FATF Revision Recommendation 16

The industry association of Swiss debit card issuers "SwissDebitPay", representing the interests of all major debit card issuers (banks), infrastructure service providers and ATM providers in Switzerland, provides the following responses on the second public consultation regarding recommendation 16 and specific questions that affect the card and retail payment business.

1 Proposed revisions to R.16/INR.16 (second consultation)

In general, card (and similar retail payment) transactions pose a low risk for money laundering and terrorist financing activities because the movement of funds and data for such transactions occurs between regulated entities that carry out such transactions on behalf of their respective customers and that conduct identity verification and customer due diligence on their customers in accordance with FATF guidance together with transaction monitoring for suspicious behaviour. Each use of a card leaves a paper trail that can be traced back to the cardholder.

SwissDebitPay welcomes the consideration of essential inputs from the first consultation and is pleased to make further recommendations in the second consultation and to justify these accordingly.

1.1 [B] – Socpe

Recommendations

ISO8583 should be mentioned in number 4 together with ISO20022.

Justification

From the point of view of payment cards, ISO8583 should be mentioned as a second example next to ISO20022, as card transactions do not operate on ISO20022.

1.2 [C] – Information Requirements

1.2.1 Card Payments: Recital 15, Recital 16

Recommendations

SwissDebitPay strongly recommends using a technology neutral terminology, e.g. “retail payment instrument (e.g. cards)” instead of “credit card or debit card or prepaid card” throughout the recommendations.

Justification

The exemption from information requirements for transactions involving the purchase of goods or services is widely recognized in the context of card-based payments operating under a four-corner model and governed by a regulated payment scheme.

However, recent market developments and technological advancements have led to the emergence of payment instruments—often in the form of mobile applications—that are functionally equivalent to traditional cards, though not formally classified as such.

In light of the terminological shift towards “payments” or “value transfers” in Recommendation 16, there is a risk that these non-card retail payment schemes may be placed at a competitive disadvantage, despite offering equivalent functionality, consumer outcomes and risks.

1.2.2 Cash withdrawals: Recital 19 (b)

Recommendations

SwissDebitPay strongly recommends removing letter b) "The name of the cardholder should be sent to the acquiring financial institution within 24 hours. It is not necessary for this information to be attached directly to the card or to the authorisation message" entirely. Instead SwissDebitPay recommends a sole "upon request" regime as described in letter (c).

Justification

The requirement to send the name of the cardholder to the acquiring financial institution in case of cross-border cash withdrawals would lead to disproportionate costs-benefit ratio and considerable data privacy concerns:

- This requirement would require to develop, implement and maintain a new technical solution in which the issuer transmits the name of the cardholder to all ATM acquirers worldwide. Such a technical solution and message flow does not exist and would require significant investments for every issuer, payment system operator, technical service provider and ATM provider. A corresponding harmonized data flow logic would have to be developed and operated from scratch in the processing systems of all involved parties (with corresponding significant cost implications). Furthermore ATM acquirers would have to implement costly monitoring solutions which are capable of working with names.
- The significant investments and operational costs as described above would have to be passed on to the users of the payment system resulting in increased transaction costs for cardholders and ATM operators.
- The transmission of the cardholder's comprehensive personal data raises serious data privacy and IT security issues. A corresponding legally compliant data protection set-up would have to be implemented. The global application would also have to be taken into account, i.e. the personal data of the cardholder would also have to be forwarded to acquirers domiciled in jurisdictions with lower data privacy standards. Furthermore, combining card numbers (see section 1.3 below) with personal data would significantly increase fraud risks and should therefore be avoided.
- The provision of cardholder name for all to cash withdrawals makes little sense from the perspective of the objective of money laundering prevention/sanctions enforcement and fraud, as the risk manifests itself on the cardholder, especially in the case of cash transactions, which are already sufficiently covered by the regulatory requirements relating to the issuer.
- The provision of cardholder name for all to cash withdrawals does not strengthen capabilities to prevent anti-money laundering, terrorist financing or fraudulent transactions. As of today acquiring financial institutions are already in the position to detect anomalies in transaction patterns based on the card number and additional data (e.g. the country of origin of a card used). Additional subsequent provision of cardholder names does not allow a robust prevention of e.g. the scenario described in number 16 of the consultation document, give the fact that in each market multiple acquiring financial institutions for cash withdrawals are active (no holistic view on the all cards used by a person in a given country).
- The issuer of a card is in an unique and strong position to manage anti-money laundering, terrorist financing and fraud risks given the know your customer requirements and a holistic view on transaction patterns. The scenario described in number 16 of the consultation document could come with some shortcoming in risk management capabilities of an issuer which are not compensated by the provision of cardholder names to acquiring financial institutions, because if e.g. the KYC process of the issuer is not robust enough the cardholder name provided would not be reliable.

1.2.3 Cash withdrawals: Recital 19 (c)

Recommendations

SwissDebitPay strongly recommends adding in letter c) an additional point i) “The name of the cardholder” followed by the currently proposed i), ii), iii). Change the terminology in i) to “domicile of the cardholder”.

Justification

Improved possibilities for acquiring financial institutions, law enforcement agencies and other competent authorities to gather additional cardholder information in case suspicious transaction patterns are detected can be deemed useful. Upon request provision of additional cardholder data could be ensured without the need of implementing complex additional technical solutions via already existing procedures.

1.3 Glossary

Recommendations

The term “card number” should be added to the glossary clarifying that all unique numbers allowing to identify a cardholder are considered “card numbers”.

Justification

The existing exemption and the proposed additional transparency apply for transactions carried out using a credit, debit, or prepaid card for the purchase of goods or services, so long as the card number accompanies all transfers flowing from the transaction. To support technical innovation and to heavily increase transaction security the card industry introduced and is heavily dependent on card number aliases (often referred as “card number tokens”). These aliases are derived from the card number (“Primary Account Number”), are therefore still unique and can be resolved to the card number at all times. To avoid unnecessary room for interpretation FATF should ensure that the term “card number” includes aliases as well.

About SwissDebitPay

The industry association ‘SwissDebitPay’ promotes cooperation between debit payment issuers in Switzerland, engages in non-competitive aspects of mutual interest; contributes to the process of shaping legal and regulatory developments; develops best practices for the industry; protects the integrity of debit payments; develops industry standards and coordinates other industry-wide initiatives (e.g. those aimed at innovation). Members of ‘SwissDebitPay’ are the major Swiss debit card issuers, namely: UBS Switzerland AG, PostFinance AG, Raiffeisen, Zürcher Kantonalbank, Entris Banking AG, Migros Bank AG, SIX BBS AG, Viseca Payment Services SA, Berner Kantonalbank, Graubündner Kantonalbank, Schwyzer Kantonalbank, Zuger Kantonalbank, Banque Cantonale Fribourg, Bank, CIC (Schweiz) AG, Banca Popolare di Sondrio (SUISSE) SA.

Contact

SwissDebitPay
Thomas Weber, Managing Director
c/o Kellerhals Carrard KIG
Rämistrasse 5, 8024 Zürich
thomas.weber@swissdebitpay.ch