

Policy Brief



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Virtual Assets and Global Compliance:

FATF's Update on Standards for VAs and VASPs

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Virtual Assets and Global Compliance: FATF's Update on Standards for VAs and VASPs

Executive Summary

The FATF's 2025 Targeted Update on the Implementation of its Standards on Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs) provides a comprehensive assessment of global progress in applying Recommendation 15 and its Interpretive Note. The sixth review in this series, covering more than 200 jurisdictions within the FATF Global Network, evaluates the extent to which countries have implemented regulatory frameworks to mitigate money laundering, terrorist financing, and proliferation financing risks associated with the virtual asset sector.

The Update reveals that while the number of jurisdictions that have established licensing or registration regimes for VASPs has increased substantially since 2023, significant challenges persist. Only a portion of jurisdictions have demonstrated effective supervision and enforcement, and implementation of the Travel Rule—a key safeguard for information exchange in VA transfers—remains uneven. The FATF emphasises that formal compliance is not sufficient; jurisdictions must ensure the effectiveness of measures to detect, prevent, and disrupt misuse of VAs and related technologies.

The report also addresses emerging technological risks, including the misuse of stablecoins, decentralised finance (DeFi), and AI-enabled fraud, calling for stronger international co-ordination, consistent supervision, and public-private partnerships to keep pace with innovation.

Keywords

FATF, Virtual Assets, VASPs, Recommendation 15, AML/CFT, Travel Rule, Decentralised Finance, Stablecoins, Risk-Based Approach, Compliance, Financial Innovation.

Background

Since 2018, the FATF has progressively expanded its global standards to cover virtual assets and their service providers, recognising the rapid evolution of digital finance and its potential misuse by criminals and terrorists. The 2019 revision of Recommendation 15 and its Interpretive Note established that countries must apply AML/CFT obligations to VASPs in the same way as to other financial institutions. Subsequent guidance documents (2021, 2023) refined supervisory expectations and introduced implementation monitoring through the FATF Virtual Assets Contact Group (VACG).

The 2025 Targeted Update evaluates progress across the Global Network and provides an evidence-based analysis of where regulatory frameworks have matured and where gaps remain. It aims to support jurisdictions in accelerating effective implementation by providing examples of good practices, persistent challenges, and areas for enhanced international co-operation.

Implementation Findings

The FATF's 2025 review finds that nearly two-thirds of jurisdictions have now enacted legislation regulating VASPs, a notable increase compared to 2023. However, the quality and depth of implementation vary widely. In many jurisdictions, the regulatory framework is still limited to registration, without adequate supervision or enforcement mechanisms.

Key findings include:

Most jurisdictions have formally transposed Recommendation 15 into domestic law but differ in the scope of entities covered, particularly regarding DeFi platforms and peer-to-peer service providers.

Supervision remains uneven: while some advanced jurisdictions have established risk-based supervisory systems, others lack resources or expertise to assess compliance effectively.

Implementation of the Travel Rule—requiring VASPs to exchange sender and recipient information during VA transfers—remains limited, with less than half of jurisdictions demonstrating operational compliance.

A minority of jurisdictions have conducted thematic inspections or enforcement actions to verify real-world effectiveness.

Overall, the FATF notes improvement in legal alignment but continuing deficiencies in effectiveness and cross-border co-operation.

Emerging Risks and Technological Developments

The Update identifies several emerging risks requiring immediate policy attention:

Stablecoins: Increasing adoption of stablecoins for cross-border payments introduces systemic risks, especially when issuers or intermediaries operate without clear regulatory oversight.

Decentralised Finance (DeFi): DeFi protocols often blur the distinction between users and providers, complicating the identification of obliged entities. FATF urges countries to clarify regulatory responsibilities and ensure accountability.

AI and Deepfakes: The report warns that generative AI tools can be used to fabricate identities or create synthetic transactions, enabling large-scale fraud and social engineering schemes.

Cross-Border Supervision: Fragmented regulatory approaches hinder consistent enforcement. FATF calls for greater information exchange among supervisors and the use of common data reporting formats.

The Update underscores that addressing these risks requires innovation-friendly regulation that balances financial inclusion and technological progress with integrity and security.

Recommendations and Policy Directions

Based on its analysis, the FATF outlines several strategic priorities:

Accelerate Implementation: Jurisdictions yet to implement Recommendation 15 are urged to enact legislation and establish effective supervisory authorities without delay.

Enhance Effectiveness: Authorities should move beyond registration to active supervision, risk-based inspections, and proportionate sanctions for non-compliance.

Strengthen Cross-Border Co-operation: FATF encourages jurisdictions to use supervisory colleges and information-sharing platforms to align approaches and reduce regulatory arbitrage.

Apply the Travel Rule Consistently: Countries should work with industry stakeholders to operationalise technical standards for secure data exchange.

Promote Public-Private Dialogue: Engaging VASPs, technology providers, and compliance specialists fosters understanding of new risks and supports innovation within compliant frameworks.

FATF will continue monitoring implementation through follow-up surveys and will issue a further progress report in 2026.

Implications for Jurisdictions

The FATF's 2025 Targeted Update delivers a clear and urgent message: regulatory adoption marks only the beginning of an effective response. Mitigating the risks associated with VAs and VASPs requires not only sound legislation but also consistent supervision, robust enforcement, and sustained international coordination.

To translate commitments into tangible results, jurisdictions are encouraged to:

- Integrate VA/VASP oversight into the broader financial supervision ecosystem, ensuring that AML/CFT principles are applied consistently across both traditional and digital sectors;
- Develop comprehensive national strategies for monitoring technological developments, market dynamics, and emerging typologies of misuse, allowing authorities to anticipate rather than merely react to risks;
- Engage actively in multilateral and regional mechanisms—including the FATF, the Egmont Group, and FATF-Style Regional Bodies (FSRBs)—to facilitate intelligence exchange, mutual evaluations, and the dissemination of best practices;
- Invest in specialised training and technological tools for supervisors, Financial Intelligence Units (FIUs), and law enforcement agencies, particularly in the handling, analysis, and preservation of digital evidence.

The Update underscores that compliance must evolve from a procedural exercise into a results-oriented process, where the effectiveness of measures can be demonstrated through measurable outcomes—such as successful prosecutions, asset recoveries, and disruption of illicit financial flows. Ultimately, FATF signals that the future credibility of the global AML/CFT system will depend on its ability to adapt to digital innovation while maintaining proportionality, transparency, and accountability.

Concluding Remarks

The FATF's 2025 Targeted Update reflects a maturing regulatory landscape for virtual assets and service providers but also exposes enduring implementation gaps. While the majority of jurisdictions have taken significant legislative steps, effective supervision, enforcement, and technological adaptation remain priorities. By focusing on results rather than formal compliance, the FATF reinforces its strategic objective of ensuring that innovation does not come at the expense of financial integrity.

Looking ahead, the FATF will continue to guide members through enhanced peer reviews, thematic guidance, and technical assistance. Sustained collaboration among governments, regulators, and industry will be essential to safeguard the evolving digital financial ecosystem.

Further Reading

- FATF (2025), Targeted Update on Implementation of the FATF Standards on Virtual Assets and Virtual Asset Service Providers ([link](#))