

SUBMITTED VIA EMAIL TO: FATF.Publicconsultation@fatf-gafi.org

To whom it may concern,

Re: The Financial Action Task Force (FATF) Public Consultation on Recommendation 16 on Payment Transparency

About Global Digital Finance (GDF)

GDF is the leading global members association advocating and accelerating the adoption of best practices for crypto and digital assets. GDF's mission is to promote and facilitate greater adoption of market standards for digital assets through the development of best practices and governance standards by convening industry, policymakers, and regulators.

The input to this response has been written and submitted on behalf of the GDF board.

As always, GDF remains at your disposal for any further questions or clarifications you may have, and we would welcome a meeting with you to further discuss these matters in more detail should that be beneficial as the FATF continues its work.

Yours faithfully,

Elise Soucie - Director of Global Policy & Regulatory Affairs - GDF



Response to the Public Consultation: Executive Summary

GDF was grateful for the opportunity to engage with the Financial Action Task Force (FATF) in its recent meetings of the Private Sector Consultative Forum in Vienna, as well as the Virtual Assets Contact Group (VACG) in Paris.

As expressed during these sessions, overall GDF is supportive of the aim of the proposed revisions to the FATF Recommendation 16 (R.16) and of the FATF's intent of developing requirements which are both technology-neutral while also aiming to help make cross-border payments faster, cheaper, more transparent, and more inclusive.

GDF developed this response on behalf of our board and board advisors following our engagement in the recent FATF meetings. Our aim is to concisely summarize our views presented there. Given the nature and scope of GDF's work, our response focuses specifically on Question 15 and how R.16 revision applies to Virtual Assets (VA). The six key points of our feedback are as follows:

- 1. Guidance needed on if purchase of VA would qualify as 'cash or cash equivalent';**
- 2. Support for Option 1 (the Instruction Route) in payment chain identification as well as further guidance;**
- 3. Recommended addition of IVMS101 where examples of market standards are highlighted within the guidance;**
- 4. The VA industry is leading in mandatory beneficial name alignment and this type of compliance innovation can support best enhanced practice across the broader financial services industry;**
- 5. Support for Option 1 in alignment of originator and beneficiary information given that appropriate data privacy standards are being maintained; and**
- 6. Encouragement for a collaborative effort between the FATF and the Global Privacy Assembly (GPA) to address data privacy and R.16 VA, providing clarity to market participants.**



Response to the Public Consultation

Q15: 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 stated above, given GDF's remit, we have chosen to focus on this question as the R.16 revision applies to the VA sector. We have divided our feedback in to six key areas where we believe further guidance or clarity would support effective implementation of R.16.

1. Guidance needed on if purchase of VA would qualify as 'cash or cash equivalent'

GDF would support further clarification on the exemption from R.16 for VA¹ for 'cash or cash equivalents'. As it stands, R.16 does not cover cash and cash equivalents for VA. Yet clarity is needed if the purchase of VA using a credit card would fall under this category, and thus also fall under the exemption from R.16 for VA or if this would be categorized as goods and services.

As discussed in the recent VACG meeting we are supportive of the purchase of VA using a credit card being categorized as cash or cash equivalent in line with Option 1 as set out on page 3 and 4 of the Consultation document. GDF would support the FATF providing further guidance and clarity on this point and would welcome the FATF clarifying under what circumstances purchase of VA by credit card would qualify as cash or cash equivalent.

2. Support for Option 1 (the Instruction Route) in payment chain identification as well as further guidance;

GDF supports Option 1 (the instruction route) from sections F and G on Money or Value Transfer Service (MVTs) and Payment Chain and Net Settlement. We would note that payment chains are fundamentally a challenge for VA markets as well, yet the crucial question is where the payment chain begins, and it may be worthwhile that Payment Chains be considered more broadly than simply MVTs. Clarity on this question is particularly important in a context where in VA markets a virtual asset service provider (VASP) is using a third-party custodian. There remains a lack of clarity on who the originator in this context would be and then what the following payment chain would be for the appropriate transfer of information.

As an industry body with a range of members from traditional financial institutions, to VASPs and digital custodians, we support the best practice and standard setting across payment chains and the varying types of market participants within VA ecosystems.

In addition to our support for Option 1 (the instruction route) we would also propose the FATF create a separate guidance document on payment chains. GDF would be happy to engage the diverse and deep breadth of experience within its membership to support the development of

¹ Please note that in alignment with the FATF terminology we have referred to this recommendation as R.16 for VA – commonly used terminology for this recommendation across industry is the 'Travel Rule'.



such a guidance document as part of a collaborative effort between the public and private sector.

3. Recommended addition of IVMS101 where examples of market standards are highlighted within the guidance;

In VA markets, the only used messaging standard across R.16 for VA providers as well as market participants is IVMS101. As such, we would encourage that throughout the guidance where ISO20022 is mentioned that IVMS101 also be added as an option in addition to language noting that other commonly agreed market standards could also be permitted. For example, sample wording could read:

“...messaging standards such as ISO2022, IVMS101 and other commonly agreed market standards which may evolve in the future.”

The reasoning for inclusion of such language is two-fold. First, the mention of only one standard and exclusion of IVMS101 may have the unintended consequence of excluding IVMS101 as the guidance is implemented into domestic legislation. This would be to the detriment of the industry as the VA sector chose IVMS101 to have a standard that could adapt quickly, with changes able to be implemented that kept pace with the rapid innovation and technological developments of the sector.

Second, having phrasing that explicitly allows for other commonly agreed market standards will enable the FATF’s recommendations to be more future-proof as VA markets continue to evolve.

4. The VA industry is leading in mandatory beneficial name alignment and this type of compliance innovation can support best enhanced practice across the broader financial services industry;

GDF would note our support for mandatory beneficial name alignment. This is already best practice across the VA sector and has been adopted at a more rapid rate than within the traditional financial services sector. In this aspect of the guidance, the VA sector can support compliance innovation across the broader financial services industry. GDF would be happy to support FATF in developing Q&As or explanatory materials on how beneficial name alignment can be supported by new technologies.

5. Support for Option 1 in alignment of originator and beneficiary information given that appropriate data privacy standards are being maintained; and

GDF supports Option 1 in alignment of originator and beneficiary information. For VA markets, Option 1 is more realistic and practicable, and further supports information being provided before or at the time of the transaction.

However, we would note that there are more requirements around data privacy, and as more information is shared these requirements become increasingly critical. Our support for Option



1 is also grounded in our support for data privacy standards to be maintained and appropriately articulated.

6. Encouragement for a collaborative effort between the FATF and the Global Privacy Assembly (GPA) to address data privacy and R.16 VA providing clarity to market participants.

Given the criticality of data privacy in successful implementation of R.16, GDF would also encourage a collaborative event such as a roundtable or forum between FATF and the [Global Privacy Assembly](#). Such a forum could provide substantial clarity to the sector and would support successful implementation of the R.16 for VA. Data privacy has often been used by VASPs as a reason to delay or restrict the rollout of R16 for VA. With appropriate clarity, market participants could then proceed with more certainty with regards to data privacy to ensure they were adhering to the appropriate cross-sectoral requirements. GDF would be happy to support the organization and facilitation of such a forum.