



NIGMA CEO: "AML Compliance is the Main Challenge for Crypto Businesses and banks in 2020".

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Tracking stolen bitcoins from the 2019 Binance Hack, using e-NIGMA | Credits: NIGMA

If 2020 is a year of uncertain outcomes for cryptocurrencies, it is also clearly the year when regulators make sure that all businesses and banks are implementing strong standards and policies to mitigate their risks.

Now that the European Union's Fifth anti-money-laundering directive ('5AMLD') is supposed to have been brought into effect by member states, and a few months ahead of the deadline for implementation of the Financial Action Task Force (FATF) standards, virtual assets service providers and banks face higher compliance challenges and regulatory oversight. And they may not be aware of it yet.

Cryptocurrencies like Bitcoin are coming under wider scrutiny with international and local regulators taking steps to monitor their use and avoid financial crimes such as money-laundering, terror-financing, tax evasion, scams and hacks. As a result, businesses that are exposed directly or indirectly to these new digital assets now need to implement strong know-your-customer (KYC), due diligence and AML policies and procedures.

"The cost of non-compliance would be far higher"

As part of such procedures, transactions of onboard customers that have funds in cryptocurrency should be monitored and subject to alerts in case of suspicious behavior. Suspicious Activity Reports (SAR) also have to be filed to regulatory authorities as well as trigger a due diligence investigation on the customer.

Such procedures that already exist in the traditional financial sector constitute a new cost for actors of all sizes, though the cost of non-compliance would be far higher.

Hopefully, a few fintech and regtech startups are offering cryptocurrency compliance solutions and services to allow crypto businesses and banks to comply with emerging regulations in a way that fits their specific technical and regulatory needs and budgets. NIGMA in particular, a French - Lebanese startup with offices in Beirut and Paris, has the ambition to offer the full spectrum of KYC, AML and due diligence services and tools both in digital and fiat currencies.

“e-NIGMA helps crypto service providers easily meet their regulator expectations”

To this end, NIGMA relies on research by the Austrian Institute of Technology, partnerships with specialists of fiat money AML/KYC, and in-house big data and dark web intelligence capacities. Using tools like e-NIGMA, digital currency exchanges, wallet service providers or custodians can visualize the history of their clients' transactions, red flags, risky behaviors, and easily meet their regulator expectations, based on their jurisdictions.

Having a foot in Lebanon and a strong business intelligence and investigation team, NIGMA is well positioned in particular to provide insights on Middle-Eastern cryptocurrency news and frameworks. In their exhaustive country-by-country analysis of digital assets and blockchain technology ecosystems, mapping policies, projects and actors both in the public and private sectors, it appears that 8 out of 13 Middle-Eastern countries have banned cryptocurrency services or trading. Only two of them, the UAE and Bahrain, have implemented a solid compliance framework for regulated entities, while the Capital

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البلوكتشين و العملات الرقمية في الشرق الأوسط

CRYPTOCURRENCIES & REGULATION

BLOCKCHAIN APPLICATIONS

INDIVIDUALS 

INSTITUTIONS 

● Favorable

● Neutral or mixed

● Unfriendly

Disclaimer:
This country-by-country study tends towards exhaustivity but needs continuous complementing and updating.

تنصل:
إنها تميل هذه الدراسة بكل دولة نحو الاستفاد ولكنها تحتاج إلى استكمال مستمر وتحديث.

Author: A. Maloux | Date: 07.01.2020

Markets Board of Turkey has recently announced it is developing its own guidelines. In spite of this, NIGMA has identified about 30 digital asset service providers in the Middle-East. Meanwhile, other governments of the region are exploring central bank digital currencies, that also need to be monitored using specific technology.

*“8 out of 13 Middle-Eastern countries have banned
cryptocurrency services or trading”*

At the international level, standards set forth by the FATF — the global financial crime watchdog — are not without challenges. The “travel rule”, a requirement for banks to collect and share personal identification data on their customers in the event of transactions above a specific amount, now needs to be implemented in the cryptocurrency market. But given the architecture of the blockchain technology, a technical solution has yet to be designed. Fabien Tabarly thus decided to take part in InterVASP, a working group of industry actors, to share expertise and start building such a system from scratch.

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