14 April 2025

Concerns & Recommendations for Revisions to R.16

The Global NPO Coalition appreciates being able to comment on the current round of revisions to R.16, and the care that the FATF is taking to get this right given the far-reaching impact that any changes to this Recommendation are likely to have on payments and value transfers. We understand the need to update this Recommendation given the vast changes in the payments ecosystem in the last few years and the need to ensure that the financial integrity of the system as a whole is not compromised. However, the Coalition is of the opinion that the changes suggested in the second revised draft still leave room for significant unintended consequences. This impact will be felt by NPOs worldwide and the communities we serve. Thus, we thank FATF for the opportunity to revise R.16 in a manner that *prevents* these unintended consequences *before* they occur. Reversing changes to the Standards is much harder than preventing practices so they do not require change in the future.

Specifically, on the **REQUIRED ORIGINATOR AND BENEFICIARY DATA**:

Address of the originator and beneficiary:

- **Address formats vary significantly across jurisdictions. In many LDC countries, formal address systems are either nonexistent or inconsistent in informal settlements** (slums), relocation/displacement villages, rural, and semi-urban communities. Instead, landmarks, family compounds or names, or local references (e.g., the house behind the king's market, or the brick house near the river) serve as identifiers. Mandating standardized addresses disregards these realities and creates compliance barriers for legitimate transactions. Requiring originator and beneficiary addresses in payment messages assumes global standardization, which does not exist. This could lead to rejection of valid transactions due to non-conforming address formats and operational inefficiencies in cross-border payments. Further, where formal addresses do not exist are often precisely the areas most in need, where cross-border transactions and payments can significantly improve quality of life – and sometimes even be life-saving.
- If financial institutions (FIs) are unable to obtain beneficiary addresses, they may transfer this obligation to customers, many of whom (especially in humanitarian and nonprofit contexts) cannot provide such details due to this information being unavailable/non-existent. This will most probably result in financial exclusion disproportionately affecting vulnerable populations who depend on critical humanitarian assistance provided by nonprofit entities.
- The lessons we have learned, including this analysis of trends documented over the years in Nigeria, for example, show that international CT regulations and measures, transposed into national laws and policies, are not always applied with adequate considerations to the social, economic, political, and religious peculiarities of the local context, giving rise to conflicting legal rules and policy contradictions. There is a strong likelihood that adjustments to the information requirements in R.16 may be incorrectly

transplanted in national contexts, causing further financial exclusion and disruptions to domestic financial systems.

- In Botswana, where Indigenous communities have been displaced due to diamond mining and forcibly moved from their homelands into remote and rural "relocation villages", the community often relies on a key landmark for a communal postal address, such as a school. However, the nearest post office may still be 100+ kilometres away, meaning that goods still have to be transported from the post office to the village, and disbursed from there. This means hundreds if not thousands of individuals are sharing one postal address, with the only separating identifier being name. This is one example that is illustrative and replicated across many and varied contexts. These individuals and communities deserve access to the same financial systems and services as those with traditional address formats.

For legal person: LEI, BIC, UID

- **Many NPOs across the world function as unincorporated associations (for example a voluntary group, cultural group, a sports club, community trust, or an animal welfare group).**
- In New Zealand, for example, 61% of NPOs use the unincorporated society form (Better Boards 2023).
- Likewise, in South Africa, the voluntary association is the most common legal form of NPO. Since 2023, NPOs regardless of form, including unincorporated associations, must register with the Directorate for Non-Profit Organisations if working/funding into countries outside South Africa. However, there is no registration requirement for NPOs working in South Africa only.
- Australia: There are an estimated 500,000 community/grassroots/voluntary associations in Australia (Volunteering Australia, 2022). In November 2023, 14,100 of 60, 000 registered charities in Australia were unincorporated associations. There was no requirement to register, therefore, the number of unregistered associations is estimated to be significantly higher. (Productivity Commission, 2024)

Date of birth

- **Birth registration data is not available to many across the world**. According to this latest UNICEF report, 150 million – or around two in 10 – children under five remain unregistered and invisible to government systems. The report also reveals that over 50 million children whose births are recorded lack birth certificates. Western Africa has made the most significant gains over the past 15 years, reaching 63 per cent birth registration rates. Eastern Africa and Central Africa trail behind, both at 41 per cent, according to the report.
- Birth registration data cannot always be obtained due to a host of conditions many in the world are living under, including conflict, war, forced displacement, forced dispossession, regime change, apartheid, occupation, genocide, blockades, and gender apartheid.

All of the above, taken together, pose an exclusion risk: either for not being able to verify residential address or date of birth, or for the fact of existing as a small business or an unincorporated NPO which is not officially registered and therefore lacks an unique official identifier or an official and recorded name required to obtain a LEI.

The **issuing of non-binding guidance on the above will not solve the problems** above, as data requirements laid out in Recommendations get embedded in ICT systems within financial institutions. These rules will serve to hasten the displacement of legitimate money from the financial system – not what the FATF wants in the long term, and not in alignment with FATF's admirable focus and prioritization of financial inclusion.

There is also the **policy incoherence with R.1** and the recent changes in terms of simplified due diligence. What the FATF is proposing for R.16 goes back to being rules-based, leaving little room for a context-specific understanding of financial integrity. It means that people, organizations and businesses with a lighter data footprint will ultimately be left out of the formal financial sector.

Recommendation: It is recommended that the FATF **amend** some of the above provisions to reflect context-specificity, and **carry out an impact assessment** thereafter to determine the feasibility of the proposed changes and whether they meet the G20's call for faster, cheaper payments that are more transparent but **also more accessible**. Without the impact assessment, it is difficult to see these changes as anything but a rules-based approach, rather than a risk-based one, that answers the 'how' question without fully grasping the 'why' question and to what end the changes are being made. This will only exacerbate the policy incoherence between financial inclusion and financial integrity, leaving the traditionally excluded – women, gender minorities, rural communities, migrants, refugees, internally displaced/dispossessed peoples, Indigenous groups, smallholder farmers, voluntary associations, and small businesses – even further away from the formal financial system.