and exposures.

Source and destination of funds

- 1) **Source of funds:** Sumsub provides an aggregate percentage exposure of a wallet over time through its partners
- 2) **Risk Scores:** Identifies exposure to high-risk signals such as Darknet marketplaces and terrorist financing
- 3) **Mitigation:** Enables VASPs to mitigate risks by preventing transactions to high-risk wallet addresses, freezing funds received from these sources, and making necessary reports

Benefits for VASPs

- 1) **Comprehensive risk assessment:** Detailed risk scores and exposure analysis for wallet addresses
- 2) **Enhanced security:** Ability to detect and respond to high-risk transactions effectively
- 3) **Regulatory compliance:** Facilitates adherence to AML/CFT regulations by monitoring and reporting suspicious activities

Action steps for VASPs

- 01 Utilize Sumsub's risk scoring: Integrate with blockchain analytics to get comprehensive risk scores for wallet addresses
- 02 Monitor source and destination of funds: Leverage Sumsub's capabilities to track wallets' exposure to high-risk activities
- 03 Mitigate Risks: Implement measures to prevent, freeze, and report transactions involving high-risk wallet addresses

Session 5

Integrated AML checks

Sumsub's platform integrates advanced AML checks, providing comprehensive tools for transaction monitoring and sanctions screening. These checks are crucial for detecting and preventing money laundering and terrorist financing. Key features include:

- 1) **Real-time transaction monitoring:** Continuously monitors transactions for suspicious activities using customizable rules and triggers
- 2) **Sanctions screening:** Checks all transactions against global sanctions lists to ensure compliance with international regulations
- 3) **PEP screening:** Identifies transactions involving politically exposed persons (PEPs), requiring enhanced due diligence

By integrating these AML checks, VASPs can ensure regulatory compliance. Sumsub's system provides real-time alerts and detailed reports, helping VASPs quickly respond to potential risks and maintain a secure transaction environment.

Additionally, Sumsub offers essential and extended checks, allowing VASPs to tailor their AML processes to their specific needs, effectively managing compliance obligations and mitigating risks.

Session 6

Advanced rules engines

In today's fast-paced regulatory landscape, VASPs require robust and adaptable compliance solutions. Sumsup's advanced rules engines offer a dynamic, customizable system designed to meet evolving regulatory requirements.

This section explores the key features of Sumsup's rules engines, including real-time monitoring, customizable rules, detailed reporting, and seamless integration, ensuring enhanced security, operational efficiency, and proactive compliance management for VASPs.

Key Features

Customizable rules and triggers

- 1) VASPs can define specific rules and triggers based on their unique compliance requirements, ensuring all transactions meet the latest regulatory standards
- 2) Customizable parameters allow for adapting to new regulations quickly
- 3) Rules can be tailored to flag specific types of transactions or behaviors

Real-time monitoring and alerts

- 1) Provides continuous transaction monitoring with instant alerts for any suspicious activities, enabling quick and effective responses to potential compliance issues
- 2) Real-time data analytics to spot patterns indicative of fraud or money laundering
- 3) Instant notifications to compliance officers for swift action

Detailed reporting

- 1) Generates comprehensive reports on all transactions and compliance activities, which can be customized to meet specific regulatory requirements
- 2) Provides valuable insights into compliance performance and potential areas for improvement
- 3) Supports audit trails and regulatory reporting

Integrated solutions

- 1) Sumsup's rules engines integrate with its AML screening and VASP scoring tools, offering a comprehensive compliance solution that covers all aspects of transaction monitoring and risk assessment
- 2) Seamless integration with existing compliance frameworks
- 3) Enhanced data-sharing capabilities for more accurate risk assessments

Key Features

Dynamic compliance

- Ensures that compliance processes are dynamic, efficient, and fully aligned with current regulatory standards
- Adaptable to changing regulations and new threats

Proactive approach

- Helps VASPs stay ahead of regulatory changes, maintaining a robust compliance framework
- Preventative measures reduce the risk of non-compliance fines and penalties

Enhanced security

- Provides real-time alerts and detailed reports for effective risk management
- Ensures the integrity and security of transaction data

Operational efficiency

- Streamlines compliance workflows, reducing manual efforts and errors
- Improves overall efficiency in handling compliance tasks

Course review

Module 1

Introduction to the Travel Rule, covering its history, the companies that need to comply, and the reasons why.

- Reviewed the FATF standards and jurisdiction-specific details
- Examined the risks associated with non-compliance

Module 2

- Focused on challenges and solutions such as counterparty due diligence, communication and data transfers, data protection, the scope of data, and variations in crypto wallets
- Highlighted how Sumsub's innovative solutions effectively manage these challenges

Module 3

- Detailed look at regional compliance requirements for the EU, UK, APAC, MEA, LATAM, USA, and Canada
- Discussed the latest regulatory updates and the specific compliance needs in each region

Module 4

- Explored how Sumsub's advanced technologies and methodologies address critical challenges faced by VASPs
- Solutions for counterparty due diligence, communication and data transfers, data protection, the scope of work, and crypto wallet variations
- Examined Sumsub's extensive VASP network with risk scoring, self-hosted wallet verification, integrated AML checks, and advanced rules engines

Next steps

Review and implement

Introduction to the Travel Rule, covering its history, the companies that need to comply, and the reasons why.

- Reviewed the FATF standards and jurisdiction-specific details
- Examined the risks associated with non-compliance

Stay updated

- Focused on challenges and solutions such as counterparty due diligence, communication and data transfers, data protection, the scope of data, and variations in crypto wallets
- Highlighted how Sumsub's innovative solutions effectively manage these challenges

Leverage tools

- Detailed look at regional compliance requirements for the EU, UK, APAC, MEA, LATAM, USA, and Canada
- Discussed the latest regulatory updates and the specific compliance needs in each region

Join the network

Consider joining Sumsub's VASP network to benefit from shared resources, enhanced risk assessment, and a supportive community of compliant VASPs.

Sumsub is here to assist you every step of the way. If you have any questions or need further assistance, do not hesitate to contact us. Thank you for joining us on this journey through the complexities of the Travel Rule.

Stay compliant, stay secure, and
keep innovating!

**Schedule a
customized
demo with
our team →**

