

Compliance: money laundering, sanctions and the travel rule

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

Crypto-assets and digital assets raise difficulties of their own in matters of money laundering and sanctions. Their transfer passes through no correspondent bank, takes place within a few minutes and may involve addresses whose holder is not identified. In 2019 the Financial Action Task Force extended its recommendations to virtual asset service providers and imposed on them the travel rule, which requires the transmission of the identification data of the originator and the beneficiary when a transfer is made.¹ FINMA applies this rule to Swiss intermediaries, which must verify the identity of the holder of an external address before any transfer to or from that address.²

International sanctions, examined in Part H, have extended to crypto-assets and digital assets. The measures taken against Russia since 2022 include a prohibition on providing crypto-asset services to Russian persons and entities, which Switzerland has adopted. Sanctions lists now include wallet addresses.³ Blockchain analytics tools make it possible to trace the origin of funds and to identify addresses linked to illicit activities, with a precision that bank transfers do not always offer. Geneva providers make use of them, and prosecuting authorities rely on them to a growing extent.

The Geneva financial centre, which built a demanding compliance culture after the affairs of the 2010s, approaches crypto-assets and digital assets with that culture. Serious institutions accept only identified clients, refuse funds whose origin cannot be established on the chain, apply the travel rule and report their suspicions to the Money Laundering Reporting Office. Although this rigour has a cost and excludes part of the market, it is the condition for crypto-assets and digital assets to become, in Geneva, an ordinary asset class, held by ordinary clients, with ordinary institutions.

1 Notes

1. FATF, “Virtual Assets” (fatf-gafi.org): Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers, 28 October 2021; targeted reports on the implementation of Recommendation 15 of June 2023 (the fourth since the extension of the standards to this sector), July 2024, June 2025 and July 2026; FINMA, press release of 26 August 2019: FINMA Guidance 02/2019 aligned with the FATF standards of 21 June 2019. ↩
2. FINMA, press release of 26 August 2019, “La FINMA publie une communication sur la surveillance relative au trafic des paiements sur la blockchain” [FINMA publishes guidance on supervision relating to payment transactions on the blockchain] (Guidance 02/2019): “information on the originator and the beneficiary of the transaction must be transmitted, as is the case for traditional bank transfers”; “Institutions supervised by FINMA may in principle send cryptocurrencies or other tokens only to external wallets belonging to their own clients”, whose ownership has been verified, and may receive them only from such wallets. ↩
3. Council of the European Union, press release of 6 October 2022 (eighth sanctions package): “a full ban of the provision of crypto-asset wallet, account or custody services to Russian persons and residents, regardless of the total value of those crypto-assets”, removing the earlier threshold of EUR 10,000; on Switzerland’s adoption of the EU sanctions in the Ordinance of 4 March 2022 on measures in connection with the situation in Ukraine (SR 946.231.176.72), see Part H. ↩

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