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7 April 2025

Dear Madam/Sir,

Re: Comments of the EMA on the updated FATF Guidance on AML/CFT Measures and Financial Inclusion

The EMA is a UK and EU-based trade body representing electronic money issuers and alternative payment service providers. Our members include leading payments and e-commerce businesses worldwide, providing online payments, card-based products, electronic vouchers, virtual assets and mobile payment instruments. A list of current EMA members can be seen on our website: https://e-ma.org/our-members.

We appreciate the opportunity to provide feedback on the proposed updates to the guidance on AML/CFT and financial inclusion. The EMA would like to underline the importance of Simplified Due Diligence (SDD) and of a robust risk-based approach for the e-money and payments industry to provide low-risk products that contribute to financial inclusion.

I would be grateful for your consideration of our comments and proposals.

Dr Thaer Sabri
Chief Executive Officer
Electronic Money Association

EMA comments

We appreciate the opportunity to provide feedback on the proposed updates to the guidance on AML/CFT and financial inclusion. The EMA would like to underline the importance of Simplified Due Diligence (SDD) and of a robust risk-based approach for the e-money and payments industry to provide low-risk products that contribute to financial inclusion.

Smart Customer Due Diligence in the context of today's technological developments

The EMA welcomes the FATF's efforts to require jurisdictions to allow and encourage simplified due diligence measures. AML regulations are increasingly limiting the Risk- based approach and the usefulness of SDD for financial inclusion. An example of where flexibility is being lost is the specification of an extensive list of elements of identity in Art. 22(1)(a) of the EU's Regulation (EU) 2024/1624 of the European Parliament and of the Council of May 31, 2024 (AMLR). This moves the AML framework away from a risk-based approach to the prevention of ML/TF and towards one that is tick-box in nature.

Identity in today's technological world should not be a static concept but one that is defined by reference to context, such as the intended user of the financial product (young/professional, banked/unbanked, etc.), its use (savings/small value payments, etc.) and any associated risk of financial crime.

For example, a tax ID may be a justifiable component of identity where investments are concerned but may not need to be collected for prepaid cards intended for small-value payments for goods or services. The mere availability of such information in theory does not justify asking users for elements of their identity in practice that are meaningless in the context of their account and transactions. Not only does this lead to unjustified additional costs for businesses; unjustified collection also erodes user confidence in the protection of their data. Therefore, the means to establish identity should not be defined in primary legislation but set out in industry guidance, where its nuances can be adequately addressed.

Furthermore, the means by which identity must be verified should allow for the employment of innovative 'smart' solutions suitable for the digital economy. Such solutions have been developed, tested, approved (including through FATF mutual evaluations) and successfully employed in many sectors (including the e-money sector) during the last two decades.

Legislation should continue to permit the use of these solutions and not exclude them by limiting the means of verification to those historically developed in the banking context but from which even banking has moved on. Reverting to the historic approach of submission of identity documents (even as electronic images) as the sole permitted means by which identity can be verified ignores the significant progress in this area (e.g., geolocation, facial recognition, etc.), impedes the development of innovative financial products and inappropriately restricts market access to legitimate new entrants by imposing unnecessary high costs for customer onboarding for fintech firms that offer only lower risk products.

Verification procedures that require potentially lengthy and complex procedures may also deter customers from using some products altogether. For example, consumers would not expect to be asked to produce a passport when purchasing gift cards in retail outlets, and some consumers may not even have the required ID documents (financial inclusion may be impacted).

Raising barriers to uptake may push consumers towards an increased usage of cash or informal value transfer systems, which pose higher financial crime risks. High relative onboarding/compliance costs will furthermore obstruct competition between financial products, and the higher operational costs will ultimately be borne by consumers, slowing the growth of business and potentially affecting the under-banked most.

De-risking of payment service providers

The EMA also welcomes the FATF's clear statement that de-risking is contrary to the RBA. De-risking is a practice that has a significant impact on some specific categories of payment services users ('PSUs'), including payment services providers ('PSPs') themselves when they are being de-risked by Credit Institutions ('CIs') or other PSPs, as highlighted for example in the European Banking Authority Opinion on de-risking published on 5 January 2022.

To mitigate the risk of being "de-banked" and no longer being able to meet regulatory obligations such as to safeguard client funds and to service customers, PSPs engage with a variety of banking partners. With an ever diminishing number of banks willing to onboard PSPs, and an increase in the number of PSPs seeking banking services, the cost has increased, and spreading the risk across multiple banks becomes almost impossible, especially for smaller market participants.

In this context it is important to note that the de-banking process can be swift (1-2 months) with little communication or formal notice whereby securing alternative banking relationships may take up to one year. Many examples were provided of firms who were given 1-2 months' notice to find an alternative solution.

PSPs have to resort to using accounts offered by other PSPs instead of using bank accounts. PSPs' preference (for business continuity reasons as well as other risk management purposes) is to have several bank accounts in use, but this is often not possible, and increasingly difficult to achieve. In any case, securing banking relationships and keeping those business relationships are vital for PSPs to continue to operate.

List of EMA members April 2025

Airbnb Inc
Aircash
Airwallex (UK) Limited
Amazon
Ambr
American Express
Banked
Benjamin Finance Ltd.
Bitstamp
Blackhawk Network EMEA Limited
Boku Inc
Booking Holdings Financial Services International Limited
BVNK
Cardaq Ltd
CashFlows
Circle
Coinbase
Contis
Crypto.com
Currenxie Technologies Limited
Curve UK LTD
Decta Limited
Deel
eBay Sarl
ECOMMPAY Limited
Em@ney Plc
emerchantpay Group Ltd
EPG Financial Services Limited
eToro Money
Etsy Ireland UC
Euronet Worldwide Inc
Facebook Payments International Ltd
Finance Incorporated Limited
Financial House Limited
FinXP
First Rate Exchange Services
Fiserv
Flywire
Gemini
GoCardless Ltd
Google Payment Ltd
IDT Financial Services Limited
iFAST Global Bank Limited
Imagor SA
Ixaris Systems Ltd
J. P. Morgan Mobility Payments Solutions S. A.
Kraken
Lightspark Group, Inc.
Modulr Finance B.V.
MONAVATE
MONETLEY LTD
Moneyhub Financial Technology Ltd
Moorwand Ltd
MuchBetter
myPOS Payments Ltd
Navro Group Limited
Nuvei Financial Services Ltd
OFX
OKG Payment Services Ltd
OKTO
OpenPayd
Owl Payments Europe Limited
Own.Solutions
Papaya Global / Azimo
Park Card Services Limited
Payhawk Financial Services Limited
Paymentsense Limited
Paynt
Payoneer Europe Limited
PayPal
Paysafe Group
Paysend EU DAC
Plaid B.V.
Pleo Financial Services A/S
PPS
Push Labs Limited
Remitly
Revolut
Ripple
Satispay Europe S.A.
Securiclick Limited
Segpay
Soldo Financial Services Ireland DAC
Square
Stripe
SumUp Limited
Syspay Ltd
TransactPay
TransferGo Ltd
TransferMate Global Payments
TrueLayer Limited
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Weavr Limited
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