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**Contribution Paper on Global Digital Finance consultation: *Part VIII – Code of Conduct – Principles for Know Your Customer (KYC) & Anti-Money Laundering (AML)***

<https://www.gdf.io/docsconsultations/part-viii-code-of-conduct-principles-for-know-your-customer-kyc-anti-money-laundering-aml/>

Crypto Asset Lab ([cryptoassetlab.diseade.unimib.it](http://cryptoassetlab.diseade.unimib.it)) is a research initiative on crypto assets as investment opportunity, fintech innovation, and regulatory challenge. The laboratory is a joint initiative of the Digital Gold Institute ([www.dgi.io](http://www.dgi.io)) and the University of Milano-Bicocca ([www.unimib.it](http://www.unimib.it)): a meeting point between academia, industry, institutions, and regulators.

Crypto Asset Lab, as per nature and positive co-operation, through herein Contribution Paper, attends the open-source consultation related to Part VIII of the Code of Conduct concerning the principles for Know Your Customer (KYC) & Anti-Money Laundering (AML).

Crypto Asset Lab appreciates Global Digital Finance's initiative to open this consultation aimed at acquiring observations and suggestions providing principles to be applied on firms conducting activities within the remit of the definition of a Virtual Asset Service Provider as laid out in the Financial Action Task Force (FATF) Glossary.

As per ID 81 of FATF's Guidance for a risk-based approach for Virtual Assets (VA) and Virtual Asset Service Providers (VASP), published on June 21, 2019, it is reported the following:

*"Jurisdictions may also require VASPs that offer products and/or services to customers in, or that conduct operations from, their jurisdiction to be licensed or registered in the jurisdiction. Host jurisdictions may therefore require registration or licencing of VASPs whose services can be accessed by or are made available to people residing or living within their jurisdiction."*

In this perspective, given the cross-border nature of VA activities and VASP operations, ID 80 require VASP to appoint a resident executive director, substantive management presence, in host jurisdiction in order to consent the competent authorities the effective supervision of the VASP.

The obliged entities, that are part of a group, are required<sup>(1)</sup> to implement group-wide policies and procedures for sharing information within the group for AML/CFT purposes according to Directive EU 2015/849 aka IVAMLDD.

Those policies and procedures shall be implemented effectively at the level of branches and majority-owned subsidiaries located in jurisdictions other than Parent Company's HQ.

Given the riskiness associated with the illicit use of new technologies related to payment services, IVAMLDD imposes that e-money issuers and payment service providers – established in host jurisdiction in forms other than a branch and whose Parent Company's HQ is situated in

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<sup>1</sup> See Article 45 (1;9).

another jurisdiction – will appoint a central contact point to ensure compliance with the AML/CFT rules and to facilitate supervision by competent authorities.

Definitely, given that VASPs are obliged entities to AML/CFT rules and considering the cross-border nature of VA activities, it's conceivable that VASPs – whose services can be accessed by or are made available to people residing or living within host jurisdiction – shall be at least license or register a branch in that jurisdiction.

In case of VASP operating in host jurisdiction in forms other than a branch, it needs to designate a central contact point to ensure, on behalf of the Parent Company, compliance with AML/CFT rules and to facilitate supervision by competent authorities, including by providing documents and information on request.

As per above mentioned, Crypto Asset Lab suggests implementing the Part VIII of the Code of Conduct (paragraph 3, c) as follows:

*“Entities which are part of Group, operating in a host jurisdiction in forms other than a branch, and whose Parent Company's HQ is situated in another jurisdiction, will appoint a central contact point in order to ensure, on behalf of the Parent Company, compliance with AML/CFT rules and to facilitate supervision by competent authorities, including by providing documents and information on request.”*

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Hoping that Crypto Asset Lab has provided a constructive contribution to the consultation, it is available for any clarification.

Best regards,

Crypto Asset Lab

Milan, 30th August 2019