



27 October 2023
LRS/2023/11

FSB taskforce on legal, regulatory, and supervisory matters (LRS Taskforce)

Monday 18 September 2023, virtual meeting (14:30 – 15:30 CEST)

Summary and Action Points

The LRS Taskforce discussed (i) potential revisions to the Financial Action Task Force (FATF) Recommendation 16 (R.16) on wire transfers and (ii) the FSB's development of recommendations to promote alignment and interoperability across data frameworks relevant for cross-border payments. The LRS provided preliminary feedback on both topics, and there will be additional opportunities for engagement as work progresses.

FATF project on Recommendation 16

The FATF project team co-lead and FATF Secretariat provided an overview of ongoing work to revise R.16 to address three priority issues: (i) adapting R.16 to changes in payment business models; (ii) improving the content and quality of basic originator and beneficiary information to achieve greater efficiencies; and (iii) achieving greater technical neutrality without preventing real-time completion of the purchase of goods and services. The FATF project team co-lead described the direction that the project team has considered to revise R.16 and its Interpretive Note in support of these priority issues. LRS members were invited to provide initial comments and suggestions, with the understanding that the FATF aims to seek broader public feedback on the proposed revisions to R.16 at a later stage.

There was general support for updating R.16 to adapt to changes in payment business models. A few members cautioned against some of the changes or options presented, noting that they could raise operational difficulties, may slow down some transactions or could make it more challenging to meet FATF standards, as some struggle with implementing the current travel rule. Several members suggested that FATF conduct additional impact analysis of the potential revisions. Some LRS members noted they would prefer an alignment between FATF and CPMI proposals regarding addresses and the use of identifiers in payment messages. Some LRS members also cautioned against the risk of diverging implementation, especially if individual jurisdictions have the flexibility to go beyond the minimum requested, and recommended providing more clarity on some of the proposals.

Action points:

- The FATF will discuss the potential revisions of R.16 and its Interpretive Note at the FATF Plenary on 23-28 October.

FSB work on data frameworks

The Chair of the FSB Cross-Border Payments Data and Identifiers working group (CPDI) provided an update on the work the FSB is undertaking regarding the interaction and potential constraints between data frameworks and cross-border payments. The CPDI is carrying forward the work to develop recommendations to address those constraints and has engaged with relevant authorities and the private sector to identify priority issues. Initial outreach to the private sector has confirmed that industry would like to better understand how to navigate different and possibly conflicting data requirements in payments. A dialogue with data privacy experts and authorities could also be beneficial to the FATF's broader work on AML/CFT going forward. The CPDI Chair requested LRS members' support in providing contact details of data privacy experts within their organisations, as well as case studies that could advance the FSB's understanding of the intersection between data privacy frameworks and cross-border payments.

Action points:

- FSB Secretariat to circulate to LRS members a request for case studies and contact information for data privacy experts within their organisations.
- CPDI to consult with LRS on draft recommendations as they are developed.