



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

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Feedback Statement

Travel Rule (Transfer of Virtual Assets) Code 2024

FS24-02

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Glossary

AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
Authority	Isle of Man Financial Services Authority
DHA	Department of Home Affairs
FATF	Financial Action Task Force
Travel Rule Code	Travel Rule (Transfer of Virtual Assets) Code 2024
VASP	Virtual Asset Service Provider

1. Background

This Feedback Statement is issued by the Isle of Man Financial Services Authority (“the Authority”) following the closure of Consultation Paper ‘CP24-02’ in respect of the ‘Travel Rule (Transfer of Virtual Assets) Code 2024’ (“the Travel Rule Code”)¹, and other connected Orders the ‘Proceeds of Crime (Compliance with International Standards) Order 2024’² and the ‘Terrorism and Other Crime (Financial Restrictions)(Compliance with International Standards) Order 2024’³.

The Authority, in conjunction with the Department of Home Affairs (“DHA”), published this Consultation in respect of the proposal to establish the Travel Rule Code. The primary objective of the Code is to create a legislative framework to implement the expanded scope of the Financial Action Task Force’s (“FATF”) Recommendation 16 regarding virtual asset transfer obligations.

Recommendation 16 was originally developed with the objective of preventing terrorists and other criminals from having unfettered access to wire transfers for moving their funds, and for detecting such misuse when it occurs.

Specifically, it aims to ensure that basic information on the originator and beneficiary of the wire transfer is immediately available to:

- (a) Law enforcement agencies;
- (b) Financial Intelligence Units; and
- (c) Ordering, intermediary and beneficiary financial institutions.

In 2019 the FATF expanded the scope of Recommendation 16 to include the requirement for transfer information to accompany transactions relating to Virtual Assets. This meant that it became a requirement for entities operating in the Virtual Asset Service Provider (“VASP”)⁴ sector to obtain unique originator and beneficiary customer information when processing a Virtual Asset Transfer.

It is key that the Island’s Anti-Money Laundering and Countering the Financing of Terrorism (“AML/CFT”) framework remains aligned with international standards. Given there is currently no existing legislation on the Isle of Man (“the Island”) which compels VASPs to provide the information required under Recommendation 16, the introduction of the Travel Rule Code will aid technical compliance in this area.

Further, it is also of critical importance that this Code is operational as soon as practicable to reduce the risk of the Island’s VASP sector being exploited for the purposes of money laundering, terrorist financing or financing the proliferation of weapons of mass destruction.

¹ Appendix B – Travel Rule (Transfer of Virtual Assets) Code 2024 (Track changes)

² Appendix C – Proceeds of Crime (Compliance with International Standards) Order 2024

³ Appendix D – Terrorism and Other Crime (Financial Restrictions)(Compliance with International Standards) Order 2024

⁴ Currently referred to as CVCs in our regime.

The Consultation ran for a 6-week period, closing on 15 April 2024.

2. Summary of Responses

The Consultation received one response through the Government engagement hub which was supportive of the proposal to introduce the Travel Rule Code and provided no objection to its content or structure.

It should be noted that whilst the formal response to the Consultation was limited, a significant amount of outreach and engagement with the sector had been undertaken by the Authority prior to the Consultation. A collaborative working group was established by the Authority that brought together representatives from the Island's VASP sector with other stakeholders and agencies from across Government. This provided the opportunity to utilise both industry and Government expertise to draft the Travel Rule Code, ensuring it would meet the necessary international standards whilst also being viable for industry to implement effectively.

3. Changes to the Proposals

Following closure of the Consultation, and after further analysis of the FATF standards and scope, a number of minor amendments have been made to the structure and content of the Travel Rule Code.

The amendments that have been made following the closure of the Consultation are outlined below:

- The scope of the Code has been widened so it applies to activities undertaken by an intermediary VASP. Intermediary VASP has been formally defined as part of this amendment.
- It is now made explicit within the Code that all virtual asset transfers under the Code are considered to be cross-border transfers.
- The Code now makes it an explicit requirement that certain information pertaining to the Originator and the Beneficiary must be 'accurate'. Accurate has been formally defined as part of this amendment. Further details regarding how to ensure data is accurate will also be provided in associated guidance which will be published in due course.
- An Explanatory Note has been added at the end of the Travel Rule Code. This Explanatory Note does not form part of the Travel Rule Code and is not legislation, but briefly explains the purpose of this piece of legislation.

A tracked change version highlighting the amendments that have been made to the Code post Consultation can be found at Appendix B.

4. Next Steps

Following closure of the Consultation and the issuance of this Feedback Statement, the Travel Rule Code will progress to Tynwald for formal consideration and approval.

Subject to Tynwald approval it is envisaged that the Travel Rule Code will come into effect in October 2024.

The Authority will be undertaking a further Consultation to consider a set of civil penalty regulations that will operate alongside the Travel Rule Code. This Consultation will consider a suite of civil penalty powers for both the Travel Rule Code and the existing Wire Transfer Regulations. Further information in regards to this separate Consultation will be available in due course.

In case of any query, please contact —

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Appendix A – List of Groups to which this Feedback Statement has been sent -

- Alliance of Isle of Man Compliance Professionals
- Association of Chartered Certificated Accountants (as oversight body)
- Association of Chartered Certified Accountants (Isle of Man branch)
- Association of Corporate Service Providers
- Chartered Institute for Securities and Investment (Isle of Man branch)
- Digital Isle of Man
- Finance Isle of Man
- Financial Intelligence Unit
- Financial Planners & Insurance Brokers Association
- Gambling Supervision Commission
- Institute of Certified Bookkeepers (as oversight body)
- Institute of Chartered Accountants In England and Wales (as oversight body)
- Institute of Directors (Isle of Man branch)
- Institute of Financial Accountants (as oversight body)
- International Association of Bookkeepers (as oversight body)
- Insurance Institute of the Isle of Man
- Isle of Man Association of Pension Scheme Providers
- Isle of Man Bankers Association
- Isle of Man Captive Association
- Isle of Man Chamber of Commerce
- Isle of Man Insurance Association
- Isle of Man Law Society (as oversight body)
- Isle of Man Post Office
- Isle of Man Society of Chartered Accountants
- Isle of Man Wealth & Fund Services Association
- Society of Trust and Estate Practitioners (Isle of Man branch)
- The Department for Enterprise
- The Treasury

Appendix B - Travel Rule (Transfer of Virtual Assets) Code 2024 – showing tracked changes post Consultation -

This copy of the Code highlights the changes that have been made following the closure of the Consultation.

Appendix C – Proceeds of Crime (Compliance with International Standards) Order 2024

Appendix D – Terrorism and Other Crime (Financial Restrictions)(Compliance with International Standards) Order 2024

