P2140.3

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Root PAR: P2140.3 Approved on: 21-Mar-2019

1.1 Project Number: P2140.3
1.2 Type of Document: Standard
1.3 Life Cycle: Full Use

2.1 Title: Standard for User Identification and Anti-Money Laundering on Cryptocurrency Exchanges

3.1 Working Group: Cryptocurrency Exchange Working Group (CES/BSC/CEWG)
Contact Information for Working Group Chair
Name: Daozhuang Lin
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None

3.2 Sponsoring Society and Committee: IEEE Consumer Electronics Society/Blockchain Standards Committee (CES/BSC)
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4.1 Type of Ballot: Entity
4.2 Expected Date of submission of draft to the IEEE-SA for Initial Sponsor Ballot: 05/2021
4.3 Projected Completion Date for Submittal to RevCom
Note: Usual minimum time between initial sponsor ballot and submission to Revcom is 6 months.: 05/2022

5.1 Approximate number of entities expected to be actively involved in the development of this project: 10
5.2 Scope: This standard defines requirements for multiple aspects of user identification and Anti-Money Laundering on cryptocurrency exchanges, such as KYC (Know Your Customer) and AML (Anti-Money Laundering) regulations, outsourcing proper compliance measures to third-party solutions, and building up a self-regulatory layer of security and accountability among exchanges. It is to keep customers from malignant influence of unethical and illegal money that can be traced back inside/outside the cryptocurrency space. It is different from the P2140.2 standard, which is based on the protection of customer cryptographic assets.

5.3 Is the completion of this standard dependent upon the completion of another standard: No
5.4 Purpose: Unlike the purely technical normative standards, this standard focuses on reaching a consensus from a business perspective, especially with the aim of identifying customers accurately and keeping them from dirty money in the process of cryptocurrency exchanging. The adoption of a unified approach promotes the capability of user identification, the quality of service, the governance structures suitable for conducting strict compliance procedures on cryptocurrency exchanges, in accordance with regulatory requirements, and develops a cooperative and healthy ecosystem for the cryptocurrency market.

5.5 Need for the Project: Cryptocurrency exchanging is among the fastest growing blockchain verticals progressing from the first widely recognized cryptographic coin Bitcoin, to the smart contract platform Ethereum and EOSIO.
A cryptocurrency exchange or a Digital Currency Exchange (DCE) is a platform that allows customers to trade cryptocurrencies or digital currencies for other assets, such as conventional fiat money or other digital currencies. They can be market makers that typically take the bid-ask spreads as transaction commissions for their services or simply charge fees as a matching platform. Know Your Customer (KYC) is a
policy implemented by banks, financial institutions, and other regulated companies to obtain information and confirm a customer's identity. Anti-Money Laundering (AML) is a set of procedures, laws, and regulations designed to stop the practice of generating income through illegal actions and suspicious activity including terrorist financing, securities fraud, and market manipulation. Currently, there is a lack of standard concerning KYC and AML in the crypto world, unlike in traditional markets. The fact of unacceptably long KYC procedure, high compliance costs and regulation absence helps explain why cryptocurrency exchanges do not take their policies seriously. Traders can use cryptocurrency pairs to profit from the highly volatile currency rates. And there is about a 20 billion US$ trade volume totally per 24h all over the world, which are made by 2000+ cryptocurrencies flowing in 200+ exchange markets. But while consumers pay for the exchanges, they are not adequately protected from malignant influence of unethical and illegal money. In such a huge value transferring process, each exchange has its own KYC and AML operational policies and procedures, including much diversity of options, like photo ID, written certificate, bank card/account verification, mobile phone, selfie, utility bills, etc. It's very necessary and urgent to develop standards for cryptocurrency exchanges to identify users and do AML efficiently, truly enabling the industry to self-police without stifling innovation. With a series of standards regarding cryptocurrency, exchanges and other blockchain companies may voluntarily become validated for taking measures to be progressive in their compliance procedures as the leaders and visionaries before regulators implement their requirements.

5.6 Stakeholders for the Standard: The universality and practicality of this standard relates to not only cryptocurrency exchange operators, but also to the market makers, blockchain projects teams, media, public/private investors, and others including but not limited to entity/individual traders who are interested in profit from ordinary investment to high-frequency trading and require a fair, friendly, transparent, orderly and safe environment.

Intellectual Property
6.1.a. Is the Sponsor aware of any copyright permissions needed for this project?: No
6.1.b. Is the Sponsor aware of possible registration activity related to this project?: No

7.1 Are there other standards or projects with a similar scope?: No
7.2 Joint Development
   Is it the intent to develop this document jointly with another organization?: No

8.1 Additional Explanatory Notes: Section 4.1 SPONSOR BALOTTING INFORMATION has been changed from Individual to Entity. IEEE P2140.2 Standard for Security Management for Customer Cryptographic Assets on Cryptocurrency Exchanges