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Ms. Violaine Clerc
Executive Secretary
Financial Action Task Force
2 Rue André Pascal
75116 Paris, France

Submitted electronically: FATF.Publicconsultation@fatf-gafi.org

Subject: IIF Response to Second Public Consultation on Recommendation 16 on Payment Transparency

Dear Ms. Clerc:

The Institute of International Finance (IIF)¹ welcomes the opportunity to respond to the FATF's second consultation on Recommendation 16 (**Rec. 16**). The IIF and its member institutions recognize the importance of this initiative in ensuring that standards for payments remain relevant in today's rapidly evolving global payments ecosystem.

The payments landscape has transformed significantly in recent years, with the emergence of new payment service providers, innovative technologies, and modernized business models. As such, we fully support the FATF's commitment to transparency, technology neutrality, and the principle of creating a level playing field through 'same activity, same risk, same rules.'

We further acknowledge the critical objective of Rec. 16 to prevent illicit actors from exploiting payment systems and to ensure that essential information on originators and beneficiaries of transfers is available to law enforcement, financial intelligence units, and financial institutions. This transparency is vital for detecting suspicious activities and implementing targeted financial sanctions effectively.

Having previously responded² to the FATF's initial consultation on Rec. 16, we appreciate that many of our recommendations have been incorporated into the revised proposal.

We would, however, wish to reiterate the concerns expressed in our earlier response on several aspects, namely:

¹ The IIF is the global association of the financial industry, with about 400 members from more than 60 countries. The IIF provides its members with innovative research, unparalleled global advocacy, and access to leading industry events that leverage its influential network. Its mission is to support the financial industry in the prudent management of risks; to develop sound industry practices; and to advocate for regulatory, financial, and economic policies that are in the broad interests of its members and foster global financial stability and sustainable economic growth. IIF members include commercial and investment banks, asset managers, insurance companies, professional services firms, exchanges, sovereign wealth funds, hedge funds, central banks, and development banks.

² <https://www.iif.com/Publications/ID/5768/IIF-Consultation-Response-to-FATF-Recommendation-16-on-Payment-Transparency>

- **Cost:** In our view, implementing the revised Rec. 16, even on the lengthened timeline, will increase costs significantly relative to baseline. We do not agree that certain elements will be cost neutral overall.
- **Data minimization:** Further work could be done to reduce the overall level of data that is expected to flow with value flows, in order to adhere more closely to the principle of data minimization.
- **Consistency of implementation:** Banks and card networks alike are concerned about the prospect of implementation through national rules that take divergent technical approaches and accordingly demand different technical solutions. To the extent possible, we would ask that FATF and its members prioritize recommendations and accompanying guidance that, if not leading to a uniform technical implementation, at least strive towards consistency of implementation, respecting the need for FATF's recommendations to be principles-based, technology neutral and in line with "same activity, same risks, same rules".

We would like to offer the following specific observations and recommendations for the second public consultation:

A. Objective

The expansion of Para. 1(c) to include "resolutions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing" appropriately updates the objectives to reflect the full scope of applicable United Nations Security Council resolutions (UNSCRs).

We welcome the addition of footnote 47, which states that "Recommendation 16 does not specify whether or how the information transmitted should be screened against sanction lists." This is a useful clarification that will help reduce unnecessary payment friction, particularly for instant payment systems. To further align with the G20 objectives of faster, cheaper and more transparent payments and in the interests of ensuring a level playing field, we would suggest the addition of the words, "contributing to a situation of fair competition between payment means and/or avoiding unfair exclusion."

We would also note the close connection with the work of the Financial Stability Board in seeking to foster harmonization of data standards in the areas of sanctions and cross-border payments.

B. Scope

Paragraph 4's requirement for structured information "in accordance with the established standards of the system used such as ISO 20022" is appropriate, though we suggest adding "or ISO 8583, for card-based financial transactions, among others" to better acknowledge the well-established dual standards environment and the potential future emergence of new payment solutions, instruments and standards in the payments industry. This addition would align with our previous recommendation to ensure that FATF standards do not cut across existing data standards that work well in their respective domains.

C. Information Requirements

De-minimis thresholds:

The revised text provides clear differentiation between requirements for transactions below and above the *de minimis* threshold, and between domestic and cross-border transfers. This structured approach

appropriately recognizes the varying risk profiles across different transaction types and reflects the feedback we and others provided on the need for proportionate requirements based on risk.

As a general point, we would recommend harmonizing thresholds across different transaction types and roles in the payment chain. Having different *de minimis* thresholds for originating, beneficiary, and intermediary financial institutions would create unnecessary complexity and could undermine the effectiveness of financial crime prevention efforts. A consistent threshold approach would simplify compliance, reduce operational friction, and support the principle of “same activity, same risk, same rules” that is central to FATF’s and the G20’s objectives. This consistency would be particularly valuable for payment systems involving multiple participants operating across different jurisdictions. We request that this be clarified in the final draft and that FATF strike a single threshold or thresholds across payment types, at (say) \$5K, which would align with the general threshold for reporting Suspicious Activity Reports in the U.S.. Consideration should also be given to index such a threshold over time.

Para. 7 clarifies that cross-border cash withdrawals are excluded from the *de minimis* threshold exemption, reflecting their supposed higher risk profile. The industry does not view cross-border ATM withdrawals, particularly low-value transactions, as presenting high risk for money laundering violations. The proposed requirements would place a significant compliance burden on industry to target what appears to be a narrow and potentially regional problem, with possible negative consequences for financial inclusion. We would consequently ask that FATF consider again an exemption for low-value cross-border cash withdrawal transactions. The level of the threshold could be set to balance considerations of regulatory objectives on the one hand with reducing compliance costs, with likely benefits to financial inclusion, data minimization and risk responsiveness.

Information requirements above the *de minimis* thresholds:

For payments and value transfers above the *de minimis* threshold (Para. 8), we support the further refinement of the information requirements, including the removal of place of birth and customer identification number, partly for data minimization reasons.

In terms of the provision of the originator/beneficiary’s address as required in item (c) we would ask the FATF to consider providing additional guidance and clarification on the data set required in order to support standardization of address requirements, considering that currently there are different interpretations of the data set required which leads to considerable additional cost and effort for the industry.

We also remain concerned about the inclusion of date of birth in item (d). Although valuable for identification purposes, this requirement may create significant challenges in jurisdictions where birth dates are not consistently recorded or verifiable. The final guidance should provide clear alternatives for situations where other information allowing the identification of the payee is already exchanged (i.e. customer IDs) or when such information cannot be reliably obtained, to prevent unnecessary implementation costs and unintended financial exclusion. There may also be cases where transmission of these data without client consent is contrary to national law (e.g., privacy or banker-client confidentiality), and client consent has not been obtained. Further, we believe the final draft warrants clarification that receiving banks and PSPs are not responsible for verifying whether identifying information (such as originator address or date of birth) has been input correctly or whether an exception applies.

We are supportive of the separate treatment of *de minimis* domestic transfers in Paras. 9-10. Our members' understanding is that for domestic payments above the *de minimis* threshold, only the originator's address is required, within 3 business days, and not the beneficiary's. We would appreciate clarification that this is the intent.

The revised Para. 11 newly includes that the information should be made available by the ordering financial institution within three business days of receiving the request either from the beneficiary or intermediary financial institution or from appropriate competent authorities. From our point of view, including the intermediary financial institution does not really add value to the process and is not efficient. It should be the responsibility of the beneficiary bank to get the missing information directly from the originator bank of the transaction.

Financial institution-to-financial institution transfers, net settlements and batch transactions:

Para. 12 maintains the appropriate exemption for financial institution-to-financial institution transfers where both the originator and beneficiary are financial institutions acting on their own behalf.

We strongly support the changes made to Para. 13 regarding net settlements and the clarification that "information about the underlying transactions is not required to accompany the net settlement" while still affirming that "the relevant requirements of Recommendation 16 do apply to the underlying transactions themselves." We believe this strikes an appropriate balance and directly addresses a major concern from the first consultation by confirming that intermediary FIs are not required to unbundle payments, while ensuring the underlying transactions remain subject to appropriate controls along their respective payment chains.

Card payments:

We appreciate that FATF has responded to our concerns about the disproportionate costs of the original proposal. Para. 15's approach requiring card numbers to accompany transfers and making issuer/acquirer information available upon request (rather than with every transaction) is substantially improved from the previous version and allows for greater operational feasibility.

Footnote 52, which specifies that information can be made available "with the assistance of the relevant card network," establishes a feasible implementation pathway that leverages existing systems rather than requiring new, and potentially costly, infrastructure. However, we would support a clarification that card networks are only able to make information available to their direct customers (except in the case of lawful demand).

The addition of footnote 50, which clarifies the meaning of "purchase of goods or services" by referring to "purchases from individuals/entities who are onboarded by the relevant financial institution," is preferable to attempting to define "merchant" as originally proposed. This approach aligns better with existing market practices.

We support the clarification in Para. 16 that when cards are used for other types of transfers (e.g., person-to-person), they are subject to the standard information requirements for such transfers.

Relatedly, we believe that applying different standards to transactions conducted with non-card payment instruments—often based on instant payments—could undermine the objective of promoting a level playing field and the principle of "same activity, same risk, same rules."

We tend to disagree with the assertion that the use cases and core characteristics in instant or faster payments necessarily have risk profiles and control mechanisms distinct from those involving card

transactions, especially as many payment instruments based on instant payment leverage card elements, such as the acceptance technology, which brings about similar information restrictions.

Therefore, we believe that what is deemed sufficient for card transactions could similarly apply to other payment instruments in appropriate cases. Otherwise, this differential treatment could stifle innovation and restrict the availability of alternative payment options, ultimately reducing competition and adversely affecting the cost, speed, and accessibility of payment services.

In light of these concerns, it is our view that the exemptions granted to card transactions, particularly those outlined in paragraphs 15 and 16 of Rec. 16, should be able to be extended by national authorities in the exercise of their discretion to encompass any transaction for the purchase of goods or services initiated through any payment instrument, where the principle of “same activity, same risk, same rules” can be satisfied (for example, in light of the rigor of onboarding requirements for merchants and other characteristics). To ensure consistency, a clear definition of “payment instrument” could be incorporated into the glossary. We note there is a definition of payment instrument in the European Union’s Second Payment Directive (PSD2).³

Cash withdrawals:

We appreciate FATF’s effort to address the specific risks of cash withdrawals while limiting the scope of requirements. We support the clarification in Para. 18 that domestic cash withdrawals are exempt from additional information requirements beyond the account number or card number.

We would suggest that the concept of a cross-border cash withdrawal in the chapeau to Para. 19 could be more clearly defined, and would suggest an approach based on the relationship between the jurisdiction where the account is maintained and the physical location where the withdrawal occurs.

For cross-border cash withdrawals, FATF should consider replacing the proposed requirement to provide the cardholder name within 24 hours (Para. 19b) with a requirement to make the name available only when needed, i.e. when requested by the recipient financial institution following the identification of suspicious activity by law enforcement. A general requirement to send the name of the cardholder to the acquiring financial institution in case of cross-border cash withdrawals would lead to a disproportionate cost:benefit ratio and considerable data privacy concerns, including in cases where cross-border data export is problematic due to differences in privacy protections. We propose that Para. 19(b) be redrafted as follows:

“Recognizing the principle of data minimization, the name of the cardholder should be sent by the card issuing bank to the relevant scheme operator for them to pass on to the acquiring financial institution within 24 hours, only upon request and upon the acquiring financial institution providing data on the transaction they would like information on. It is recognized that the role of the acquiring financial institution is solely to satisfy the law enforcement request for information. It is not necessary for this information to be attached directly to the card or to the authorization message.

³ According to which, ‘payment instrument’ is defined as a personalized device(s) and/or set of procedures agreed between the payment service user and the payment service provider and used in order to initiate a payment order.

Lastly, as to timeliness, the time limit for a response in Para. 19(b) is too strict and could prevent necessary validations, for example regarding the admissibility of the request. We suggest the wording be changed to: “reliably and without undue delay.”

For the bracketed requirements in Para. 19(c), we would suggest that the information requirements be streamlined to reduce implementation complexity. In particular, we recommend reconsideration of item (iii) requiring the “date of birth of the cardholder” for the same reasons expressed above regarding potential financial exclusion risks. We would also suggest it be clarified which entities are entitled to request the information referred to, and for which purposes, in the interests of data minimization.

In our view, the purposes for which the acquiring institution can demand any data under these provisions should be limited to financial crime purposes (and not, for example, to create databases for unrelated commercial or surveillance purposes).

D. Responsibilities of Ordering, Intermediary and Beneficiary Financial Institutions Including MVTs

We appreciate the clarification in footnote 55 that the responsibilities set out in this section do not apply to cash withdrawals and card payments for purchase of goods or services. Nevertheless, as stated above, the card exemption should be extended to transactions with payment instruments for the purchase of goods and services.

While important for addressing virtual account number transparency, the addition of Para. 20 providing that “account numbers should not be used for obscuring the identification of the country where the accounts holding the originator and beneficiary’s funds are located,” could benefit from clearer guidance and, in particular, how it is integrated with established account numbering schemes such as IBANs.

Ordering (debtor) financial institution:

Reworded Para. 21 provides that cross-border payments or value transfers above the *de minimis* threshold must contain required and accurate originator information and required beneficiary information. However, this wording seems to confuse the payment or value transfer with the payment messages which could be sent separately. “Be accompanied by” or similar language would be preferable. The same point applies to Para 22.

Para. 23 introduces pre-validation mechanisms “such as confirmation/verification of payee” for cross-border payments above the *de minimis* threshold. We support ordering institutions having the option to verify beneficiary information before payment initiation, which is aligned with the industry’s proactive approach to fraud prevention. We would, however, not support making the permissive language in this Recommendation mandatory.

Indeed, we have significant concerns about the possibility of national authorities making pre-validation mechanisms referenced in Para. 23 mandatory notwithstanding the clearly permissive language of the Recommendation. These systems are not widely available across jurisdictions, and there is no standardized way to communicate an ordering FI’s validation to the beneficiary FI. Beneficiary banks may not be entitled to place reliance on ordering banks’ validations in any case. Both pre-validation and post-validation approaches present operational challenges, with important distinctions between post-validation (prior to settlement) and post-settlement verification that should be addressed.

We recommend either eliminating this specific reference in favor of existing controls (KYC, merchant onboarding, fraud screening, etc.) or adopting a clearly optional, risk-based approach to verification on a post-settlement basis.

Beneficiary (creditor) financial institution:

We support the clarification in Para. 31 that the intended scope is limited to cross-border payments or value transfers above the *de minimis* threshold.

The flexible approach taken toward verification of alignment between the beneficiary name and account number “if the beneficiary information has not already been checked by a pre-validation mechanism” in Para. 32 creates a logical division of responsibility that prevents duplicative checks while ensuring verification occurs at some point in the payment chain.

We note that Para. 32 does not have the effect of overriding the essential data for crediting payments (such as the account number, beneficiary name, or any other combination of identifiers), which depends strongly on the regulatory framework in each jurisdiction.

Across Paras. 23 and 32, we appreciate the risk-based approach being considered. As well, we agree with the scope of alignment checks being limited to name and account number, which will help maintain security while ensuring processing efficiency.

We would note that, in the case of legal entities, the many variations of spelling of terms such as “Inc.”, “Inc”, “Incorporated” and the like may create significant payment fail rates if account name matching is too exacting. We understand that “aligns with” as used in Para. 32 does not require exact matches and would appreciate that clarification.

In addition to the specific comments to the second public consultation outlined above, we would like to offer several additional general comments and suggestions:

Implementation Timeline and Approach

We welcome FATF’s acknowledgment of the need for a phased implementation approach, as we advocated in our previous submission. The suggestion of implementation by 2030 (3-4 years after FATF Guidance) appears reasonable subject to local law considerations and recognizes the significant technical challenges involved, particularly given the parallel implementation of ISO 20022 standards.

We recommend the 2030 target for the implementation timeline be kept flexible taking into account the following considerations:

1. When FATF members finalize the Recommendation.
2. Alignment with existing operational improvements across payment systems
3. The need to allow 18-24 months for each jurisdiction to implement the recommendations into local requirements (where a gap exists), and the possibility this may slip.
4. Prioritization of changes that deliver the greatest security benefits with minimal disruption
5. Special consideration for requirements affecting ATM networks and specific payment instruments, which may require additional time given the nature and scale of their operations
6. Allowing for a flexible implementation schedule where innovative technological solutions (such as privacy enhancing technologies) can be developed and deployed
7. There may be time needed also for FATF-mandated implementation working groups to engage with relevant stakeholders to determine uniform implementation processes, where feasible.

It should be obvious that the whole process will take several years from the point of the Recommendations being finalized. We emphasize that successful implementation will require the cooperation of all participants in the payment ecosystem, including banks, non-bank PSPs and card networks. For requirements related to cash withdrawals and card payments, it is expected that card networks will need to play an important role in facilitating information exchange in a systematic and structured manner. Industry-wide coordination will be essential to achieve a consistent implementation approach that minimizes costs and operational disruption.

Conclusion

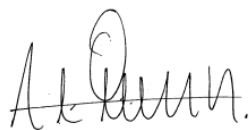
We are encouraged that the revised proposal suggests that the FATF has carefully considered feedback from the first consultation and has made substantial improvements to balance security needs with operational feasibility. The changes generally reflect a more proportionate and risk-based approach that better aligns with the objective of making cross-border payments faster, cheaper, more transparent, and more inclusive, while maintaining their safety and security.

While we believe there remain several areas where further refinement is needed, particularly related to date of birth requirements and cross-border cash withdrawal information, we are encouraged by the direction of the revisions and FATF's openness to stakeholder input.

The proposals come at a time of heightened awareness of, and urgency around, the scourge of fraud and scams, and divergent proposals globally to impose measures to improve the detection, disruption and remediation thereof, as well as to allocate liability and responsibility among relevant actors such as FIs, telcos and social media platforms, among others. We would urge the FATF to engage closely with other standard-setting bodies including the FSB and CPMI so that gaps in tackling this issue are addressed, respecting their various mandates.

The IIF and its members appreciate the opportunity to provide these comments and would welcome further engagement on these important issues as the proposals are finalized. If you have any questions or would like to discuss our comments in greater detail, please do not hesitate to contact the undersigned, as well as Martin Boer (mboer@iif.com), Laurence White (lwhite-advisor@iif.com), and Melanie Idler (midler@iif.com).

Sincerely,



Andrés Portilla
Managing Director, Regulatory Affairs



Jessica Renier
Managing Director, Digital Finance