

As of December 18, 2020

REQUIREMENTS FOR CERTAIN TRANSACTIONS INVOLVING CERTAIN CONVERTIBLE VIRTUAL CURRENCY OR DIGITAL ASSETS

Frequently Asked Questions (FAQs)

What is a hosted wallet?

A hosted wallet is a digital account hosted by a third-party financial institution, which allows the account-holder (the user) to store, send, and receive cryptocurrency.

What is an unhosted wallet?

An unhosted wallet is not hosted by a third-party financial system. It can be very difficult or impossible to determine who is accessing or in control of the use of cryptocurrencies in an unhosted wallet. Unhosted wallets allow for anonymity and concealment of illicit financial activity.

How are unhosted wallets being used for criminal activity and who is using them?

Unhosted wallets enable terrorists, state-sponsored and transnational organized criminals and cyber hackers and extorters to quickly and covertly shift large sums of money across the globe to support their illegal activities.

How would today's proposed rule combat criminal activity?

Today's proposed rule would require financial institutions to record information about, and, in some cases report, significant cryptocurrency transactions that also involve unhosted wallets. These new records would allow law enforcement agencies to protect national security by more quickly and accurately tracking money flows to identify and stop terrorist attacks, drug and human trafficking, and cyber crime.

Is an unhosted wallet similar to an anonymous bank account?

Yes, an unhosted wallet is similar to an anonymous bank account, because the only identifier of the holder is a code. The international community has eliminated anonymous bank accounts because of their use in illicit activity.

I have a hosted wallet. How would today's proposed rule impact me?

Today's proposed rule would primarily affect financial institutions that provide hosted wallets. Your wallet host would be required to record information about, and at times report, significant transactions in cryptocurrency that also involve unhosted wallets. Under the proposal, financial institutions would be held to similar standards as those that apply to wire transfers and currency transactions.

Do these proposed rules value innovation?

Treasury has a long history of supporting and promoting responsible financial innovation. Allowing innovation is completely consistent with moving financial transactions from the shadows.

Is the U.S. alone in regulating cryptocurrency?

No. As stated in the last G-7 meeting, our international partners are committed to addressing the risks of anonymous cryptocurrency transactions. The U.S. looks forward to close and continued

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coordination with international partners through institutions like the Financial Stability Board, Financial Action Task Force, G-20, and G-7.

Are the proposed reporting rules similar to the rules for transactions in currency?

Yes. The proposed rule requiring financial institutions to report on cryptocurrency transactions that are more than \$10,000 is similar to existing CTR rules that require the reporting of cash withdraws over \$10,000.

Are the proposed recordkeeping rules similar to those for bank wire transfers?

Yes. The proposed rule is similar to existing rules that establish recordkeeping requirements for wire transfers over \$3,000.

Have we received feedback from the private industry?

Yes. Treasury and FinCEN have engaged with the cryptocurrency industry on multiple occasions on the AML risks presented in the cryptocurrency space and carefully considered information and feedback received from industry participants. The proposed rule includes a notice and comment period to take additional feedback.