



BANGKO SENTRAL NG PILIPINAS
OFFICE OF THE DEPUTY GOVERNOR
FINANCIAL SUPERVISION SECTOR

MEMORANDUM NO. M-2023-042

To : **ALL BSP-SUPERVISED FINANCIAL INSTITUTIONS (BSFIs)**

Subject : **Clarification on the implementation of the Philippine Travel Rule (PHTR) for Virtual Asset Service Providers (VASPs)**

Date : **28 December 2023**

In line with the objective of improving the country's overall risk management of risks arising from money laundering and terrorist financing, particularly on the Travel Rule requirements for VASPs¹, the BSP hereby issues this memorandum which provides clarifications on the applicability and implementation of the PHTR, pursuant to Circular No. 1108 series of 2021 on the Guidance for VASPs.

The clarifications pertain to the following: (1) applicability of transaction thresholds; (2) expectations on transactions with jurisdictions without TR; (3) applicability of PHTR to non-custodial VASPs; and (4) regulatory expectations on transactions with unhosted wallets.

1. Transactional Requirements for VASPs. Under existing regulations, as a general rule, **all virtual asset (VA) transfers are considered cross-border wire transfers.**

For VA transfers exceeding the equivalent of Php 50,000

For guidance, BSFIs may refer to the table below:

Travel Rule Requirement	Originating Institution		Beneficiary Institution	
	Obtain	Verify	Obtain	Verify
a. originator's name (i.e., the sending customer);	✓	✓	✓	
b. originator's account number used to process the transaction (e.g., the VA wallet);	✓	✓	✓	
c. originator's physical (geographical) address, or national identity number, or customer identification number (i.e., not a transaction number) that uniquely identifies the originator to the ordering institution, or date and place of birth;	✓	✓	✓	
d. beneficiary's name; and	✓		✓	✓
e. beneficiary account number where such an account is used to process the transaction (e.g., the VA wallet).	✓		✓	✓

¹ FATF Recommendation 16 covered the guidance on Travel Rule for VASPs. Recommendation 16 was developed with the objective of preventing terrorists and other criminals from having unfettered access to electronically-facilitated funds transfers for moving their funds and for detecting such misuse when it occurs.

For transactions below the Php 50,000 threshold or its equivalent in foreign currency

Originating institutions shall ensure that **VA transfers not exceeding the equivalent of Php 50,000, shall include accurate and meaningful originator and beneficiary information. The following information shall remain with the transfer or related message through the payment chain:**

- 1. Name of the originator;**
- 2. Name of the beneficiary; and**
- 3. Account number of the originator and beneficiary, or in its absence, a unique reference number.**

Sanction Screening

Originating and beneficiary VASPs must also establish and adhere to robust sanction screening procedures to ensure compliance with sanctions lists and prevent transactions involving sanctioned individuals, entities, or jurisdictions.

In addition, all VASPs are required to screen all transacting parties (i.e., originator, beneficiary, and counterparty VASP/s) against terrorist financing/proliferation financing (TF/PF) lists, as well as against adverse media reports. Further, in order to effectively perform transaction screening, the minimum information cited herein are expected to be available to VASPs.

2. Transfers to/from countries without Travel Rule regimes

- a. Sending VAs to countries without Travel Rule

VASPs should undertake necessary due diligence to determine whether the counterparty institution is able to receive PHTR information. If the counterparty institution is not able to receive, or is not governed by any Travel Rule regime, BSFIs should still verify and hold originator information and obtain and hold beneficiary information before initiating VA transfer.

- b. Receiving VAs from countries without Travel Rule

VASPs should undertake necessary due diligence to determine whether the counterparty institution is able to send the required PHTR information. BSFIs should consider the background of the sending institution and the host country where it is situated and/or registered/licensed, and conduct periodic risk assessment and determine whether or not to receive the VA transferred and make it available to the beneficiary.

3. Applicability of PHTR to non-custodial VASPs². PHTR applies to all VASPs including non-custodial VASPs. Non-custodial VASPs are expected to obtain, verify, and hold originator information (sending customer), and obtain and hold beneficiary information if the beneficiary is not the sending customer. If the transactions with non-custodial VASPs only pertains to swaps of VAs, they are not expected to transmit the required PHTR information. Further, non-custodial VASPs dealing with unhosted

² Non-custodial VASPs are entities that do not manage customers' VA wallet nor hold private keys of customers. During VA transactions or transfers, customers are required to nominate a VA wallet to execute transactions or transfers. As such, non-custodial VASPs have no control over the private key associated with customers' VA wallet nor ownership of the customers' VA/s.

wallets³ are not expected to transmit the required PHTR information. All the information gathered shall be made available upon request of relevant authorities.


4. Transactions to/from Unhosted Wallets. Peer-to-Peer (P2P) and transactions to/from unhosted wallets are generally outside the regulatory perimeter of the Bangko Sentral. Nonetheless, recognizing the money laundering, terrorist financing, and proliferation financing risks that could arise from transactions with unhosted wallets, stricter rules shall apply. VASPs are therefore expected to exercise caution and perform enhanced due diligence in dealing with transfers with unhosted wallets.

To the extent possible and **regardless of the amount transferred**, VASPs are expected to obtain, verify, and hold originator information (PHTR requirements under item 1 above), obtain and hold beneficiary information (e.g., wallet address), and hold transaction data (e.g., transaction hash or reference number). In the event that minimum information is not made available or is incomplete, BSFIs should not facilitate the transfer nor make the funds available to the beneficiary. BSFIs are expected to conduct continuous due diligence on their customers transacting with unhosted wallets.

Notwithstanding the existing challenges in Travel Rule implementation, the Bangko Sentral strongly enjoins BSFIs to remain vigilant in safeguarding the financial system by maintaining secure and interoperable channels for information sharing on Travel Rule requirements.

For information and guidance.

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28 December 2023

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³ FinCEN (2019, May 9). Application of FinCEN's Regulation to Certain Business Models Involving Convertible Virtual Currencies defined unhosted wallets as software wallets that are hosted on a person's computer, phone, or other device. These wallets allow the person to store and conduct transactions in convertible virtual currencies (CVC) without the need for an additional third party. In the case of unhosted, single-signature wallets, the value is the property of the owner and is stored in the wallet, and the owner has total independent control over the value.