

UPDATE

# Commencement of VASP Travel Rule

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The Travel Rule will commence in relation to Cayman Islands virtual asset service providers (VASPs) with effect from 1 July 2022 and VASPs are required to notify CIMA of how they will comply by 31 March 2022. What is the Travel Rule and what notification is required?

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## Introduction

On 22 February 2022, the Cayman Islands Monetary Authority (CIMA) issued an [Industry Notice](#) advising VASPs that the 'Travel Rule' provisions under the Anti-Money Laundering Regulations (2020 Revision) (as amended, the AMLRs) will come into effect from **1 July 2022**.

## What is the Travel Rule?

Financial Action Task Force (FATF) Recommendation 16 (Wire transfers) requires that countries collect identifying information from the originators and beneficiaries of domestic and cross-border wire transfers in order to create a suitable AML/CFT audit trail. This obligation to obtain, hold and transmit required originator and beneficiary information in the virtual asset (VA) context is known as the 'Travel Rule' and the FATF's [Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers](#) makes it clear that the wire transfer rules under Recommendation 16 apply in an amended way to VASPs and VA transfers.

## The Cayman legislation

The following obligations (amongst others) will be introduced under Part XA of the AMLRs, which will be effective from 1 July 2022.

### Transfers of virtual assets to a beneficiary – Originating VASP obligations

When conducting a VA transfer, the originating VASP must collect and record the following information:

- the name of the originator (the person who placed the order or who owned the asset prior to the transfer) and the beneficiary (the person who will own the asset on completion of the transfer);
- the account numbers of the originator and the beneficiary, where an account is used to process the VA transfer;
- the address of the originator, the number of a government-issued document evidencing the originator's identity, customer identification number or date and place of birth; and
- where an account is not used to process the transfer, the unique transaction reference (UTR) which permits the traceability of the transaction.

The originating VASP must, prior to conducting the VA transfer, verify the accuracy of the above information regarding the originator, on the basis of data or documentation that meets the requirements of Regulation 20(1) of the AMLRs. Such information must be provided by the originating VASP to the beneficiary VASP simultaneously or concurrently with the VA transfer.

Slightly modified information requirements will apply where several individual VA transfers with a single originator are bundled together for transmission (a 'batch file transfer').

An originating VASP must not execute a transfer where it is unable to collect and maintain the information required under Part XA of the AMLRs.

### Transfers of virtual assets to a beneficiary – Beneficiary VASP obligations

On receipt of a VA transfer, the beneficiary VASP must collect and record the following information:

- the name of the originator and the beneficiary;
- the account numbers of the originator and the beneficiary, where an account is used to process the VA transfer;
- the address of the beneficiary, the number of a government-issued document evidencing the beneficiary's identity, customer identification number or date and place of birth; and
- where an account is not used to process the transfer, the UTR which permits the traceability of the transaction.

The beneficiary VASP must verify the accuracy of the above information regarding the beneficiary of the transfer, on the basis of data or documentation that meets the requirements of Regulation 20(1) of the AMLRs.

A beneficiary VASP must have effective procedures/systems in place to detect whether the requisite information is obtained on a VA transfer and to detect missing information on both the originator and the beneficiary, in each case, in accordance with Part XA of the AMLRs. Where a beneficiary VASP identifies missing or incomplete originator information, it must reject the VA transfer or request complete information on the originator. Beneficiary VASPs are also required to adopt risk-based policies and procedures governing the rejection or other procedures to be applied upon the identification of missing or incomplete originator or beneficiary information.

### Record retention

Both the originating VASP and the beneficiary VASP must keep records of the complete originator and beneficiary information for each VA transfer for at least 5 years.

### Intermediary VASPs

An intermediary VASP (ie, a VASP involved in a VA transfer but which is neither the originating VASP nor the beneficiary VASP) also has some obligations under Part XA of the AMLRs, including to:

- ensure that all originator and beneficiary information received on a VA transfer is kept with the VA transfer;
- take reasonable measures to identify transfers which lack required originator or beneficiary information; and
- adopt risk-based policies and procedures governing the execution, rejection, suspension or other procedures to be applied (including follow-up action) upon the identification of incomplete originator or beneficiary information.

In addition, where technical limitations prevent an intermediary VASP from sending the required originator or beneficiary information with a VA transfer, the intermediary VASP must keep records of all information received for at least 5 years.

### CIMA notification required

VASPs registered with CIMA, or in the process of registering with CIMA, are now required to contact CIMA with confirmation of how that VASP will comply with the incoming Travel Rule provisions under the AMLRs. This notification should be accompanied by any relevant policies and procedures and must be submitted by email to [vaspinfo@cima.ky](mailto:vaspinfo@cima.ky) by **31 March 2022**.

Compliance with the Travel Rule provisions must be addressed within the application process for any new registration applications submitted following the date of the Industry Notice.

## Any questions?

Please get in touch with your usual Mourant contact if you have any questions. If you would like to know more about recent regulatory changes in the Cayman Islands, please see our [Cayman Regulatory Update](#).

## Contacts

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