

GUIDELINES ON TRAVEL RULE FOR LABUAN DIGITAL FINANCIAL SERVICES

1.0 Introduction

- 1.1 Recommendation 15 of the Financial Action Task Force (FATF) was developed with the objective of managing and mitigating the risks emerging from virtual assets. Among others, FATF's Recommendation requires AML-obligated entities to be subjected to effective systems for the purpose of monitoring and ensuring compliance with FATF standards. In this regard, the Guidelines on Travel Rule for Labuan Digital Financial Services (the Guidelines) require preventive measures to be applied for digital asset transfers involving a Labuan Reporting Institution undertaking digital financial services (to be referred to as "Specified Labuan RI").
- 1.2 These requirements are intended to ensure that a Specified Labuan RI which engages in a digital asset transfer would need to obtain the required and accurate originator information, and the required beneficiary information as well as to securely share it with its counterparty digital asset service providers or financial institutions before or during the transmission of the digital asset transfer. This in turn, would allow traceability of such transfers for the purpose of preventing, detecting and investigating instances of money laundering, financing of terrorism and other financial crimes.

2.0 Legal Provision

- 2.1 The Guidelines are issued pursuant to :
 - (a) Section 4A of the Labuan Financial Services Authority Act 1996 (LFSAA);
and
 - (b) Sections 66B, 66E and 83 of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds and Unlawful Activities Acts 2001 (AMLA).

- 2.2 Any person who fails to comply with the Guidelines may be subject to a compound and/or an administrative penalty under Section 36B and Section 36G of the LFSSA and/or other enforcement actions provided under the LFSSA and AMLA.

3.0 Applicability

- 3.1 The Guidelines are applicable to the following Specified Labuan RIs :
- (a) Labuan banks and Labuan investment banks licensed under Part VI of the Labuan Financial Services and Securities Act 2010 (LFSSA);
 - (b) Labuan Islamic banks and Labuan Islamic investment banks licensed under Part VI of the Labuan Islamic Financial Services and Securities Act 2010 (LIFSSA);
 - (c) Labuan money-broking business and Islamic money-broking business licensed under Part VI of the LFSSA and Part VI of the LIFSSA;
 - (d) Labuan exchanges established under Part IX of the LFSSA; and
 - (e) Labuan payment system established under Part XI of the LFSSA and Part XII of the LIFSSA.
- 3.2 In addition to the scoping under paragraph 3.1 of the Guidelines, Labuan trust companies including Labuan managed trust companies licensed under Part V of the LFSSA are also subjected to the requirements of the Guidelines as these Labuan entities can provide custody/safe keeping services of digital assets. Labuan Financial Services Authority (Labuan FSA) also reserves the right to modify the scope to include other Labuan Reporting Institutions to observe the minimum requirements of the Guidelines which may be specified from time to time.
- 3.3 A Specified Labuan RI is not permitted to execute any digital asset transfers if it does not comply with the Guidelines' requirements.

4.0 Effective Date

4.1 The Guidelines will take effect on 1 January 2025, and would remain effective and applicable unless amended or revoked. Notwithstanding this, Specified Labuan RI is highly encouraged to early adopt the requirements ahead of the effective date to ensure their ongoing adherence to FATF requirements on digital asset transfers.

5.0 Definitions and Interpretations

5.1 For the purpose of the Guidelines, the following terms carry definitions and interpretations as outlined below:

Terms	Definitions and Interpretations
“account number or wallet address or any unique transaction number”	<p>Refers to where such an account is used to process the transaction which permits traceability of a digital asset transfer.</p> <p>In relation to Unique Transaction Number, it refers to a combination of letters, numbers or symbols in accordance with the protocols of the payment and settlement system, or messaging system used for the digital asset transfer.</p>
“beneficiary”	Refers to a natural or legal person, or a legal arrangement who is identified by the originator as the receiver of the requested digital asset transfer.
“beneficiary institution”	Refers to a beneficiary institution which receives the digital asset transfer from the ordering institution, either directly or through an intermediary institution, and makes the digital assets available to the beneficiary.

Terms	Definitions and Interpretations
“cover payment”	Refers to the digital asset transfer that combines a payment message sent directly by the ordering institution to the beneficiary institution, where the routing of the funding instruction (the cover) is carried out or performed through one or more intermediary institutions.
“digital asset”	Refers to a digital representation of value that can be digitally traded or transferred and can be used for payment or investment purposes but does not include a digital representation of fiat currencies.
“digital asset transfers”	Refers to digital asset transactions which involve: (i) digital assets transfers between a Specified Labuan RI and another obliged entity; or (ii) digital assets transfers between a Specified Labuan RI and a non-obliged entity.
“digital financial services”	Refers to the provision of services by the Specified Labuan RI to clients that is delivered via electronic channels including the internet and mobile devices.
“intermediary institution”	Refers to the financial institution in a serial or cover payment chain that receives and transmits digital asset transfers on behalf of the ordering institution and beneficiary institution, or another intermediary institution.
“non-obliged entity”	Refers to an entity that is not an obliged entity.
“obliged entity”	Refers to an entity that is subjected to regulations and supervision of its AML/CFT compliance.
“ordering institution”	Refers to the financial institution which initiates the digital asset transfer upon receiving the request for the digital asset transfer on behalf of the originator.

Terms	Definitions and Interpretations
“originator”	Refers to the account holder who allows the digital asset transfer from that account. Where there is no account, this refers to the natural or legal person that acts for himself or on behalf of another mandated party in placing the transfer order with the ordering institution.
“prior, simultaneously or concurrently”	Refers to submission of information for digital asset transfers to a financial institution, either in a single batch or in multiple batches which occurs immediately.
“serial payment”	Refers to a direct sequential chain of payment where the digital asset transfer and accompanying payment message travel together from the ordering institution to the beneficiary institution, either directly or through one or more intermediary financial institutions (e.g. correspondent banks).
“technology and software solution”	<p>Refers to any digital-based solution which enables the ordering, intermediary and beneficiary institution to obtain, hold, verify and transmit information. Examples include:</p> <ul style="list-style-type: none"> (i) Distributed Ledger Technology (DLT) (e.g. using a smart contract, multiple-signature); (ii) Independent (e.g. non-DLT) messaging platform; and (iii) Application Program Interface (API).

6.0 Requisite Requirements for Travel Rule

6.1 A Specified Labuan RI is required to comply with the relevant requirements under the *Guidelines on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Labuan Key Reporting Institutions* (the Guidelines on AML/CFT and TFS) as follows:

	Contents	Paragraph under the Guidelines on AML/CFT and TFS
1.	Application of Risk-Based Approach	Paragraph B.1
2.	Customer Due Diligence	Paragraph B.5
3.	Politically Exposed Persons	Paragraph B.7
4.	Correspondent Banking	Paragraph B.11
5.	Suspicious Transaction Report	Paragraph B.12
6.	Record Keeping	Paragraph B.14
7.	Targeted Financial Sanctions on Terrorism Financing, Proliferation Financing and under Other UN-Sanctions Regimes	Paragraph B.17

7.0 Travel Rule Requirements

7.1 A Specified Labuan RI is obligated to obtain, hold, verify, review and transmit originator and beneficiary information to the counterparty digital asset service providers or financial institutions; and these are to be undertaken prior, simultaneously or concurrently with digital asset transfers and related messages. The digital asset transfer could be made either in a single or as serial payment, directly or indirectly with a cover payment through an intermediary institution. Specified Labuan RIs are reminded that post facto submission of information is not permitted.

I. Requirements for Ordering Institutions

7.2 A Specified Labuan RI which is an ordering institution is required to include the following information in the message that accompanies to the digital asset transfer:

7.2.1 For a digital asset transfer where the amount is below or equal to USD1,000, an ordering institution is required to include the following information:

- (a) the name of the originator;
- (b) the originator account number or wallet address or any unique transaction number;
- (c) the name of the beneficiary; and
- (d) the beneficiary account or wallet address or any unique transaction number.

7.2.2 For a digital asset transfer where the amount to be transferred is greater than USD1,000, an ordering institution is required to include information in Paragraph 7.2.1(a) to 7.2.1(d) of the Guidelines, and the following information of the originator:

- (a) the National Registration Identity Card (NRIC) number or passport number of the originator, or where the originator is not a natural person, the incorporation number or business registration number; and
- (b) the residential address or registered or business address, or the date and place of birth, or the date of incorporation or registration, where relevant.

7.2.3 An ordering institution is required to verify the accuracy of the information about the originator on the basis of documents, data or information obtained. This includes ensuring such information comes from a reliable and independent source, if the identity of the originator has not been previously verified.

II. Requirements for Beneficiary Institutions

7.3 A Specified Labuan RI which is a beneficiary institution is required to obtain the following information in the message that accompanies to the digital asset transfer:

7.3.1 A beneficiary institution is required to obtain and hold the following information for digital asset transfers where the amount is below or equal to USD1,000:

- (a) the name of the originator;
- (b) the originator account number or wallet address or any unique transaction number;
- (c) the name of the beneficiary; and
- (d) the beneficiary account or wallet address or any unique transaction number.

7.3.2 For a digital asset transfer where the amount to be transferred is greater than USD1,000, a beneficiary institution is required to obtain and hold the information as required in Paragraph 7.3.1(a) to 7.3.1(d) of the Guidelines, and the following information of the originator:

- (a) the National Registration Identity Card (NRIC) number or passport number of the originator, or where the originator is not a natural person, the incorporation number or business registration number; and
- (b) the residential address or registered or business address, or the date and place of birth, or the date of incorporation or registration, where relevant.

7.3.3 A beneficiary institution is required to verify the accuracy of the information about the beneficiary on the basis of documents, data or information obtained. This includes ensuring such information comes from a reliable and independent source, if the identity has not been previously verified.

7.4 A Specified Labuan RI may refer to the **Appendix** for an illustration of the application of Travel Rule requirements.

8.0 Other Requirements

8.1 A Specified Labuan RI is advised to employ appropriate technology and software solution to ensure that it obtains, holds and transmits the required information in accordance to the Guidelines' requirements. It is expected that these solutions would enable the Specified Labuan RI to:

- (a) protect the information from unauthorised disclosure;
- (b) securely transmit data in protecting the integrity and availability of the required information; and
- (c) provide information to Labuan FSA and other relevant authorities in a timely manner.

8.2 A Specified Labuan RI is required to take reasonable measures to identify digital asset transfers that lack or does not have the required originator or required beneficiary information.

8.3 A Specified Labuan RI is required to have effective risk-based policies and procedures in determining:

- (a) when to execute, reject, or suspend digital asset transfers with insufficient required information of originator and/or beneficiary; and
- (b) appropriate follow-up action.

Labuan Financial Services Authority

14 December 2023

Appendix Guidance on Travel Rule of Digital Asset Transfer

The illustration guides the Specified Labuan RI to apply the Travel Rule requirements in the process of digital asset transfer from an ordering institution to a beneficiary institution.

