Explanatory Memorandum and draft revisions to Recommendation 16

This Explanatory Memorandum is intended to facilitate consultation on the proposed revisions to FATF Recommendation 16, its Interpretive Note (R.16/INR.16) and the related Glossary of specific terms, and should be read alongside the attached redline document, which sets out the text of the revisions. This note explains the policy intent behind each of the proposed changes, the considerations, which have shaped the approach proposed, and asks specific questions to which the FATF invites responses. The FATF invites input on the specific questions set out in this note, as well as on other issues covered by the proposed amendments to R.16/INR.16 and the related Glossary of specific terms as reflected in the redline text.

The FATF recognises that due to the technical nature of this subject, a full consultation will require an ongoing dialogue with the relevant bodies and experts in both public and private sectors. This written consultation is the first step in a wider consultation process, which will also include further discussion and engagement, as needed, informed by the responses to this initial consultation.

Following finalisation of the revisions, the FATF will develop a Guidance paper on payment transparency in order to facilitate consistent implementation of FATF Standards between jurisdictions. It will be helpful if responses also highlight any issues, that would require further clarification through subsequent Guidance paper, or which raise particular challenges for implementation.

**Objective of the proposed revisions to R.16/INR.16**

The FATF has worked on updating R.16/INR.16 to adapt them to the changes in payment business models and messaging standards. There is a need for R.16/INR.16 to be updated to ensure that the FATF Standards remain technology-neutral and follow the principle of ‘same activity, same risk, same rules’. This project is also a part of the G20 Priority Action Plan to progress work on making cross-border payments faster, cheaper, more transparent and more inclusive, while maintaining their safety and security. Revisions include clarifying the roles and responsibilities of different players involved in the payment chain and improving the content and quality of basic originator and beneficiary information contained in the payment messages. This should help achieve greater transparency and more efficient and effective compliance processes by financial institutions.

**Proposed revisions to R.16/INR.16**

The proposed revisions to R.16/INR.16 and the related Glossary of specific terms are attached to this Explanatory Memorandum, and the policy intent of the key proposals for revisions is explained in detail below.

1. ***Terminology changes***

Potential amendments were sought to modify the terminology used in R.16/INR.16 to align the text with the terms that are commonly used in the payment messages such as ISO 20022 (e.g., ‘debtor’, ‘creditor’). The FATF also considered that several key terms that have been used in R.16/INR.16 (e.g., ‘originator’ and ‘beneficiary’) are well understood by the stakeholders. Therefore, it is proposed to retain such key terms and add footnotes (*footnotes 46 and 49 of INR.16*) to cross-reference the terms used in ISO 20022 for alignment. The title of R.16/INR.16 is also proposed to change from ‘Wire transfers’ to ‘Payment transparency’, to be platform-neutral and better align with the obligations set out in the Standard.

1. ***Retaining the existing exemption for purchase of goods and services, subject to additional transparency requirements (paragraph 4 (a) of INR.16)***

Currently, transactions carried out using a credit, debit, or prepaid card for the purchase of goods or services are exempt from R.16, so long as the card number accompanies all transfers flowing from the transaction. This exemption does not apply to person-to-person transfers carried out using a credit, debit, or prepaid card.

Card payments may present lower illicit finance risks than some other forms of payment, such as wire transfers. Card payments ecosystems are closed systems, in which participating cardholders and merchants are customers of financial institutions, which in turn are contractually obligated by the card network to adhere to certain AML/CFT and sanctions compliance measures. This was the basis for the current exemption.

Nevertheless, cards are not free from illicit finance risks. FATF delegations have observed case studies and typologies that show several ways in which various types of payment cards can be, and are, used for money laundering and terrorist financing. These include for example:

* The use of credit and debit cards and fake merchants to disguise purchases of illicit goods as legitimate purchases.
* The use of shell companies to open offshore bank accounts with merchant acquiring banks to accept credit/debit card charges for illicit goods purchased.
* The use of stolen credit card numbers from black market websites to encode that information onto blank cards, and use of such cards to purchase gift cards or other items that can be quickly sold for cash.
* Exploitation of front companies by money laundering syndicates. These companies obtained funds with unknown sources from another jurisdiction, after which they converted the funds by purchasing a large quantity of stored value cards. These cards were subsequently used to purchase gift cards which were then extended to other jurisdictions.
* Use of a foreign issued debit card in tax evasion schemes to receive payout to the company’s foreign bank account. A foreign issued debit card is used for ATM cash withdrawals and immediately deposited in domestic bank accounts.
* Loading of foreign prepaid cards with cash from different locations in one country or through online transactions, and subsequent withdrawal of cash in another country with small time difference between deposits and withdrawals, raising potential TF and sanctions evasion concerns.

In addition to the illicit finance risks, changes in the market have blurred the distinction between purchases of goods or services and person-to-person transfers, widening the payment card exemption far beyond its original scope. For example, cards can be used to initiate Money or Value Transfer Services (MVTS) payments, purchase cash substitutes online, withdraw cash at ATMs, and purchase goods and services on online marketplaces from other individuals, without any checks on whether these transactions are indeed for the sale of goods or services. Another reason to revisit the card exemption is to ensure that it is not misused for purposes other than the original objectives and to maintain the principle of “same business, same risks and same regulation” to the extent appropriate, by applying a consistent approach, irrespective of differences in the means of payment used.

The FATF is considering two options for amendments to address the issues above and to ensure transparency and adequate AML/CFT controls. Recognising that changes to this requirement potentially carry significant costs and may require some time to implement in the context of existing payment systems, the FATF invites industry views on the merits, the costs, and the implementation issues associated with each option.

**Option 1** would clarify that only transfers that flow from a transaction carried out using a card for the purchase of goods or services from **‘merchants’** (a newly defined term in the Glossary) are exempt from the requirements under R.16. This option would also require that the card number and **‘the name and location of the issuing and acquiring financial institutions’** accompany the transfer. The inclusion of issuer and acquirer information would unambiguously identify the specific financial institutions that have customer relationships with the cardholder and merchant in a given transaction and would lead to better transparency for all financial institutions involved in the payment chain, appropriate law enforcement and FIU authorities, as necessary. This proposed new requirement aligns with the principle that is considered throughout revisions to R.16: to enhance the transparency about the financial institution that holds the customer’s account and is the origin of the funds. This proposal is expected to provide equally robust AML/CFT controls as the present R.16, and it entails lower costs and raises fewer data privacy and protection (DPP) concerns than applying the same information requirements to the parties involved in card payments, such as the ones prescribed under paragraph 7 of INR.16. This option would enable financial institutions, law enforcement and FIU authorities to obtain information on the originator and beneficiary by ensuring adequate transparency of the name and location of the issuing and acquiring financial institutions, which could then be approached where appropriate.

**Option 2** builds upon Option 1 and further removes ‘**withdrawal or purchase of cash or a cash equivalent’** from the scope of the R.16 exemption (in addition to the existing exclusion of person-to-person payments). This is intended to address the lack of transparency in foreign ATM withdrawals and purchases of cash or cash equivalents, which are not characterised as the purchase of goods or services. However, this would not apply to situations in which cash is being withdrawn by a person from the financial institution at which he or she is holding the account.

Option 2 proposes different approaches for the application of the new requirements on withdrawal or purchase of cash or a cash equivalent in the domestic and cross-border contexts. While the requirements are proposed to be applied for cross-border withdrawal or purchase of cash or a cash equivalent without any monetary threshold, for domestic withdrawal or purchase of cash or a cash equivalent, these requirements would apply only for transactions with value above 1000 EUR/USD. This distinction for cross-border and domestic transactions is to ensure a proportionate and risk-based approach with due consideration of other policy objectives, such as financial inclusion.

This measure is intended to enable relevant financial institutions in the payment chain to more effectively detect illicit use of cash withdrawals, including smurfing/structuring activity (multiple withdrawals by the same individual using different cards), fraudulent use of cards, and evasion of targeted financial sanctions. Ensuring that the identifying information is available to the beneficiary financial institution (which is dispensing the cash or cash equivalent) would enable increased transparency, and that information is readily and more rapidly available to relevant investigative authorities.

*Questions for consultation on the card exemption*

*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?*

*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?*

*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?*

*Application of the exemption to different card types*

While some types of cards could demonstrate unique risks because of their features and characteristics (e.g. anonymity, lack of adequate customer due diligence measures and absence of ongoing relationship of the card holder with the financial institutions), typologies also demonstrate that much of the risk for cards applies equally across credit, debit, and prepaid products (such as risk of skimming, fraudulent transactions, transferability of cards to third parties and across different locations and across national borders). In addition, credit, debit, and prepaid card transactions are processed on the same payment rails by card networks, and it may be more difficult to apply certain measures to specific card types than it is to apply measures equally across all card types. For these reasons, the proposed options for the amendment of the card exemption apply equally to credit, debit, and prepaid cards. The FATF has also considered that it is not appropriate to extend the card exemption to other payment means (e.g., instant payments), which can also be widely used for the purchase of goods or services, due to different nature of the associated risks with other payment means. The FATF will prepare a more detailed Guidance document on payment transparency following adoption of amendments to R.16, which could include more granular guidance on potentially different risk profile and mitigation measures between credit, debit and prepaid cards, and the analysis of other payment means, and applicable risk mitigation measures as needed.

*Questions for consultation*

*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?*

*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?*

*Scope of “withdrawal or purchase of cash or a cash equivalent”*

Under Option 2, ‘**withdrawal or purchase of cash or a cash equivalent’** is proposed to be excludedfrom the R.16 exemption. The application to cash equivalents is intended to avoid creating loopholes, which would enable circumvention of the requirements applied to cash withdrawals, by using other instruments with a similar risk profile. Further clarity would be needed on what should be considered a ‘cash equivalent’[[1]](#footnote-1). For the purposes of R.16, the term ‘cash equivalent’ could include examples such as purchase of virtual assets and digital currencies, tokens of certain kinds (e.g., casinos and online gambling), etc.

*Questions for consultation*

*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?*

*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?*

*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?*

1. ***Improving the content and quality of basic originator and beneficiary information in payment messages (paragraph 7 of INR.16)***

Standardised information and enhanced data quality would improve the reliable identification of the originator and beneficiary and increase efficiency, by facilitating automated processing and by reducing the number of false positives in sanctions screening. This would also be useful for the purposes of detecting suspicious transactions, and for investigations. Paragraph 6 of the interpretive note introduces a requirement that the information must be structured in accordance with the established standards such as ISO 20022. Paragraph 7 of INR.16 sets out updated requirements for the specific information that should be included in payment messages. The key change proposed to be introduced is that address would become a mandatory element for both originator and beneficiary. In the absence of address, the country and town name should be sufficient to meet these obligations.

FATF is also considering whether there are potential additional benefits from fully aligning the information required on the originator and the beneficiary, such that the same standardised information set would be required on all customers; and whether these potential benefits may be outweighed by potential frictions introduced by transmitting additional, un-verified, beneficiary information. FATF is considering two options in this regard.

**Option 1** is close to the existing requirementswith full name, account number (in the absence of account number a unique transaction number) and address for both originator and beneficiary as mandatory elements. Where address is not available, country and town name should be sufficient. Optionality is retained for other required information elements. The addition of ‘address’ as a mandatory information element both for originator and beneficiary should help financial institutions better comply with their preventive measures, including targeted financial sanctions obligations. The additional mandatory elements of 7(d) and 7(e) are added to strengthen the identification of originator and beneficiary. The optionality in the mandatory information elements for originator who is a natural person as set out in para 7(d) seeks to provide flexibility in implementation, and should help financial institutions better identify the counterparts of the transaction, taking into account the data privacy issues and concerns. Where originator or beneficiary is a legal person, additional information elements are sought both for originator and beneficiary, as set out in para 7 (e). These information elements should help achieve more efficiency and effectiveness in compliance procedures of financial institutions and provide timely access to relevant information by law enforcement.

**Option 2** seeks to achieve full alignment in all information elements for originator and beneficiary. This approach seeks to treat both originator and beneficiary on equal footing in terms of information elements. As with Option 1, this option also seeks to achieve flexibility in case of additional mandatory information elements for both originator and beneficiary, whether natural or legal person, as set out in para 7(d) and 7(e). The full alignment of information elements for both originator and beneficiary seeks to create greater degree of symmetry in payment messages, leading to better compliance by financial institutions and timely access to relevant information by law enforcement.

*Question for consultation*

*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?*

1. ***Addressing transparency in case of virtual IBANs and other similar account naming conventions (paragraph 7(b), footnote 1 of INR.16)***

In some countries, the use of a virtual IBANs may allow customers to use one or multiple IBANs showing country codes which are different from where their account is actually held. This practice can obscure the true location of the customer’s account and prevent the financial institutions and authorities from identifying the true nature of a transaction (as international rather than domestic transfer) and accessing the necessary information efficiently. Footnote 1 *(‘The account number or the associated payment message data should enable the institutions and authorities referred in paragraph 1 to identify the financial institution and the country where the account holder’s funds are located.’)* to paragraph 7(b) seeks to ensure that, in cases where a virtual IBAN is used, there is nevertheless transparency about the actual location of the customer account.

*Question for consultation*

*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?*

1. ***Obligations on beneficiary financial institutions to check alignment of beneficiary information in payment messages (paragraph 20 and 21 of INR.16)***

The number and value of fraud cases has grown significantly in recent years, and fraud is now the dominant type of proceeds-generating crime globally, as set out in recent FATF reports[[2]](#footnote-2)2. Fraudsters commonly exploit the absence of checks for consistency between account number and account holder name to conceal the true destination of funds, e.g., in push-payment fraud. Fraud involving cross-border payments is particularly problematic given the additional difficulty of cross-border investigations, and of freezing and recovering stolen assets in a cross-border context. Blocking such fraud before payments can be completed is therefore a priority for national authorities. Checks on the consistency of beneficiary information offer the possibility to pause or block many types of fraudulent payments from being completed. Such checks also contribute to making sure that originating and intermediary financial institutions rely on accurate information for transaction monitoring and sanction screening, and such checks are already implemented by some banks and jurisdictions for this reason.

The current requirements of INR.16 state that the beneficiary financial institution should verify the identity of the beneficiary for qualified wire transfers. However, there is no explicit requirement on the financial institution of the beneficiary to verify that the beneficiary information they receive in the payment message aligns with the information they themselves already hold on the beneficiary. The FATF is considering adding requirements for the beneficiary financial institution to check the alignment between the beneficiary information provided by the originating customer, and the verified information of the beneficiary account holder, in order to identify and potentially prevent execution of fraudulent or erroneous transactions. The proposed revisions set out an obligation in paragraph 20 that the beneficiary financial institution should check whether the beneficiary information in the payment message aligns with the information held by the beneficiary financial institution. This is further clarified by the proposed revisions in para 21, which envisage that the beneficiary financial institution should have effective risk-based policies and procedures for determining the follow-up action when the beneficiary information in the payment messages does not align with the information held by the beneficiary financial institutions.

The use of term ‘alignment’ does not envisage that an exact match is expected in all cases and allows flexibility to countries and financial institutions to apply a risk-based approach to determine the degree of alignment. A risk-based approach would also be applied to determine the appropriate action to be taken, reflecting the risk situation of the jurisdiction or the individual financial institution.

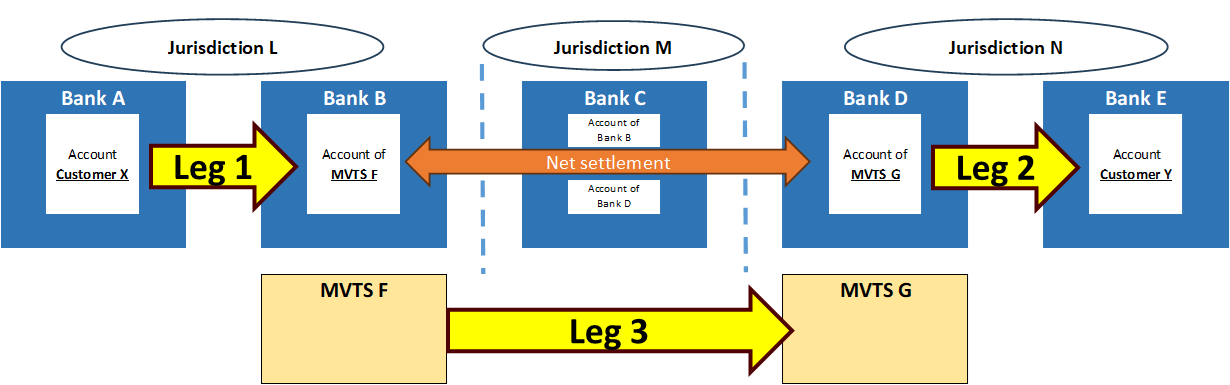
*Question for consultation*

*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?*

1. ***Definition of payment chain (paragraph 23)***

R.16 concerns the information that must be included in instructions along the payment chain. The way the payment chain is defined, therefore, determines the scope of R.16 and which entities have an obligation to comply. The evolution in payment sector structure and business models during the past decades have led to the emergence of new players in the payment ecosystem, and as a result there can be situations in which it is not clear where the payment chain should be considered to begin, and therefore which entities have obligations under R.16. Clarifying the start, intermediary, and end points of payment chains in a way that would be more technology-neutral is essential to achieve the objectives of R.16.

The required originator and beneficiary information must travel the whole length of a cross-border payment, rather than being fragmented among a series of discrete domestic payments, whereas currently, some cross-border payment chains are broken into domestic payments with net settlement in the middle.



MVTS providers are increasingly collecting and disbursing funds through electronic means. The start and end points may not be traditional bank accounts, but also payment accounts, electronic money wallets, or virtual accounts. Payment messages do not go necessarily through SWIFT, and other platforms are increasingly used, for instance for mobile payments. Cross-border payment chains are often, in effect, broken into two or more domestic transfers, and financial institutions involved may not have the full information on the ultimate originator/beneficiary. This means that often the MVTS or other service providers send wire transfers to other financial institutions without specifying the name of the true originator, and customers may send wire transfers to these providers without specifying the true beneficiary. This may also result in obscuring the jurisdiction of origin or destination, thereby impeding screening and monitoring, as well as supervisory and law enforcement actions. MVTS providers are covered under the definition of ‘financial institutions’ in the FATF Glossary. In the example above, MVTS F has an obligation to ensure that required information is accompanied in payments or value transfers to MVTS G (subject to the exception of net settlement). MVTS F and MVTS G are also obliged to undertake CDD measures on their customers, in accordance with FATF Recommendation 10.

In addition to the fragmentation of the payment chain (and the information) into several disconnected parts, these market practices, as applied under the current R.16, leave an imbalance in the level of due diligence applied by different actors, with banks expected to apply R.16 in full, while third party payment providers (MVTS in the diagram above) do not apply R.16, arguing that the net settlement exemption applies to those links of the payment chain that are executed by banks. This leaves an unsatisfactory situation in which different market participants carrying out the same economic activity face different rules and different regulatory burdens. Clarifying the start of the payment chain will therefore also help re-establish a level playing field for all financial institutions handling payments.

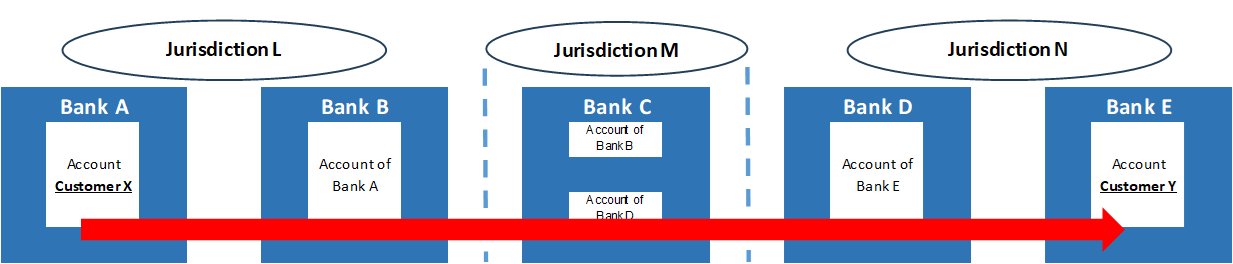
In order to address this fragmentation of payment chains and lack of harmonised implementation and the resulting lack of transparency, the FATF has considered whether a definition of ‘payment chain’ should be added in INR.16 and what should be the starting point and the end point of a payment. There is also a need to update the requirements to acknowledge the emergence of new payment and messaging methods (other than SWIFT), and new market entrants, so as to follow the principle of “same activity, same risk, same rules”, thereby ensuring clear due diligence, transaction monitoring and sanctions screening obligations of the different players in the payment chain, and consistency in regulatory expectations. Two options are being considered in this respect, i.e., whether the payment chain should be considered to begin with the financial institution which receives an instruction from the customer **(Option 1)**, or with the financial institution from which, the customer’s funds are provided **(Option 2)**.

In a large majority of cases, there will not be any difference between these two start-points of the payment chain, as both instruction and funding come through the same financial institution. However, in some cases (e.g. those involving a third-party payment provider), a customer may instruct a financial institution with which they do not hold an account to make a cross-border payment, and provide the funds by drawing on their account with a different financial institution (e.g. using a debit card, or domestic payment channels). In such a situation, Option 1 would consider the third-party payment provider (which receives the instruction) to be the start of the payment chain, while Option 2 would consider the financial institution from which the funds were drawn to be the start of the chain.

**Illustrative examples of multiple scenarios (a)-(d)**

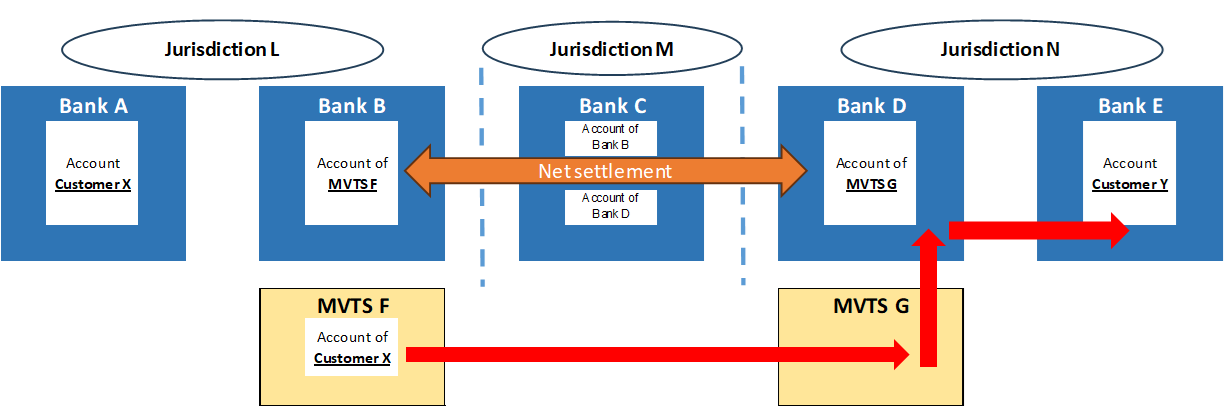
1. Customer X with account at Bank A, instructs the Bank to transfer some funds from her/his account to Customer Y with account in Bank E.

**Same payment chain routes between Option 1 and 2****:** *Start point is Bank A. All required information should be carried in the payment chain from Bank A to E.*



1. Customer X with account at MVTS F, instructs the MVTS F to transfer funds from her/his account at MVTS F to Customer Y.

**Same payment chain routes between Option 1 and 2:** *Start point is MVTS F. All required information should be carried in the payment chain from MVTS F ⇒ MVTS G⇒ Bank D ⇒ Bank E.*

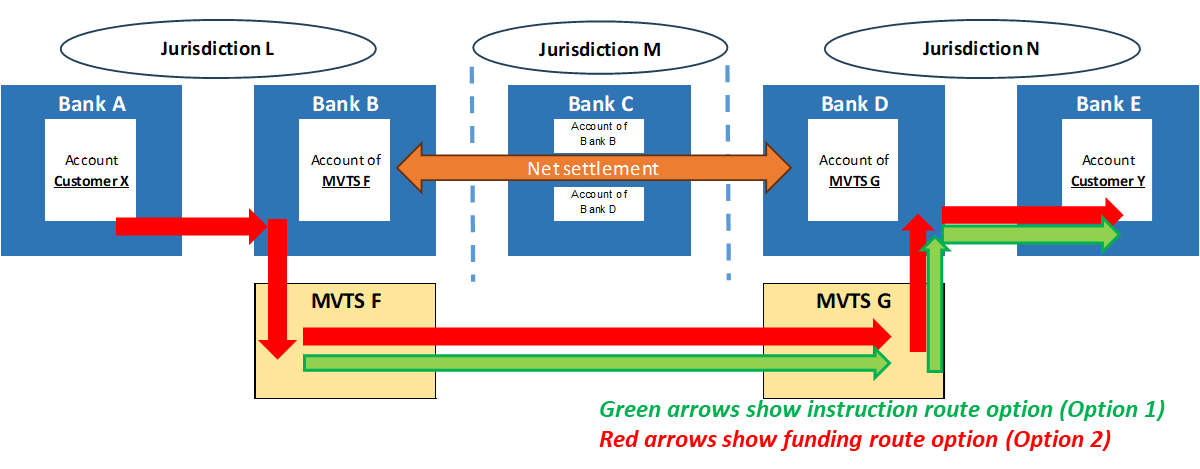


1. Occasional Customer X instructs MVTS F to transfer cash. Customer X does not have an account at MVTS F (i.e., the points of receiving an instruction and funds are the same).

**Same payment chain routes between Option 1 and 2:** *Start point is MVTS F.* *All required information should be carried in the payment chain from MVTS F ⇒ MVTS G⇒ Bank D ⇒ Bank E.*

1. Customer X has no account relationship with MVTS F and instructs MVTS F to make a transfer using funds from her/his Bank A account. In this case, funds are automatically withdrawn via debit payment from the connected financial institution (Bank A) upon the instruction to MVTS F (i.e., the points of receiving an instruction and the origin of the funds are different).

**Different payment chain routes between Option 1 and 2:** **In the instruction route option (Option1)** *Start point is MVTS F. All required information should be carried in the payment chain from MVTS F ⇒ MVTS G⇒ Bank D* *⇒ Bank E.* **In the funding route option (Option2)***Start point is Bank A. All required information should be carried in the payment chain from Bank A ⇒Bank B ⇒ MVTS F ⇒ MVTS G⇒ Bank D ⇒ Bank E.* Even in the funding route, in cooperation with Bank A, MVTS F would be responsible for providing Bank A with the details of the purported transaction (as part of the pull-payment message, or in another workable mechanism), and then for verifying the completeness and accuracy of the message it receives from Bank A through Bank B, and of transferring the message onwards to MVTS G. The rationale of the *funding route* is that Bank A and Bank B would also be aware of the actual nature and beneficiary of the transaction they facilitate, which will help them in identifying attempts to circumvent mitigating measures by using complex payment chains.



***Payment transparency if payment chain is considered to start with instruction (paragraph 7(b), footnote 2 of INR.16)***

In the event that the start of the payment chain is considered to be the *instruction* (please refer to paragraph 23 of INR.16), a potential gap emerges since the payment message may not include information on the institution and account which is the origin of the funds being transferred (e.g. if the payment chain begins with a third-party payment provider with which the customer does not hold an account). In order to ensure this information is available in the payment message even in such a situation, the revisions propose to add a footnote to paragraph 7 (b) (if a decision is made that the payment chain starts with the customer instruction) to specify that the ordering financial institution should include this information in payment messages. This would mean, with reference to the diagram above, that if MVTS F took payment from the customer drawing on his or her account with a different financial institution, MVTS F would need to include the account number and financial institution that is the origin of funds when taking the payment, in the payment message that it sends to MVTS G.

*Questions for consultation:*

*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?*

*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?*

1. ***Conditions for net settlement (paragraph 24)***

The scope of the net settlement exemption is currently covered in footnote 48 (at the end of the glossary that accompanies INR.16) and in paragraph 4 (b) of INR.16. The footnote 48 states: “*It is understood that the settlement of wire transfers may happen under a net settlement arrangement. This interpretive note refers to information which must be included in instructions sent from an originating financial institution to a beneficiary financial institution, including through any intermediary financial institution, to enable disbursement of the funds to the recipient. Any net settlement between the financial institutions may be exempt under paragraph 4(b).*”

Paragraph 4 (b) of INR.16 states that R.16 is not intended to cover the financial institution -to- financial institution transfers and settlements, where both the originator person and the beneficiary person are financial institutions acting on their own behalf.

The current exception for net settlement in INR.16 is in practice being used for a broader range of “account-to-account” transfers, which could undermine the implementation of due diligence requirements by intermediary institutions due to the absence of any information on the underlying transactions, unlike the traditional correspondent banking model. This raises concerns about the effective implementation of targeted financial sanctions obligations, customer due diligence measures and transaction monitoring by financial institutions involved in a payment chain. At the same time, the FATF considers that it is important to preserve the net settlement exemption, where it is relevant, as this can contribute to the provision of small-value remittances at a lower cost and contribute to the objective of financial inclusion.

Clarifying the scope and conditions of the net settlement exception would be an effective way to ensure that requirements are being fulfilled by financial institutions which are parties to the net settlement. This would avoid duplication of obligations and ensure that preventive measures are being applied by financial institutions carrying out transactions on behalf of customers and involved in net settlement.

In the examples above, in any case, MVTS F should send required information to MVTS G in accordance with the newly defined payment chain. However, in the transfers Bank B ⇒ Bank C ⇒ Bank D, intermediary financial institutions that are not included in the payment chain (i.e., Bank B and Bank C) are exempted from the requirement of R.16 in the net settlement cases as long as:

MVTS F needs to conduct CDD on customer X (above the de minimis threshold) and MVTS G needs to conduct CDD on customer Y (above the de minimis threshold). MVTS F and G may rely on agents to conduct CDD, or use third party introduction, or outsource due diligence, as long as they are responsible for the CDD on X and Y and have CDD information, the condition would be met. MVTS F and G are responsible for complying with targeted financial sanctions in their respective jurisdictions for the net settlements. In addition, it is supposed that a net settlement agreement exists in accordance with the definition of ‘MVTS network’ in the Glossary for R.16. Net settlements in which proposed paragraph 24 applies should pay attention to the requirements set out in paragraph 22 (‘take into account all the information from both the ordering and beneficiary sides in order to determine whether an STR has to be filed’; and ‘should file an STR in any country affected by the suspicious payments or value transfers, and make relevant transaction information available to the Financial Intelligence Unit’).

*Question for consultation:*

*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?*

1. ***Financial inclusion, de-risking and other policy consideration such as cost and speed***

The proposed revisions seek to ensure that the objectives of financial inclusion and financial integrity are mutually supportive and that the measures taken by jurisdictions are focused and proportionate. Nevertheless, any requirements to provide additional information carry a risk that those who cannot easily provide or verify such information, or for whom the costs of obtaining and verifying this information are too high, may as a result be excluded (or “de-risked”). This would be contrary to the policy intent of both the FATF and the wider G20 programmes on payments, and it is important that we identify and mitigate these risks early. FATF would like to invite stakeholders to highlight any issues or concerns relevant from the financial inclusion perspective related to the proposed amendments and to suggest any alternative approaches or mitigating measures that may be necessary. In addition, the FATF is open to considering further amendments that could enhance financial inclusion and, in particular, the accessibility of payment services and other important policy objectives while ensuring payment transparency and maintaining a level playing field.

In addition to specific issues of financial inclusion or de-risking, the FATF is also supportive of the G20 goal to make payments faster and cheaper, for all customers, and invites views on how the proposals above can support those objectives.

*Question for consultation:*

*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?*

1. ***Impact on other FATF Recommendations***

*Question for consultation:*

*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.*

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

1. ***Timing of implementation of R.16/INR.16 revisions***

The timeline for implementation of the proposed revisions of R.16/INR.16 is a key consideration as several proposals rely on the implementation of ISO 20022 and other technical changes, which will only fully come into force in a few years. In this context, responses from stakeholders to the following questions will help the FATF decide the next steps in implementation of the Standards revisions, as agreed.

Normal practice of FATF is that amendments take effect immediately. However, FATF recognises the need for transitional arrangements to enable private sector partners and payment market infrastructures to be adapted and made ready to implement the new requirements in an orderly way, as well as the need to provide further clarifications through Guidance.

*Questions for consultation:*

*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?*

*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?*

**Submission of comments**

The FATF recognises that due to the technical nature of this subject, a full consultation will require an ongoing dialogue with the relevant bodies and experts in both public and private sectors. This written consultation is the first step in a wider consultation process, which will also include further discussion and engagement, as needed, informed by the responses to this initial consultation. Please provide responses to this initial consultation by **3 May 2024**.

Please provide your response, including any drafting proposals, and your response to consultation questions set out in the Explanatory Memorandum to [FATF.Publicconsultation@fatf-gafi.org](mailto:FATF.Publicconsultation@fatf-gafi.org) with the subject-line “Comments of [author] on the proposed revisions to R.16/INR.16” .

While submitting your response, please indicate the name of your organisation, the nature of your business, and your contact details. Responses to ‘Questions for consultation’ can be submitted in any format. You may also insert any specific drafting proposals directly in the attached text of the draft revisions in tracked changes. We will use your contact information only for the purpose of this public consultation and for further engagement with you on this issue. Your comments will also be shared with the FATF delegations in the course of this work unless you indicate otherwise. The FATF will, however, not share this information with third parties without your consent.

At this stage, the FATF has not approved the draft revisions to R.16/INR.16 and will consider the feedback received in public consultation for finalising the revisions.

We thank you for your input in advance.

Draft revisions to Recommendation 16 and its Interpretive Note

Amendments in the current text of R.16/INR.16 are highlighted in red and underlined and deletions in ~~strikethrough~~)

**Recommendation 16. ~~Wire transfers~~ Payment transparency**\*

Countries should ensure that financial institutions include required and accurate originator information, and required beneficiary information, on ~~wire~~ payments or value transfers and related messages. ~~,~~ This information should be structured to the extent possible and should ~~that the information~~ remain~~s~~ with ~~the wire~~ such payment or value transfer or related message throughout the payment chain.

Countries should ensure that financial institutions monitor ~~wire~~ payments or value transfers for the purpose of detecting those which lack required originator and/or beneficiary information~~,~~ and take appropriate measures.

Countries should ensure that, in the context of processing ~~wire~~ payments or value transfers, financial institutions take freezing action and should prohibit conducting transactions with designated persons and entities, as per the obligations set out in the relevant United Nations Security Council resolutions, such as resolution 1267 (1999) and its successor resolutions, and resolution 1373(2001), relating to the prevention and suppression of terrorism and terrorist financing.

**Interpretive Note to Recommendation 16**

**(~~Wire transfers~~ Payment transparency)**

**A. OBJECTIVE**

1. Recommendation 16 has ~~was developed with~~ the objective of preventing terrorists and other criminals from having unfettered access to ~~wire~~ payments or value transfers for moving their funds, and for detecting such misuse when it occurs. Specifically, it aims to ensure that basic information on the originator and beneficiary[[3]](#footnote-3)46 of ~~wire~~ payments or value transfers is immediately available:
   1. to appropriate law enforcement and/or prosecutorial authorities to assist them in detecting, investigating, and prosecuting terrorists or other criminals, and tracing their assets;
   2. to financial intelligence units for analysing suspicious or unusual activity, and disseminating it as necessary, and
   3. to ordering, intermediary and beneficiary financial institutions to facilitate the identification and reporting of suspicious transactions, and to implement the requirements to take freezing action and comply with prohibitions from conducting transactions with designated persons and entities, as per the obligations set out in the relevant United Nations Security Council resolutions, such as resolution 1267 (1999) and its successor resolutions, and resolution 1373 (2001) relating to the prevention and suppression of terrorism and terrorist financing.
2. To accomplish these objectives, countries should have the ability to trace all ~~wire~~ payments or value transfers. Due to the potential terrorist financing threat posed by small ~~wire~~ payments or value transfers, countries should minimise thresholds, while taking into account the risk of driving transactions underground and the importance of financial inclusion. It is not the intention of the FATF to impose rigid standards or to mandate a single operating process that would negatively affect the payment system.

**B. SCOPE**

1. Recommendation 16 applies to cross-border and domestic ~~wire~~ payments or value transfers ~~and domestic wire transfers~~, including serial payments~~,~~ and cover payments.
2. Recommendation 16 is not intended to cover the following types of payments:

**Option 1 – Requiring issuing and acquiring bank information**

1. Any transfer that flows from a transaction carried out using a credit or debit or prepaid card for the purchase of goods or services from merchants, so long as the credit or debit or prepaid card number, as well as the name and location of the issuing and acquiring financial institutions[[4]](#footnote-4)47, accompanies all transfers flowing from the transaction. However, when a credit or debit or prepaid card is used ~~as a payment system~~ to effect a person-to-person ~~wire~~ payment or value transfer, the transaction is covered by Recommendation 16, and the necessary information should be included in the message.

**Option 2 – Exclude withdrawals, purchases of cash and a cash equivalent**

1. Any transfer that flows from a transaction carried out using a credit or debit or prepaid card for the purchase of goods or services from merchants, so long as the credit or debit or prepaid card number, as well as the name and location of the issuing and acquiring financial institutions [footnote 47], accompanies all transfers flowing from the transaction. ~~However, when a credit~~ ~~or debit or prepaid card is used as a payment system to effect a person-to-person wire transfer, the transaction is covered by Recommendation 16, and the necessary information should be included in the message.~~

However, Recommendation 16 does apply in situations:

* when a credit or debit or prepaid card is used ~~as a payment system~~ to effect a person-to-person ~~wire~~ payment or value transfer; or
* when a credit or debit or prepaid card is used to make a cross-border withdrawal or purchase of cash or a cash equivalent; or
* when a credit or debit or prepaid card is used to make a domestic withdrawal or purchase of cash or a cash equivalent with a value over USD/EUR 1000

1. Financial institution-to-financial institution transfers and settlements, where both the originator person and the beneficiary person are financial institutions acting on their own behalf.
2. Countries may adopt a de minimis threshold for cross-border ~~wire~~ payments or value transfers (no higher than USD/EUR 1,000), below which the following requirements should apply:
   1. Countries should ensure that financial institutions include with such transfers: (i) the name of the originator; (ii) the name of the beneficiary; and (iii) an account number for each, or a unique transaction reference number. Such information need not be verified for accuracy, unless there is a suspicion of money laundering or terrorist financing, in which case, the financial institution should verify the information pertaining to its customer.
   2. Countries may, nevertheless, require that incoming cross-border ~~wire~~ payments or value transfers below the threshold contain required and accurate originator information.
3. Information accompanying cross-border and domestic payments or value transfers should be structured, to the extent possible, in accordance with the established standards of the system used such as ISO 20022, and should be sufficiently detailed to enable identification of the originator and beneficiary.

**C. CROSS-BORDER QUALIFYING ~~WIRE~~** **PAYMENTS AND VALUE TRANSFERS**

**Option 1** **– limited mandatory elements for both originator and beneficiary and additional elements for originator, with optionality**

~~6~~ 7. Information accompanying all qualifying ~~wire~~ payments or value transfers should always contain:

* 1. the full name of the originator and beneficiary;
  2. the ~~originator~~ account number [\**footnote 1*] of the originator and beneficiary where such an account is used to process the transaction. In the absence of an account, a unique transaction reference number should be included, which permits traceability of the transaction [*\*footnote 2*];

[\**footnote 1*] The account number or the associated payment message data should enable the institutions and authorities referred in paragraph 1 to identify the financial institution and the country where the account holder’s funds are located.

[\**footnote 2*] In cases where the origin of the funds is a financial institution other than the ordering financial institution, the account number and financial institution which is the origin of the funds should be included.

* 1. the ~~originator’s~~ address of the originator and beneficiary, ~~or national identity number, or customer identification number~~~~[[5]](#footnote-5)44~~~~, or date and place of birth~~ or, in the absence of an address, the country and town name; and
  2. ~~or~~ where the originator is a natural person, the national identity number~~,~~ or a unique official identifier, or the customer identification number[[6]](#footnote-6)48, or date and place of birth of the originator; and
  3. where the originator and/or beneficiary is a legal person, the connected business identifier code (BIC), or the Legal Entity Identifier (LEI), or the unique official identifier of the originator and/or beneficiary.

~~(d) the name of the beneficiary; and~~

~~(e) the beneficiary account number where such an account is used to process the transaction.~~

**Option 2 – full alignment in mandatory elements between originator and beneficiary**

~~6~~ 7. Information accompanying all qualifying ~~wire~~ payments or value transfers should always contain, for both the originator and beneficiary:

1. the full name ~~of the originator~~;
2. the ~~originator~~ account number [\**footnote 1*] where such an account is used to process the transaction. In the absence of an account, a unique transaction reference number should be included, which permits traceability of the transaction [*\*footnote 2*];

[\**footnote 1*] The account number or the associated payment message data should enable the institutions and authorities referred in paragraph 1 to identify the financial institution and the country where the account holder’s funds are located.

[\**footnote 2*] In cases where the origin of the funds is a financial institution other than the ordering financial institution, the account number and financial institution which is the origin of the funds should be included.

1. the ~~originator’s~~ address, ~~or national identity number, or customer identification~~

~~number [FN44], or date and place of birth~~ or, in the absence of an address, the country and town name; and

1. ~~or~~ where the originator and/or beneficiary is a natural person, the national identity number~~,~~ or a unique official identifier, or the customer identification number [footnote 48], or date and place of birth of the originator and/or beneficiary; and
2. where the originator and/or beneficiary is a legal person, the connected business identifier code (BIC), or the Legal Entity Identifier (LEI), or the unique official identifier of the originator and/or beneficiary.

~~(d) the name of the beneficiary; and~~

~~(e) the beneficiary account number where such an account is used to process the transaction.~~

~~7 . In the absence of an account, a unique transaction reference number should be included which permits traceability of the transaction.~~

8. Where several individual cross-border ~~wire~~ payments or value transfers from a single originator are bundled in a batch file for transmission to beneficiaries, they may be exempted from the requirements of paragraph ~~6~~ 7 in respect of originator information, provided that they include the originator’s account number or unique transaction reference number (as described in paragraph 7 above), and the batch file contains required and accurate originator information, and full beneficiary information, that is fully traceable within the beneficiary country.

**D. DOMESTIC ~~WIRE~~ PAYMENTS AND VALUE TRANSFERS**

9. Information accompanying domestic ~~wire~~ payments or value transfers should also include originator information as indicated in paragraph 7 for cross-border ~~wire~~ payments or value transfers, unless this information can be made available to the beneficiary financial institution and appropriate authorities by other means. In this latter case, the ordering financial institution need only include the account number or a unique transaction reference number, provided that this number or identifier will permit the transaction to be traced back to the originator or the beneficiary.

10. 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. Law enforcement authorities should be able to compel immediate production of such information.

**E. RESPONSIBILITIES OF ORDERING, INTERMEDIARY AND BENEFICIARY**[[7]](#footnote-7)49 **FINANCIAL INSTITUTIONS**

**Ordering (debtor) financial institution**

11. The ordering financial institution should ensure that qualifying ~~wire~~ payments or value transfers contain required and accurate originator information, and required beneficiary information.

12. The ordering financial institution should ensure that cross-border ~~wire~~ payments or value transfers below any applicable threshold contain the name of the originator and ~~the name of~~ the beneficiary and an account number for each, or a unique transaction reference number.

13. The ordering financial institution should maintain all originator and beneficiary information collected, in accordance with Recommendation 11.

14. The ordering financial institution should not be allowed to execute the ~~wire~~ payments or value transfer if it does not comply with the requirements specified above.

**Intermediary financial institution**

15. For cross-border ~~wire~~ payments or value transfers, financial institutions processing an intermediary element of such chains of ~~wire transfers~~ transfers should ensure that all originator and beneficiary information that accompanies a ~~wire~~ payment or value transfer is retained with it.

16. Where technical limitations prevent the required originator or beneficiary information accompanying a cross-border ~~wire~~ payment or value transfer from remaining with a related domestic ~~wire~~ payment or value transfer, a record should be kept, for at least five years, by the receiving intermediary financial institution of all the information received from the ordering financial institution or another intermediary financial institution.

17. An intermediary financial institution should take reasonable measures to identify cross-border ~~wire~~ payments or value transfers that lack required originator information or required beneficiary information. Such measures should be consistent with straight-through processing.

18. An intermediary financial institution should have effective risk-based policies and procedures for determining: (i) when to execute, reject, or suspend a ~~wire~~ payment or value transfer lacking required originator or required beneficiary information; and (ii) the appropriate follow-up action.

**Beneficiary (creditor) financial institution**

19. A beneficiary financial institution should take reasonable measures to identify cross-border ~~wire~~ payments or value transfers that lack required originator or required beneficiary information. Such measures may include post-event monitoring or real-time monitoring where feasible.

20. For qualifying ~~wire~~ payments or value transfers, a beneficiary financial institution should (i) verify the identity of the beneficiary, if the identity has not been previously verified, and maintain this information in accordance with Recommendation 11 and (ii) check that the beneficiary information in the payment messages aligns with the information held by the beneficiary financial institution.

21. A beneficiary financial institution should have effective risk-based policies and procedures for determining: (i) when to execute, reject, or suspend a ~~wire~~ payment or value transfer lacking required originator or required beneficiary information or when the beneficiary information in the payment messages does not align with the information held by the beneficiary financial institution; and (ii) the appropriate follow-up action.

**F. MONEY OR VALUE TRANSFER SERVICE OPERATORS**

22. Money or value transfer service (MVTS) providers should be required to comply with all of the relevant requirements of Recommendation 16 in the countries in which they operate, directly or through their agents. In the case of a MVTS provider that controls, or is part of a MVTS network controlling, both the ordering and the beneficiary side of a ~~wire~~ payment or value transfer, the MVTS provider:

1. should take into account all the information from both the ordering and beneficiary sides in order to determine whether an STR has to be filed; and
2. should file an STR in any country affected by the suspicious ~~wire~~ payments or value transfer, and make relevant transaction information available to the Financial Intelligence Unit.

**G. PAYMENT CHAIN AND NET SETTLEMENT**

**Option 1 (instruction route)**

1. For purposes of implementation of Recommendation 16, the payment chain starts at the financial institution that receives the instructions from the originator for transfer of funds to the beneficiary. The end point of the payment chain is the financial institution that services the account of the beneficiary or remits cash to the beneficiary.

**Option 2 (funding route)**

1. For purposes of implementation of Recommendation 16, the payment chain starts at the financial institution that either holds the account of the originator, or receives cash from the originator. The end point of the payment chain is the financial institution that services the account of the beneficiary or remits cash to the beneficiary.
2. The settlement of payment or value transfers may happen under a net settlement arrangement. This interpretive note refers to information which must be included in instructions sent from an ordering financial institution to a beneficiary financial institution, including through any intermediary financial institution, to enable disbursement of the funds to the recipient. Any net settlement between the financial institutions (e.g. banks, MVTS or MVTS networks) may be exempt under paragraph 4(b) which covers financial institution-to-financial institution transfers and settlements, where both the originator and the beneficiary are financial institutions acting on their own behalf. Where any net settlement results from qualifying payments or value transfers transactions carried out on behalf of customers, parties to the net settlement should be required to apply CDD measures to their customers for such underlying transactions and to comply with applicable targeted financial sanctions.

**Glossary of specific terms used in this Recommendation**

|  |  |  |
| --- | --- | --- |
| **Accurate** | is used to describe information that has been verified for accuracy. | |
| **Address** | refers to the physical location of a residence or business. | |
| **Batch transfer** | is a transfer comprised of a number of individual ~~wire~~ payments or value transfers that are being sent to the same financial institutions, but may/may not be ultimately intended for different persons. | |
| **Beneficiary** | refers to the natural or legal person or legal arrangement who is identified by the originator as the receiver of the requested ~~wire~~ payments or value transfer in a chain of payments or value transfers. | |
| **Beneficiary Financial Institution** | refers to the financial institution that services the account of the beneficiary or remits cash to the beneficiary. The beneficiary financial institution is the end point in a payment chain. ~~which receives the wire transfer from the ordering financial institution directly or through an intermediary financial institution and makes the funds available to the beneficiary.~~ | |
| **Connected Business Identifier Code** | BIC refers to a universal business identifier code based on the ISO 9362 standard assigned to financial and non-financial institutions.  Connected BICs are those used by financial institutions, for instance to access the SWIFT network. | |
| **Cover Payment** | refers to a ~~wire~~ payment or value transfer that combines a payment message sent directly by the ordering financial institution to the beneficiary financial institution with the routing of the funding instruction (the cover) from the ordering financial institution to the beneficiary financial institution through one or more intermediary financial institutions. |
| **Cross-border ~~wire~~ payment or value transfer** | refers to any *~~wire~~ payment or value transfer* where the ordering financial institution and beneficiary financial institution are located in different countries. This term also refers to any chain of *~~wire transfer~~* *payments or value transfers* in which at least one of the financial institutions involved is located in a different country. |
| **Domestic ~~wire~~ payment or value transfers** | refers to any *~~wire~~ payment or value transfer* where the ordering financial institution and beneficiary financial institution are located in the same country. This term therefore refers to any chain of *~~wire transfer~~* *payments or value transfers* that takes place entirely within the borders of a single country, even though the system used to transfer the payment message may be located in another country. The term also refers to any chain of *~~wire transfer~~* *payments or value transfers* that takes place entirely within the borders of the European Economic Area (EEA)[[8]](#footnote-8)50. |
| **Intermediary financial institution** | refers to a financial institution in a ~~serial or cover~~ payment chain that receives and transmits a ~~wire~~ payment or value transfer on behalf of the ordering financial institution and the beneficiary financial institution, or another intermediary financial institution. |
| **Legal Entity Identifier** | refers to a unique alphanumeric reference code based on the ISO 17442 standard assigned to an entity by the Global LEI System. |
| **Merchant** | refers to any business, professional, non-profit organisation, or public sector entity associated with the regular provision of goods and services, which was onboarded by the relevant financial institution as such, following the required CDD in respect of such activity. This excludes consumers. |
| **MVTS network** | refers to any or a combination of the two following elements: (i) an MVTS and its agents, or (ii) two or more MVTS bound by one or several agreements to proceed to payments or value transfers, including but not limited to the net settlement of those transfers. |
| **Ordering financial institution** | refers to [the financial institution that receives the instructions from the originator for transfer of funds to the beneficiary. The ordering financial institution is the start point of the payment chain.] ~~the financial institution which initiates the wire transfer and transfers the funds upon receiving the request for a wire transfer on behalf of the originator.~~ |
| **Originator** | refers to the account holder who ~~allows~~ requests the ~~wire~~ payment or value transfer from that account, or where there is no account, the natural or legal person that places the order with the ordering financial institution to perform the ~~wire~~ payment or value transfer. |
| **Qualifying ~~wire~~ payments or value transfers** | means a cross-border ~~wire~~ payments or value transfer above any applicable threshold as described in paragraph 5 of the Interpretive Note to Recommendation 16. |
| **Required originator and/or beneficiary information** | refers to the information elements set out in subparagraphs 7(a)-(e).  ~~is used to describe a situation in which all elements of required information are present. Subparagraphs 6(a), 6(b) and 6(c) set out the~~ *~~required originator information~~*~~.~~ ~~Subparagraphs 6(d) and 6(e) set out the~~ *~~required beneficiary information~~*~~.~~ |
| **Serial Payment** | refers to a direct sequential chain of payment where the ~~wire~~ payments or value transfer and accompanying payment message travel together from the ordering financial institution to the beneficiary financial institution directly or through one or more intermediary financial institutions (e.g., correspondent banks). |
| **Straight-through processing** | refers to payment transactions that are conducted electronically without the need for manual intervention. |
| **Unique official identifier** | refers to an identification scheme that is issued by the public sector in the relevant jurisdiction and that ensures that a given identifier refers to a unique person, entity or legal arrangement, and that a given person, entity or legal arrangement only has one identifier in that scheme. |
| **Unique transaction reference number** | refers to a combination of letters, numbers or symbols, determined by the payment service provider, in accordance with the protocols of the payment and settlement system or messaging system used for the ~~wire~~ payments or value transfer. |
| **~~Wire~~ Payment(s) or value transfer** | refers to any transaction carried out on behalf of an originator through an ordering financial institution by electronic means with a view to making an amount of funds available to a beneficiary ~~person~~ at a beneficiary financial institution, irrespective of whether the originator and the beneficiary are the same ~~person~~.~~[[9]](#footnote-9)46~~ [This includes cash withdrawals and deposits when cash is provided by or deposited to an institution different from the one holding the account (for that purpose, a head office and cross-border branch are considered to be different institutions).] |

1. In the context of R.16 “cash equivalent” is used in a different sense to its accounting definition of specific asset classes (e.g., treasury bills, commercial paper, other liquid assets, or commodity assets). [↑](#footnote-ref-1)
2. 2 Illicit Financial Flows from Cyber-Enabled Fraud, 2023 - https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Illicit-financial-flows-cyber-enabled-fraud.pdf.coredownload.inline.pdf [↑](#footnote-ref-2)
3. 46 The terms "originator" and "beneficiary" are used in Recommendation 16 and its Interpretive Note. These terms are interchangeable with the terms "debtor" and "creditor" respectively, which are used in certain messaging standards such as ISO 20022. [↑](#footnote-ref-3)
4. 47 Card issuer and merchant acquirer information should make it possible for all institutions and authorities referred to in paragraph 1 to identify which financial institutions are in possession of the full cardholder and merchant information, and in which countries these institutions are located. [↑](#footnote-ref-4)
5. ~~44 The customer identification number refers to a number which uniquely identifies the originator to the originating financial institution and is a different number from the unique transaction reference number referred to in paragraph 7. The customer identification number must refer to a record held by the originating financial institution which contains at least one of the following: the customer address, a national identity number, or a date and place of birth.~~ [↑](#footnote-ref-5)
6. 48 The customer identification number refers to a number which uniquely identifies the originator to the originating financial institution and is a different number from the unique transaction reference number referred to in paragraph 7. The customer identification number must refer to a record held by the originating financial institution which contains at least one of the following: ~~the customer address,~~ a national identity number, or a date and place of birth. [↑](#footnote-ref-6)
7. 49 The terms "ordering financial institution (s)" and "beneficiary financial institution (s)" are used in Recommendation 16 and its Interpretive Note. These terms are interchangeable with terms “debtor agent” and “creditor agent” respectively, which are the terms used in certain messaging standards such as ISO 20022. [↑](#footnote-ref-7)
8. 50 An entity may petition the FATF to be designated as a supra-national jurisdiction for the purposes of and limited to an assessment of Recommendation 16 compliance. [↑](#footnote-ref-8)
9. ~~46 It is understood that the settlement of wire transfers may happen under a net settlement arrangement. This interpretive note refers to information which must be included in instructions sent from an originating financial institution to a beneficiary financial institution, including through any intermediary financial institution, to enable disbursement of the funds to the recipient. Any net settlement between the financial institutions may be exempt under paragraph 4(b).~~ [↑](#footnote-ref-9)