

24.04.2026

To,

Project co-chairs
FATF Recommendation 16 Guidance Paper

Subject: Global NPO Coalition input on drafting considerations

The Global NPO Coalition appreciates being invited to the recently-concluded in-person consultation with the private sector on the Guidance Paper that will accompany the revised Recommendation 16 (R.16) and its Interpretive Note (IN). We appreciate the rationale behind the ‘travel rule’ as well as its importance in tackling financial crime, and the imperative to assign roles and responsibilities in an increasingly fractured payments landscape.

The Coalition however remains concerned about potential implementation consequences of the Standard when it comes into effect in 2030. This is both for the NPO sector and the wider communities the sector serves – so the common person on the ground. And while R.16 and its IN have been adopted by Member States, the Guidance document that will accompany the Recommendation offers up the opportunity to explain and nuance the Recommendation with relevant examples and good and bad practice, as well as to set out the necessary exemptions and exceptions where they apply.

With that in mind, we lay out the key areas of our concern, with the hope that they will be adequately addressed in the guidance at this stage (before the draft is adopted by the June Plenary, at which point it may already become too path dependent on what is set out for the public consultation input to be reflected materially):

1. POLICY COHERENCE

Unlike other ‘soft law’ standards in the multilateral space, the implementation of the FATF framework has immense power¹ across the globe because of the powerful methodology attached to it whereby countries are peer evaluated and rated publicly on technical compliance/outcomes – and punished if they fail. This gives the FATF an outsized influence in the policy arena. With that comes the added responsibility of ensuring that its Standards align with other salient policy objectives.

One of those objectives, which is embedded within the FATF framework itself, is that of **financial inclusion**. The 2021 Unintended Consequences workstream² of the FATF had scoped financial exclusion and derisking as two of the four unintended consequences of the implementation of the FATF framework. To address this, the FATF Plenary recently approved (February 2025) changes to Recommendation 1 (R.1) and its Interpretive Note (IN) to better support financial inclusion. Corresponding amendments were also made to the Interpretive

¹ UN Special Rapporteur on the promotion and protection of human rights and fundamental freedoms while countering terrorism, ‘The role of “soft law” and new institutions in the creation, enforcement, oversight and regulation of counterterrorism measures’ (2019), <https://docs.un.org/en/A/74/335>

² FATF, Mitigating Unintended Consequences, <https://www.fatf-gafi.org/en/publications/Financialinclusionandnpoissues/Unintended-consequences-project.html>



Notes to Recommendations 10 and 15. The focus of these amendments is on proportionality and simplified measures under the risk-based approach. As the revisions state: ‘*Where countries identify lower risks, they **should** allow and encourage simplified measures as appropriate.*’ This significant amendment provides countries with the impetus to create a regulatory environment where financial institutions can simplify due diligence measures to lower-risk individuals and entities, enabling them to access financial services without facing excessive compliance hurdles.

As the IN to R.1 outlines:

*‘By adopting a risk-based approach, competent authorities, financial institutions and DNFBPs should be able to ensure that measures to prevent or mitigate money laundering and terrorist financing are **proportionate** to the risks identified, and **would enable them to make decisions on how to allocate their own resources in the most effective way.**’*

Moreover, the Financial Inclusion Guidance Paper³ states that ‘*. financial exclusion represents a real risk to achieving effective implementation of the FATF Standards...’* And, ‘*Financial exclusion not only harms individuals and businesses, but can also represent a real risk to achieving effective implementation of FATF Standards by driving financial activity into unregulated channels. The risks of financial exclusion on these grounds are mitigated through financial inclusion measures that increase reliance on regulated, registered or licensed financial services, ultimately strengthening the integrity of the financial system.*’

The Global NPO Coalition urges the drafters to reflect, **in a substantive way**, the important policy alignment achieved between the financial integrity and financial inclusion goals with the revision to R.1 (and also the 2023 revision of R.8) in the R.16 Guidance they are crafting. **We fear that the implementation goldplating that will ensue with the travel rule requirements will result in policy incoherence and an undercutting of the gains made on proportionality, effectiveness, and the risk-based approach with the other recent revisions** that the Global NPO Coalition and its members and partners have so long campaigned for. If the Travel Rule was not intended to affect proportionality, simplified due diligence in lower-risk cases, or the risk-based approach, then **without clear guidance on how to interpret the Standard, there is a high risk of disruption, financial exclusion, inconsistency, and ineffective outcomes for communities.**

Other policy incoherence issues will be elaborated on in the sections to follow.

2. **STRUCTURED DATA REQUIREMENTS / LEGAL ENTITY IDENTIFIER**

R.16 requires structured data (name, address, date of birth identifiers). Though the standard says that ‘*Lack of documentary evidence does not automatically preclude compliance*’, and alternative verification is encouraged, questions remain about how systems and software within financial institutions and other payment systems will deal with exceptions (rural

³ FATF Guidance: ‘Financial Inclusion and Anti-Money Laundering and Terrorist Financing Measures’, June 2025. <https://www.fatf-gafi.org/en/publications/Financialinclusionandnpoissues/guidance-financial-inclusion-aml-tf-measures.html>

populations; women, who tend have greater legal and documentation barriers; informal economy participants). The impact in terms of payment failures, onboarding rejections and increased difficulties in cross-border transactions is enormous. The Global NPO Coalition has a vast empirical database of historic and ongoing derisking and financial exclusion impact on communities. We see this being exacerbated by the new requirements for structured data (**if the nuances and exemptions are not clearly typologised in the Guidance**). For much of the majority world, for example, as well as in some parts of the Global North an address is still ‘the road with the red-roofed house by the big mango tree’.

Additionally, R.16 requires ‘*where the originator and/or beneficiary is a legal person, the following information, where this exists:*

- (i) *the connected business identifier code (BIC), or*
- (ii) *the Legal Entity Identifier (LEI), or*
- (iii) *the unique official identifier of the originator and/or beneficiary.’*

A fundamental tenet of associational life is the ability of non-profit groups to come together for a common purpose. The need to register with a regulator is NOT a legal requirement in many contexts (think of a Residents’ Association, an after-school club, a food bank or a soup kitchen, etc.). In terms of hard law, the International Covenant on Civil and Political Rights (ICCPR), signed by almost all (175) state parties, legally binds these states to protecting fundamental freedoms and human rights. These freedoms include those which guarantee the right to assemble peacefully and form associations, as well as the right to opinion and expression.

With R.16, **countries will be under pressure to register all such associations and issue them with unique registration numbers, at odds with the above-stated hard law policy imperative.**

“Where it exists” is helpful language unless financial institutions interpret is as an obligation to determine whether it exists, thus adding costs to the transaction and making derisking more likely. Furthermore, (INR 16.26-7) intermediary financial institutions must identify and follow-up on incomplete messages.

Concern: How will it distinguish between a message with open legal entity fields because the information does not exist and one where the originator financial institution simply failed to record the available information? If this is not done well, it could impact negatively on payments of informal community-based organisations. **Guidance must therefore be clearly provided so that technology can be developed to allow for open legal entity fields.**

And, as a general point, the LEI requires connectivity, digital documentation, funds and a means to make an electronic payment. For many in the majority world, let alone the NPO sector, these are not realistic requirements.

There is also scope for increased friction in cross-border transfers – and in the humanitarian and development arena, **friction costs lives**. If a payment meant for a winterisation programme, say (blankets and tents in a refugee camp), is delayed by 12-16 weeks, the need for that resource is negated at the beneficiary end if the payment is only processed by

springtime. And in the meantime, the elderly and the very young are likely to have succumbed to the cold.

3. DATA PRIVACY

R.16 calls for data-rich messaging.

The Global NPO Coalition is worried about the impact of data maximisation, which is becoming the default, without proportionality or any clear evidence of effectiveness (the law enforcement value of the enhanced data is not, as far as we are aware, supported by empirical evidence). **Privacy is a gateway right⁴** – it is a foundational, enabling right that unlocks and protects other fundamental social, economic and civic freedoms and rights (including those of expression/association/opinion). It protects against arbitrary, unlawful interference by the state or by private actors.

The Global NPO Coalition is concerned about the potential of misuse of personal data given weak data protection regimes in many countries and compounded by the sharing of data through R.16 in a world where fraud is prevalent (and where this could increase the fraud risk) and where AI technologies are developing at pace (Mythos, for example). The mandatory sharing of personal information with oppressive regimes and into countries with weak rule of law and privacy protection puts, for example, human rights defenders, climate rights activists, LGBTQI activists and the organisations they work for in harm's way.

There is a planned chapter, we believe, on Data Protection and Privacy (DPP) in the Guidance. But this requires more than just a standalone chapter. **DPP principles need to be streamlined and incorporated throughout the Guidance.** There needs to be a concerted effort to engage substantively with Data Protection Authorities at national level as well as with civil society and academics/researchers who specialise on this topic. A **Data Protection impact assessment** should be conducted before rollout. And just as you are working in R.16 on transparency by design, **the principle of privacy by design needs to be a fundamental tenet of R.16.**

4. GOOD AND BAD PRACTICE

The Guidance should include both good and bad practice examples in the typologies set out (see Recommendation 8 Best Practice Paper for precedent)

CONCLUSION

Finally, while there might be regulatory flexibility at the standard-setting level, **the guidance needs to anticipate and address institutional constraints and institutional risk appetite.** Financial institutions are increasingly having to perform quasi-law-enforcement roles,

⁴ International Review of the Red Cross (2021), 103 (916-917), 11–23. Interview with Fionnuala D. Ní Aoláin Special Rapporteur on the Promotion and Protection of Human Rights and Fundamental Freedoms while Countering Terrorism. <https://international-review.icrc.org/sites/default/files/reviews-pdf/2022-02/interview-with-fionnuala-ni-aolain-916.pdf>



something which R.16 reinforces by requiring banks to assess whether the required data ‘exists’ and act accordingly. At the end of the day, banks and other PSPs are private and not neutral actors, with a greater chance that increased enforcement obligations bring with it greater unpredictability and risk-averseness, further restricting vital NPO operations and causing widespread financial exclusion.

To reiterate a point made during the workshop, eight of the seventeen 2030 UN Sustainable Development Goals speak to financial inclusion. Financial inclusion is the bedrock of development – without it you have less human security and dignity. More insecurity (economic, social, political, civic) leads to crime (thus fuelling money laundering) and attraction to extremism and violent extremism leading to terrorism⁵ – the very ills the FATF is trying to combat upstream. The Global NPO Coalition is thus of the view that policy coherence and alignment are not optional ‘nice to haves’ but should be firmly set out through the Guidance. Otherwise the FATF risks opening another Unintended Consequences workstream in a few years’ time.

The Global NPO Coalition remains open to engagement and providing the drafters with further clarification and empirical data/examples as required.

⁵ UNDP, 2017, 2023, *Journey to Extremism in Africa*. <https://www.undp.org/africa/publications/journey-extremism-africa-pathways-recruitment-and-disengagement>