

SUBMITTED VIA EMAIL TO: [FATF.Publicconsultation@fatf-gafi.org](mailto:FATF.Publicconsultation@fatf-gafi.org)

To whom it may concern,

**Re: The Financial Action Taskforce (FATF) Public Consultation on AML/CFT and  
Financial Inclusion – proposed changes to FATF Standards**

**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 – Executive Director – 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.

Overall, GDF is supportive of the aim of the proposed revisions to the FATF Recommendation 1 and its Interpretive Note, with corresponding changes to Recommendations 10 and 15 and related Glossary definitions as well as of the FATF's intent to better align these recommendations with measure to promote financial inclusion.

GDF developed this response on behalf of our board and board advisors as part of our ongoing commitment to supporting the work of the FATF, as well as the GDF mission to support the development of best practices and governance standards across the digital finance industry. The executive summary concisely summarizes our views on the specific drafting within the text. Our two key points of our feedback are as follows:

- 1. We strongly support the replacement of the term ‘commensurate’ with the term ‘proportionate’;**
- 2. We strongly support a risk-based approach to the application of measures for the assessment of money laundering (ML) and terrorist financing (TF).**

## Response to Amendments to the Draft Text

*We strongly support the replacement of the term ‘commensurate’ with the term ‘proportionate’*

GDF is supportive of the proposal from the FATF to replace the term “*commensurate*” with “*proportionate*” in Recommendation 1, in order to clarify how these concepts should be applied in the context of a risk-based approach; to set clearer expectations with regard to simplified measures; and to align the FATF's language more closely with that of financial inclusion stakeholders and frameworks.

Furthermore, noting GDF's focus on the digital assets and digital finance industry, we believe this change is particularly crucial as it relates to virtual asset service providers (VASPs), as well as the broader financial services ecosystem. We would set out three key reasons why we are supportive of the FATF making this replacement:

- 1. We agree with the FATF as set out in the consultation that this change is better aligned to a risk-based approach.** Proportionality implies a direct relationship between risks and measures applied by financial institutions and designated non-financial businesses and professions (DNFBPs).
- 2. A proportionate approach enables improved scalability for small and/or emerging VASPs.** A proportionate and risk-based approach reduces barriers to entry for smaller VASPs and would reflect the risk level and scale of the business models. This is beneficial for supporting responsible innovation as well as financial inclusion.



3. **The amendment of the wording may also reduce regulatory arbitrage across the financial services ecosystem.** A proportionate risk-based approach can lead to greater consistency in regulation across FATF jurisdictions as assessment of both risk level and the scale of the business can be more easily harmonized.

*We strongly support a risk-based approach to the application of measures for the assessment of money laundering (ML) and terrorist financing (TF).*

Building on the points set out above, we fully support the addition to the draft text set out on page 5 which states, “Countries should identify areas of lower risk, for example, through their national or sub-national risk assessments, to support financial institutions and DNFBPs to apply measures proportionate to those risks. Countries should provide guidance or information to financial institutions and DNFBPs on the possible approaches for the implementation of simplified measures where the risks are lower.”

GDF firmly believes that a risk-based approach from FATF enables both VASPs, financial institutions and DNFBPs to implement appropriate compliance measures that are aligned to their risk profile while also being practical and efficient. This approach has wider benefits notably that:

- Smaller firms or those with low-risk activities will avoid being overburdened by compliance requirements;
- By tailoring approaches that are proportionate to risks, firms can allocate their internal resources more efficiently. This is beneficial for both effective governance, and can reduce costs ultimately supporting broader financial inclusion aims;
- This type of approach encourages innovation and growth as opposed to a one-size-fits-all approach which may inadvertently stifle responsible development of new technologies;
- A risk-based approach can also support enhanced focus from both the public and private sector on high-risk areas ensuring that resources are dedicated to the most significant threats; and
- The approach is also aligned to broader international standards and principles from other global standard setters.

Overall, GDF is supportive of the changes proposed by the FATF in the draft text.