

WHPARTNERS

VFA Issuers and AML

April 2019

An international
member of

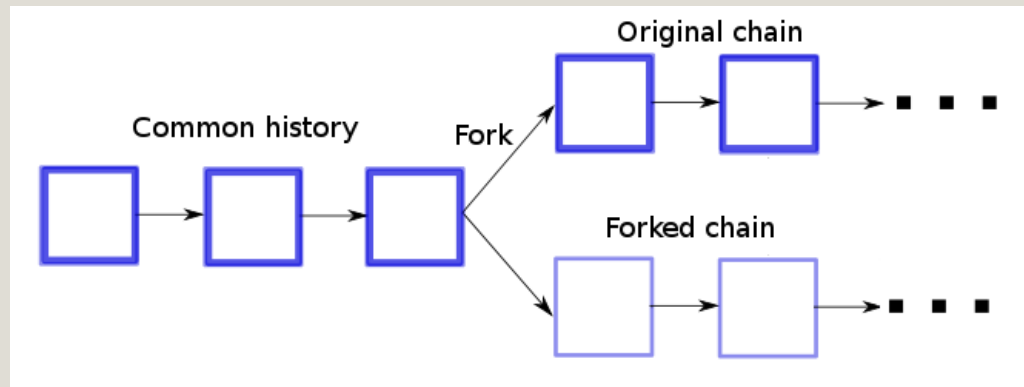
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Creation and Distribution of VFAs



How are VFAs created and distributed?





Token Sales, Jan14-Aug18

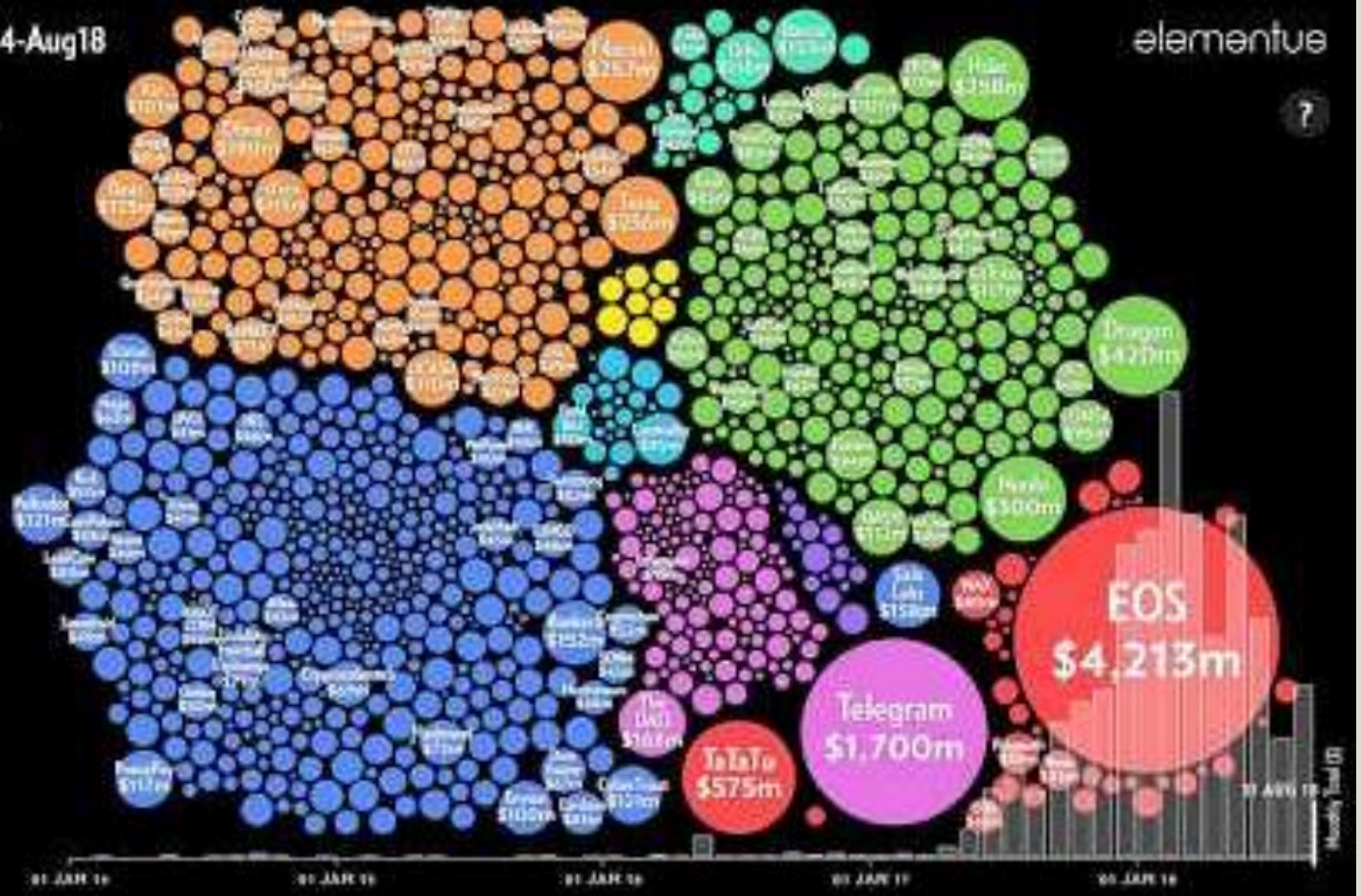
Total Raised:
\$28,366,035,804

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- Europe
- North America
- Asia
- Caribbean
- South America
- Oceania
- Middle East
- Africa
- South America/Unknown



AML and Issuers



ICOs/IEOs

- ICOs – considered an occasional transaction
- IEOs – could this be a business relationship rather than an occasional transaction?
 - Transaction between Customer and Exchange
 - Transaction between Customer and Issuer in which the Exchange is merely acting as platform



What checks is an issuer obliged to do?

- Customer Risk Assessment
- Business Risk Assessment
- Customer Acceptance Policy
- Reporting
- Record Keeping
- Training



Risk Based Approach

- Simplified Due Diligence
- Customer Due Diligence
- Enhanced Due Diligence
- Timing



Customer Due Diligence

- Identity (and whether the person is acting on behalf of someone else)
- Issuer also to consider:
 - From where customer instructions are being received; and
 - Source of Funds
 - (Based on Customer Risk Assessment – Source of Wealth)
- According Regulation 7 of the PMLFTR and Chapter 4 of the revised Implementing Procedures, VFA issuers are also to obtain the address of the wallet/account number to be used by the customer.
- An Issuer cannot undertake an occasional transaction unless it has identified and verified the true identity of the customer (and its beneficial owners, where applicable)
- Records kept should be sufficient to withstand independent challenge
- Verification must be on documents coming from a reliable (reputable and trustworthy) independent source.



Public Offering vs Private Placement

- Generally in private placements, most contributors:
 - are bodies corporate
 - contribute in FIAT rather than VFAs
 - contribute larger sums
 - will contribute through holding entities possibly established in higher risk jurisdictions
- There are many exceptions to the above so the risk based approach should always be applied.
- Timing



The Problems

- Very difficult to educate businesses in this space
- Even more difficult to educate and convince contributors, especially individuals
- Establishing source of funds and source of wealth
- Compliance Costs
- Timing



Thank You



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