



# REGULATORY MONITORING

Frequently Asked Questions

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# GENERAL QUESTIONS

1. Is the product already launched or coming soon?

The product is available since October 8th, 2018.
2. Is the solution compliant with the Mastercard regulation?

Mastercard in general does not provide any legal feedback on legal opinions, but has agreed that the structure of the opinions fully comply with the requirement outlined in the AN 1695 (Addition of Cryptocurrency Merchants to the BRAM Program and Revised Standards – Cryptocurrency Merchant Registration).
3. What is Regulatory Monitoring?

It's a product which allow to comply with Mastercard regulations regarding cryptocurrency merchants described in the AN 1695 (Addition of Cryptocurrency Merchants to the BRAM Program and Revised Standards – Cryptocurrency Merchant Registration). Regulatory Monitoring is based on legal opinions database managed by Wołoszański & Partners Law Firm, which is also responsible for cooperation with partner law firm from all over the world. Legal opinions have been prepared by reputable law firm located in each country where cryptocurrency activity will occur or be offered to cardholders. Numerous of our partner law firms have been ranked by the Legal 500 as well as Chambers and Partners as the most outstanding law firms, what guarantees their expertise. Apart from the legal opinions Regulatory Monitoring allows to be compliant with AN 1695 also with regard to evidence of legal authority and effective controls (including effective age and location verification).
4. Why do I need this product?

All merchant classified as cryptocurrency merchants must be fully compliant with AN 1695 (Addition of Cryptocurrency Merchants to the BRAM Program and Revised Standards – Cryptocurrency Merchant Registration), otherwise they do not fulfil Mastercard BRAM requirements.

5. **How do I find out if a merchant meets the requirements?**  
As a part of Regulatory Monitoring service Web Shield conducts Merchant Classification, which in particular consists of monthly Reputation Monitoring, monthly Blacklist Monitoring and a quarterly KYC Check
- As a result, if all criteria are met, Web Shield issues for each merchant a Certificate of Compliance valid for one year. If the requirements are not met, Web Shield prepares a Compliance Report which describes the missing information and/or documents required to complete the analysis.
6. **Do you plan to update legal opinions from time to time? What's the cost?**  
Yes, exactly. All legal opinions are updated at least once a quarter, so we are aware of changes in applicable law. Updates do not generate additional costs for clients and are included in the offered price.
7. **What countries are supported in Europe?**  
30 countries – all 27 EU Member States as well as Liechtenstein, Ukraine and the UK: Austria · Belgium · Bulgaria · Croatia · Cyprus · Czech Republic · Denmark · Estonia · Finland · France · Germany · Greece · Hungary · Ireland · Italy · Latvia · Lithuania · Luxembourg · Malta · Netherlands · Poland · Portugal · Romania · Slovakia · Slovenia · Spain · Sweden · United Kingdom · Liechtenstein
8. **What countries are supported outside Europe?**  
Currently 16 countries: Australia · Brazil · Canada · India · Japan · Malaysia · Mexico · Nigeria · Oman · Russia · Singapore · South Africa · Taiwan · Thailand · Turkey · USA
9. **Do I have to buy the product for all available countries?**  
Regulatory Monitoring is currently offered in different configurations:  
1) Full Package (currently 46 countries)  
2) Customized Package (only countries chosen by the client)
10. **Is it possible to buy a product in a customised configuration e.g. only for five selected countries?**  
Customized package is available only for payment acquirers.

11. **Why is the product so expensive?**  
No, it's not expensive. Please note how low is the monthly cost for covering a single European jurisdiction. Moreover, periodic updates of legal opinions are included in the price of subscriptions, so may rest assured that you are always compliant.
12. **Can you offer me a discount?**  
If you are an acquirer in case of upfront payment for the 12-month subscription the price will be reduced by 5% (important – this discount does not apply to merchants).
13. **Are you going to offer Regulatory Monitoring for other high-risk activities?**  
We are currently monitoring the demand for preparation of Regulatory Monitoring for trading activities outlined in the AN 1683, it depends on our clients' needs.
14. **What is the process for setting the Regulatory Monitoring?**  
After receiving the contract, your account will be updated with the "Regulatory Monitoring" Dashboard. This takes about one week. The system will then generate the necessary legal opinions in the name of the account holder, and you will have access to the library per country. From our side the current situation per jurisdiction is monitored and if relevant changes occur, the opinion will be updated, and a notification made available (via email and dashboard). If no changes occur during a 12-month period, the legal opinion will automatically be updated and newly generated.
15. **What are "effective controls"?**  
The "effective controls" on the one side relate to the age and location verification of end-users. Here the acquirer needs to verify IF and WHEN an age verification or KYC process is conducted (which can be achieved by either requesting the confirmation of the KYC provider such as Isignthis, IDNow or Web ID or using the InvestiGate On-Boarding Solution, where this check is conducted in context with our full case service). In case of a regulated entity, this is also part of the license approval process and acquirers in this context usually rely on the license as a sufficient confirmation.

The requirement that the effective controls “are reasonably designed to ensure that the merchant’s high-risk securities / cryptocurrency business will remain within legal limits (including in connection with cross-border transactions)” is applicable if the acquirer is NOT in charge of the transaction risk management (which would e.g. be the case if a PSP or Payment Facilitator is engaged as an intermediary). Here the acquirer would need to receive a confirmation, that transactions from all countries are blocked, where the service would be illegal or where NO legal opinions have been obtained from or where the service would be illegal. In all other cases, the acquirer has this kind of obligation and would produce the proof through their transaction monitoring policies and the legal opinions they have obtained.

16. What is the “Evidence of Legal Authority”?

The “Proof of Legal Authority” is the first part of Mastercard’s AN 1695 Regulation. It states:

1. **Evidence of legal authority.** *The acquirer must obtain from the merchant: a copy of the merchant’s license (or similar document), if any, issued by the appropriate governmental (for example, state or tribal) authority in each country where the merchant’s cryptocurrency activity will occur or be offered to cardholders, that expressly authorises the merchant to engage in such trading activity;*

*The acquirer must provide an updated license(s) to Mastercard prior to expiration. If an acquirer is unable to obtain an updated license, then the acquirer must cease processing applicable cryptocurrency transactions from such merchant until the acquirer is able to provide an updated license to Mastercard.*

For merchants registered in a jurisdiction where the provided service is regulated (e.g. by the financial supervisory authority) the “Evidence of legal authority” would be the license (in general it would already be sufficient to verify if the merchant is listed on the white list of the regulators’ website). For merchants registered in a jurisdiction where the provided service is NOT regulated, a “similar document” needs to be obtained. This is usually the legal expertise or legal opinion that the merchant has obtained from its lawyer (explaining in detail what services are offered and who these relate to the local laws in that jurisdiction).

On the basis of either of these documents our legal team is able to make the conclusion that the offered business types apply to those outlined in each legal opinion (and in the end enables us to include the merchant name into each legal opinion).

17. Could you please recommend us a qualified independent third party, which could cover other Mastercard requirements?

No, unfortunately we are not aware of a competitor who is providing these kinds of services.

18. Is there a trial or test period available?

For Regulatory Monitoring there is unfortunately no trial or test period available, as the legal opinions are valid for one years' time. That's also why we the contract period has a minimum of 12 months.



# ANSWERS FOR MERCHANTS

1. We are in need of legal opinions addressed to several acquirers. Will this be included in the price?

The contract only includes the creation of legal opinions for one acquirer (as this needs to be setup individually with every law firm in each supported jurisdiction which is unfortunately not a scalable process). Therefore, every additional acquirer is charged at the same rate but with a 10 % discount for each acquirer (up to a maximum of 50 %). Please see the table below for an example:

<b>Number of subscriptions</b>	<b>Discount</b>	<b>Annual Fee:</b>	<b>Subscription</b>
subscription for 1 acquirer	0%	1200,00 EUR*	
subscription for 2 acquirers	20%	1920,00 EUR*	
subscription for 3 acquirers	30%	2520,00 EUR*	
subscription for 4 acquirers	40%	2880,00 EUR*	
subscription for > 5 acquirers	50%	3000,00 EUR*	

\*Example Prices

2. Can you offer me a discount?

In case of ordering subscription for Regulatory Monitoring for more than one Acquirer, the 10% discount applies to each additional Acquirer, provided that the maximum discount does not exceed 50%. [please see details in point 1) above]

3. Is it possible to buy a product in a customized configuration e.g. only for five selected countries?

Yes, it is possible.