Q.1 – Do you support FATF's proposal above? If so, which option will be better and why? If you do not support FATF's proposal, please explain why. Are there any appropriate alternative proposals to ensure transparency, adequate AML/CFT controls and level playing field while minimising the unintended consequences?

The GIFCS supports the above proposal and prefers Option 1, with certain cash transactions remaining outside the scope of the Recommendation. We consider that this best minimises the unintended consequences of these revisions, and ensures access to cash transactions for residents of small states. We also make further comment on the inclusion of cash within the Recommendation in question 6.

Q.2 – Are there any important aspects that the FATF needs to consider in finalising the revisions to R.16 and working on FATF Guidance on payment transparency in order to facilitate consistent implementation of FATF Standards between jurisdictions, based on considerations such as feasibility of the proposals, timeline of implementation and mitigation of unintended consequences such as disproportionate impact on cost, financial inclusion, and humanitarian considerations?

The FATF should continue to place financial inclusivity at the heart of its decision-making, recognising its centrality to the G20 Priority Action Plan on cross-border payments. The revision should take into consideration the limited resources of small states and the cascading effect on the acquisition and implementation of the required technological solutions to comply with the revised recommendation, including the necessary resources and a reasonable timeline for implementation.

Q.3 – Which data fields in the payment message could be used to enable financial institutions to transmit the information on 'the name and location of the issuing and acquiring financial institutions' in a payment chain? If appropriate data fields or messaging systems are not currently available, how could they be developed and in what timeframe?

For all transactions which fall in scope:

Sender - Full name of individual or institution

Address: This may depend on value transfer type. For VASPs IP address, wallet, and permanent residential address.

Beneficiary – Full name of individual or institution

Address: This may depend on value transfer type. For VASPs IP address, wallet, and permanent residential address.

Purpose of transaction.

Special consideration needs to be given to the protocols, including the data fields, that would help track the holder of a prepaid card.

Q.4 –	*Do you support the FATF's proposal to apply the amended card exemption equally to credit, debit, and prepaid cards? If not, why? Are there any appropriate alternative proposals? In terms of the potential differences in AML/CFT risk profiles and mitigation measures in different types of cards such as credit, debit, and prepaid cards, are there any aspects that FATF should pay due attention in finalising revisions to R.16 and in developing the future FATF Guidance on R.16? If so, what are they?*
The GIFCS supports the equal application of this exemption. This approach is probably the simplest, and therefore the most workable for financial institutions. We do believe, however, that the three instruments in question have different risk profiles, with prepaid cards carrying a greater AML/CFT risk because of the anonymity they can grant, and the absence of an ongoing relationship between customer and provider. Challenges associated with compliance with the proposed amendments, particularly in case of pre-paid cards, should also be considered through additional guidance.	
Q.5 –	*Considering that the current exemption extends to credit, debit and pre-paid cards, are there any other similar means of payment that should be included in the card exemption for the purchase of goods and services? What are examples of those means of payment, and why should they be included in the exemption?*
Has FATF considered whether other means of payment will fall into scope: mobile network operators, other forms of contactless payments such as email-transfers, phone payments etc. If these are excluded, could this be confirmed for clarity. The FATF should consider the inclusion of credit transfers in the exemption since the same types of payments covered by other exempted methods can be facilitated through credit transfers as well.	
Q.6 –	*Should R.16 apply to cash withdrawals and purchase of cash or a cash equivalent? If so, should it apply to withdrawals using credit, debit, and pre-paid cards in the same way, or be differentiated according to card type? Should it apply only to withdrawals above a threshold and if so, what is the appropriate threshold?*
We do not feel that cash transactions financed with credit or debit cards should be included within the scope of the Recommendation. Both of these involve ongoing (and usually long-term) relationships between customers and providers, while pre-paid cards do not. In the absence of such oversight, pre-paid cards should be included in the scope, but we feel that the inclusion of credit and debit cards is unduly burdensome. The explanatory memorandum provided with the draft revisions suggests that making payments "more inclusive" is one of the FATF's priorities, and we feel that the exclusion of cash transactions financed with debit and credit cards best serves this objective.	

Prepaid cards issued by an FI, assigned to a specific user, would not pose the same risks as those prepaid cards for which there is a higher degree of anonymity where a card could change ownership without record. As such, consideration needs to be given to tracking prepaid card ownership and card limits.
Q.6bis Do you support the FATF's proposed treatment of domestic cash withdrawal? Are there situations in which exemptions should apply (other than domestic withdrawals by a beneficiary from ATMs of financial institution holding its account, in which case R.16 has no applicability)? Are there any important aspects that FATF needs to consider in terms of implementation of applying R.16 to withdrawal or purchase of cash or a cash equivalent?
As above, we do not feel that domestic cash withdrawals made using debit and credit cards should be included within the scope of the recommendation.
Q.7 – What should be included in the scope of 'cash equivalent'? What aspects regarding the scope of 'cash equivalent' should be further clarified? Should such scope be defined in the standards or clarified in the future FATF Guidance?
Instruments with similar risk profiles that are commonly used in low-value transactions should be included as "cash equivalents". We agree that the scope of this should be further clarified in future FATF guidance, and suggest that it could also be more clearly defined in the Recommendation itself. Clarity would need to be given on whether virtual assets fall within the definition of 'cash equivalents' and would this consequently result in the unintended exemption for virtual assets. This seems especially pertinent in light of the CBDCs under consideration across the world.
Q.8 – Would stakeholders support FATF's approach and view that the proposed amendments will improve the reliable identification of the originator and beneficiary and increase efficiency? Which of the two options set out above for the proposed revisions in paragraph 7 would stakeholders prefer and why? To what degree is the customer identification number, as set out in paragraph 7 (d), useful to identify the customer? Are there any other issues or concerns in this regard? Are there any important aspects where the FATF needs to provide more granular advice in the future FATF Guidance in order to facilitate effective and harmonised implementation of the FATF proposal?
We would prefer option 1, since it would be more accessible and easier to implement for smaller jurisdictions. We urge the FATF to consider the implications of this proposal for such nations, however, especially those with less advanced physical infrastructure. If transacting institutions are required to verify large volumes of counterparty information (as with an originating bank required to verify granular information around a beneficiary), then certain jurisdictions might effectively be excluded from the global payment flow. The FATF should continue to focus on both access to the financial system, and technological neutrality, in order to prevent this. The importance of financial inclusion is stressed

throughout the consultation paper, and we do not wish the FATF's rules to create a two-tier financial system.

Q.9 – Do stakeholders have any views on the suggested approach to ensure more transparency about the location of originator and beneficiary accounts? Are there any issues or concerns?

VA considerations:
Considering the global nature of virtual asset service providers, FATF may need to consider including wallet addresses as an additional piece of information, as well as transactions carried out using decentralized platforms and unhosted wallets. There may be a need to define the requirements based on the type of 'cash equivalent'.

Prepaid cards:
Consideration needs to be given on methods to track prepaid cards that are outside of surveillance of the financial services system.

Implementing the proposed revisions will impose significant compliance costs on financial institutions. Smaller institutions, in particular, may struggle to afford the necessary investments in technology and resources. In addition, increased regulatory requirements and reporting obligations add complexity to compliance processes and place a burden on financial institutions, potentially leading to operational challenges.

Q.10 – Do stakeholders support the FATF's proposal? If not, why? Will the proposed obligations help financial institutions in better addressing their financial crimes risks? Does the term "aligns with," together with the risk-based provisions in paragraph 21, create a clear and sufficiently flexible standard? What are potential unintended consequences of this proposal if any? In terms of how financial institutions can meet these requirements more effectively and efficiently, what kind of guidance and information should the future FATF Guidance include? If financial institutions have already implemented these checks, what are the current best practices of implementing the proposed requirements that could be introduced in the future FATF Guidance?

We agree with the above proposal and feel that the term 'aligns with', together with the risk-based provisions in paragraph 21 create a sufficiently flexible standard.

An unintended consequence of this proposal could cause a delay in the processing of payments in case of errors in the beneficiary information. FATF Guidance could include standardization in the information to be held and included in the payment message by the FIs.

Q.11 – Do you agree with the issue that FATF has identified with respect to the start of a payment chain and support FATF's approach to address the issue? The proposed

revision (paragraph 23 of INR.16) has two options on whether the payment chain should begin with the instruction by the customer (Option 1), or with the funding (Option 2). Which of the two options would stakeholders prefer for the start of the payment chain and why, also considering the response to question 12 for consultation set out below? What are the aspects where more granular guidance in the future FATF Guidance could be helpful?
We agree that the FATF has identified a legitimate issue, and support its attempts to clarify the start- and end-points of the payment chain. We would prefer option 2, that the payment chain begin with the institution that holds the account of the originator. We consider this approach to be more supervisable, since responsibility will be concentrated among larger institutions in receipt of greater regulatory attention.
Q.12 – Do you support the idea of adding footnote 2 of para 7(b) if FATF adopts option 1 above in Q.11? Can the ordering financial institution obtain this information, populate the payment message, and execute the payment? How can this additional information be included in payment messages, e.g., the ISO20022 message? If appropriate data field or messaging system is not currently available, how could this be developed and in what timeframe? Is this footnote clear enough, especially in terms of when and in which cases this requirement applies? Are there any important aspects where the FATF needs to provide more granular expectation in the future FATF Guidance paper?
The GIFCS believes that option 2 of Q11 is more suitable, and would facilitate easier access to the information mentioned in footnote 2 of paragraph 7(b).
Q.13 – With the clarity on the payment chain (paragraph 23) and paragraph 24, do stakeholders observe any remaining risks associated with net settlement that should be addressed in the R.16/INR.16 amendments? Are there any aspects where FATF should provide more granular expectation in the future FATF Guidance?
The obligation – outlined in paragraph 24 – to conduct CDD on customers party to underlying transactions could be clarified. Does this require financial institutions to conduct additional CDD on these customers as part of the net settlement process, or is the information obtained at onboarding (and updated when necessary) appropriate? Requiring these firms to conduct additional CDD throughout the net settlement process would create an undue bureaucratic burden, and result in duplication of work already performed at onboarding. This also seems to prolong the payment process, and therefore has implications for financial inclusion and accessibility.
Q.14 – Do stakeholders have any views on the proposed revisions to R.16/INR.16 from a financial inclusion perspective, including potential impact on account-opening policy and procedures of financial institutions, and humanitarian considerations? Which, if any, specific proposals raise particular concerns? Are there any alternative approaches or mitigating measures in case of such concerns?

As discussed above, we commend the FATF's focus on financial inclusion, but have some concerns about the proposal's impact on smaller and poorer countries. Our specific concerns are outlined above and in the covering letter; we feel that the scope of cash transactions captured under the Recommendation (Q.6), and the requirement that providers verify significant counterparty information (Q.8) may both have unintended implication with respect to inclusion.

The expansion of information required may also compromise financial accessibility by excluding persons for whom this information is not available in its entirety.

Q.15 – When and how the R.16 revision applies to the virtual assets (VA) sector will be considered separately by FATF. If you are aware of any technical difficulties or feasibility challenges in applying this proposed revision to the VA sector, please specify. FATF will welcome proposals on how to address those difficulties and challenges, if any.

As mentioned in some of the comments above, and with regard specifically to virtual assets, we submit the following:

- In line with the point raised under Annex C, clarity on whether cash equivalents would include virtual assets and consequently whether this would result in an unintended exemption for virtual assets.
- Consideration as to whether the travel rule obligations should apply where the originating entity and beneficiary entity are the same i.e. is this in effect a transfer of virtual assets or a net entry.
- Consider including fields to capture information on wallet addresses, IP addresses.
- The technical challenges that present themselves where there are interoperability issues still existing and where jurisdictions are at different stages in the implementation of travel rule obligations.
- Clarification is also needed regarding FATF's intention on first party transfers as VASPs can potentially use their interpretation of this to circumvent travel rule obligations.
- Clarification is required on FATF's position when using decentralized systems, P2P transfers and unhosted wallets.
- Consideration should be given to the volatility and rapid development of virtual asset technology.

Q.16 – Do you agree with the proposed changes to the Glossary definitions?

The "ordering financial institution" is cited as the start point of the payment chain, and described as the financial institution that "receives the instructions from the originator". As discussed in Q.11, we feel that the payment chain should instead begin with the account holder of the originator (option 2).

As discussed in Q.6, we feel that a significant volume of cash transactions should be exempted from the Recommendation, and therefore have concerns around the definition of "payment(s) or value transfer".

Consideration should be given to the inclusion of a definition for ‘prepaid cards’ and ‘transfer’. ‘Prepaid cards’ can be issued and tracked by FIs, or they can be issued by non-FIs outside of the financial system causing greater anonymity. Clarity needs to be given to what types of payments fall under the term ‘transfer’ which do or do not fall into scope. Examples include email transfer, phone transfers, mobile network transfers, e-fobs etc.

Consideration should be given to clarifying the terms cash equivalents to ensure there is clarity on what falls within scope and ensuring types are not inadvertently omitted.

Q.17 – Do stakeholders have any views on the timelines for implementation of the proposed revisions to R.16/INR.16? What should be the lead time for implementation of the proposed new requirements and why?

Timelines should be sufficient to mitigate unintended consequences, and give smaller and less developed states a reasonable chance to address any infrastructural or technological limitations preventing compliance. It is suggested that for smaller jurisdictions, a minimum of five years lead-in time would be appropriate.

In addition to the timelines, consideration should also be given on the cost imposed to both FIs and supervisors alike for identifying and deploying the needed technologies to both deploy and supervise the proposed changes in the recommendation.

Q.18 - Are there any issues that should be addressed in the proposed amendments, or wider issues concerning payment transparency, which will require clarification through FATF Guidance?

We have set out our views above, and trust that the FATF will take them into consideration. GIFCS members wish to avoid the sort of two-tier financial system created by unduly burdensome rules, and urge the FATF to maintain its focus on financial inclusivity to assist smaller states in complying with its recommendations.

Whilst we do not have further specific issues to identify at this time, we would welcome further consultation on the detail and application of future rules and guidance.