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The First, Middle and Last Mile

Making payment transparency work where systems fail

FATF PUBLIC CONSULTATION ON THE R.16 GUIDANCE
DRAWN FROM THE RESPONSE SUBMITTED 24 AUGUST 2026

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PROVENANCE

A public paper drawn from the response submitted in confidence by Huozhi Ltd, on 24 August 2026, to the FATF public consultation on the draft Guidance for revised Recommendation 16 (payment transparency). The submission, its operational evidence and related communications are not reproduced, and nothing in this paper is drawn from or attributable to FATF.

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Introduction: from consultation to implementation

The Financial Action Task Force's work on Recommendation 16 arrives at an important moment. Cross-border payments are becoming faster and more technically varied, yet the institutional chains behind them are often harder to see. FATF's draft guidance attempts to explain a landscape that now includes banks, money or value transfer services, card issuers, sponsored issuers, acquirers, payment facilitators, virtual account providers, wallets, technology companies, merchants and local liquidity providers. Its detail is itself evidence of the problem: a payment that looks simple to the person sending or receiving it may depend on a dense web of legal relationships, data exchanges and settlement arrangements.

Huozhi Ltd, which operates the Amanacard and SecureAid platforms, has submitted a detailed response to FATF based on ten years of operating experience. We welcome the fact that FATF and its delegations are considering those answers proactively as part of the continuing process. This public paper does not reproduce that confidential submission. It draws out the broader lessons that should be available to everyone working on payment transparency, particularly those trying to move legitimate funds into sanctioned, grey-listed, conflict-affected and severely underbanked markets.

For more than a decade, Amanacard has worked at the intersection of senders, recipients, local merchants, banks and licensed payment providers. Across more than US$650 million in official aid and trade transactions, we have sought to preserve the connection between the original source and purpose of funds and evidence of final delivery. That has required identity verification, sanctions screening, donor and project attribution, participant confirmation, receipts and reconciliation across systems that were not designed to provide one continuous record.

That operating record shows that transparency is possible. It also shows how much technical, operational and human effort the present system demands. If that effort remains exceptional, it will not scale to the volumes that must lawfully reach the world's hardest markets. The policy task is therefore to make the chain intelligible: who must know what, who must retain what, and how records held in different places remain joined.

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1. Why a payment has never been simple

Payment has never been merely the physical passage of money from one hand to another. Long before correspondent banks, card networks and digital wallets, trade required people to release value in one place against a promise made—or a record recognised—somewhere else.

Follow the promise rather than the coin and it travels through an extraordinary history: Mesopotamian clay tablets recording credit, loans and commercial partnerships; lapis lazuli moving between the Indus Valley and the royal tombs of Ur; Indian adēsa and hundī directing value through commercial networks; interconnected Roman credit markets; Tang Chinese fei-ch'ien, or 'flying money'; Jewish Arab merchants whose credit and debt-transfer instruments survive in the Cairo Geniza; Templar safe deposits, bills, loans and payments in London and Paris; and the pagamentum at the Champagne Fairs, where merchants settled and balanced the obligations created by trade.[1]

These were not identical systems, and no single civilisation, religion or institution invented the underlying idea. They were different answers to the same enduring problem: how to make value available across distance when bullion was scarce, roads were dangerous and formal enforcement could not travel with the merchant.

My research began with Afghanistan's money men and led backwards through this history. The evidence and fuller argument are set out in *Trust Is the Coin of the Realm* (OUP, 2011). The essential lesson for today is simple: the straight line from sender to recipient has always been a myth.

> "The straight line from sender to recipient has always been a myth."

What appears to be one payment may depend on credit, instructions, records, reciprocal transfers, trade settlement, netting and several intermediaries' promises. The instruction to make value available at the destination and the settlement of the obligations created by that instruction may take different routes, occur at different times and involve different participants. Digital networks change the medium and scale. The underlying questions remain: who released the value, who received it, whose obligation was being settled, and where the evidence sits.

What is new is the scale of regulatory and technical fragmentation. A historic merchant may have understood the other members of the network on whom the transfer depended. A modern customer can be given a named virtual account by a fintech without knowing that the fintech is itself dependent on another payment institution, which relies on an upstream bank. Each organisation may be properly authorised and each individual relationship legitimate, yet the customer may still be unable to describe the complete chain—or predict which upstream decision could interrupt it.

A workable framework must make this distributed process comprehensible and accountable, while recognising that a payment passes through multiple hands, systems and records.

2. Three coordinates that survive every mechanism

Amanacard has approached this complexity through three enduring coordinates, first set out in the *Safer Corridors* assessment I led in 2013: the first mile, the last mile and the middle mile. They are intentionally simple because they remain useful regardless of whether the visible mechanism is a bank transfer, card, wallet, virtual account number, voucher, merchant purchase or cash payment.[2]

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The first mile asks who is ultimately sending the value, where the funds originated, why they are being sent and which restrictions or conditions attach to them. A bank message may identify the immediate remitter while leaving the underlying sender, obligation or purpose outside the payment record. In a third-party settlement, the name on the transfer may identify the entity discharging the obligation, while the instruction may have originated with another party.

The last mile asks who ultimately receives the funds, goods or services, whether that person or merchant has been appropriately identified, and what evidence establishes that delivery occurred. Conventional bank records often end with a payment to an institutional account or intermediary. In humanitarian and other complex markets, that can be precisely where the most important part of the accountability record begins.

The middle mile asks which institutions and intermediaries hold, safeguard, convert or move the funds; who sources and supplies local liquidity; and which participant holds each part of the identity, transaction and reconciliation record. It includes the operational reality that value may be delivered locally before the obligations between intermediaries are finally settled.

The three miles are coordinates for locating responsibility. A participant can perform more than one function, and a single function can be divided among several participants. The purpose of the model is to prevent a complex mechanism from obscuring the essential questions: who sent the value, who ultimately received it, and who made delivery possible in between?

3. When regulation makes the chain harder to understand

FATF understandably uses the term ‘financial institution’ as a broad functional category. Recommendation 16 must follow relevant payment activity rather than allow obligations to be avoided through a company’s name or legal form. The difficulty arises when a term created to allocate FATF responsibilities migrates into domestic licensing decisions, bank onboarding, correspondent controls and vendor risk taxonomies.

An entity described as a financial institution for one functional purpose may then be treated as bank-like, custodial or independently licensed for every purpose. A non-custodial programme manager or technical operator may be categorised as a payment firm, money-service business or nested financial institution even where authorised partners hold and move the funds. The label can become a risk signal detached from the activity that justified it.

“The label can become a risk signal detached from the activity that justified it.”

That creates a circular problem. Payment and e-money applicants may need a banking or safeguarding arrangement to secure authorisation. Banks may be reluctant to provide that arrangement because they regard such applicants as higher-risk payment firms. Once authorised, the same firm may still struggle to remain banked. If a broad international label further obscures whether an entity actually holds funds, provides regulated payment services or only supplies technology and records, the rule intended to improve transparency can contribute to the de-risking that makes transparent delivery harder.

Virtual account numbers illustrate the related problem of undisclosed intermediation. A firm may say that it is ‘banked’ and offer account details carrying a familiar banking format. The customer may in fact hold a payment or e-money account, or merely a virtual allocation within another provider’s pooled account. That provider may itself depend on a further payment institution before reaching the settlement bank. All these structures can be legitimate, but they are not equivalent. They differ in the customer’s legal claim, safeguarding arrangements, data access, operational resilience and exposure to upstream termination.

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A business customer should be able to ask, and be told, which legal entity provides and services the account; whether the product is a bank account, payment account, e-money account or virtual allocation; whether access to settlement infrastructure is direct or intermediated; where funds are held or safeguarded; which name will appear in payment messages; and which upstream changes could interrupt the service. A virtual account should make the chain more intelligible, not create the appearance of a direct banking relationship where none exists.

The same caution applies at the other end of the chain. A local provider may be licensed under domestic law, but the existence of a licence does not answer every question about supervisory quality, sanctions exposure, data safety, political control or international bankability. In places such as Afghanistan or Iran, international organisations must understand both the local legal position and the consequences of operating under authorities that other jurisdictions may not recognise or may subject to sanctions. 'Licensed financial institution' cannot become shorthand for equivalent risk, equivalent supervision or safe disclosure.

4. Information is not money

One of the most persistent sources of confusion is the assumption that the organisation holding the most complete information must also be the organisation holding the money. Modern systems often separate those functions—and in difficult markets there can be good reasons to do so.

A programme manager or technical provider may establish and maintain a verified participant profile, authenticate a proposed transaction, show previous transactions and receipts, calculate the remaining programme allocation, and preserve the authoritative record used for reconciliation. An authorised financial institution may separately receive, safeguard, transfer and settle the corresponding funds. The information layer can be essential to accountability without constituting custody.

This distinction is easy to lose when a user interface resembles an account. A card, a displayed figure and a transaction history may collectively look like stored money even where the figure records only an allocation, entitlement or delivery position and the participant has no redemption claim against the technology provider. Conversely, an institution that legally holds or transfers funds may see only a narrow, decontextualised payment instruction and lack the fuller record of donor, purpose, recipient and final receipt.

Regulatory engagement over many years has shown us how readily the visible form can displace the underlying analysis. The right questions are functional and legal: Which entity receives or possesses the funds? Who owes the holder the monetary claim? Who contracts to provide the payment service? Who gives the instruction, and who executes the transfer or settlement? Who maintains the identity and delivery record? Who can obtain that information when it is required?

Maintaining KYC data, authenticating use, operating a ledger or displaying an allocation should not by itself make an entity the issuer, account provider or custodian. Equally, separating the data function must not create an accountability gap. The responsible regulated institution needs enforceable and sufficiently rapid access to the information necessary to perform its obligations, while access to personal data remains proportionate and secure.

> "Possession of information should not be mistaken for possession of funds, and the involvement of different entities in moving the funds should not break the transaction trail."

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This is why Recommendation 16 guidance should recognise the programme manager or specialist technical provider as a distinct participant where that role exists. Classification should follow what each entity actually does. Possession of information should not be mistaken for possession of funds, and the involvement of different entities in moving the funds should not break the transaction trail.

5. Better data is not necessarily more data

Payment transparency depends on data quality, rather than the mechanical completion of fields. A postcode, numbered street or utility bill is evidence produced by a particular kind of administrative infrastructure. It is not identity itself. The absence of a postcode is not the absence of an address, still less the absence of a verifiable person.

In conflict-affected, displaced and rural populations, a country, town, village, district, landmark, local-language description or verified geolocation may be more accurate than a forced postal format that does not exist. Identity can be corroborated through available documentation, programme or employer records, trained local verification, community institutions and appropriately verified referees. Requiring an exact birth date where civil registration is incomplete can similarly produce false precision or fabricated data rather than greater certainty.

FATF's recognition that country and town information may be used where a standardised postal address is unavailable is therefore welcome. The harder task is implementation. Unless financial institutions, payment platforms and third-party KYC providers change their forms, validation rules and compliance procedures, flexibility will exist in the standard but not in practice.

We have seen an otherwise fully verifiable person rejected because a global platform would not accept a genuine Syrian address without a postcode. The person's identity, residence, employment and organisational relationship could all be independently evidenced. We obtained formal confirmation of the address from the local municipality and provided an official English translation alongside the stamped Arabic original. It was still rejected because the data model required a field that did not exist. The person was verifiable. The KYC schema could not recognise him.

> "The person was verifiable. The KYC schema could not recognise him."

Systems should permit conventional address fields to be left blank or marked not applicable with a reason code; support local scripts, transliteration and landmark-based descriptions; accept proportionate alternative evidence; and avoid consigning every non-standard case to indefinite manual review. Institutions should remain responsible for exclusions caused by outsourced technology. Supervisors should examine acceptance and rejection outcomes, not merely written policies, to determine whether flexibility is working in reality.

An invented data point is worse than an honest gap. The standard should reward accuracy, provenance and explanation over the appearance of completeness. Transaction evidence requires the same discipline: its value comes from provenance, authenticity and its connection to the underlying obligation.

6. What accountable delivery requires

The purpose of payment transparency is to preserve a reliable connection between the information needed at the beginning, during execution and at final delivery, rather than accumulating data at every point in the chain.

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In our own operations, that has meant maintaining distinct but linkable layers: the regulated funding record; the payment instruction and settlement record; the identity and sanctions-screening record; and the delivery, receipt and reconciliation record. Different institutions may legitimately control different layers. Records can exist across several participants without forming an intelligible transaction history. Accountability depends on persistent references, clearly assigned responsibilities and the ability to retrieve and join the appropriate information when needed.

This approach also protects people. In conflict environments, personal data may expose recipients, staff or local partners to surveillance, retaliation, discrimination or physical danger. The institution establishing the relationship should verify and retain the fuller identity record. Other participants should receive the information necessary for their role, together with a reliable route to additional information under lawful and sufficiently urgent procedures.

The same principle applies to cards. The physical or digital presence of a card should not decide which entity is responsible. Merchant purchases, cash delivery, person-to-person transfers and wallet funding can create different transparency requirements even when the same credential initiates them. Obligations should follow the function of the transaction and the role actually performed, while the references joining the records remain intact.

Our aggregate operating record demonstrates that end-to-end accountability is possible in markets commonly regarded as too difficult. But it has required human judgement as well as software: resolving imperfect identities, understanding local liquidity, distinguishing a legitimate exception from evasion, and protecting people while preserving a defensible audit trail. Policy should make that disciplined work repeatable, rather than assume that a longer payment message or another mandatory field will perform it automatically.

7. A simpler test for a complex chain

For every participant in a payment chain, regulators, financial institutions and customers should be able to ask seven questions:

1. What function does the entity actually perform?
2. Does it receive, possess, hold or safeguard the funds?
3. Whose legal claim represents the monetary value shown to the customer?
4. Who gives the underlying instruction, and who executes or settles it?
5. What identity, purpose, transaction and delivery information does each participant hold?
6. Who can retrieve that information, under what authority and how quickly?
7. Can the first-, middle- and last-mile records be reliably joined?

The value of the test is that it makes a complex chain easier to follow. It also helps distinguish risks that are too often collapsed: custody risk, settlement risk, sanctions risk, provenance risk, identity risk, data-protection risk, operational dependency and regulatory perimeter risk.

> "The value of the test is that it makes a complex chain easier to follow."

FATF's revised guidance can advance this thinking by being precise about functions, proportionate about data and realistic about fragmented delivery.

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Cross-border payments have never been simple. The middle mile is a web of instructions, credit, liquidity, settlement and records crossing multiple relationships and often multiple jurisdictions, and no single participant necessarily sees the whole chain. Good policy must allow legitimate value to move promptly while preserving enough connection across that web for the exceptional transaction that warrants scrutiny to be traced and explained. The goal is a system in which payments can move, responsibilities remain clear and the evidence can be assembled when it is needed. That is how transparency, inclusion and effective financial-crime controls can reinforce rather than defeat one another.

Notes

1 Edwina A. Thompson, *Trust Is the Coin of the Realm: Lessons from the Money Men in Afghanistan* (Oxford University Press, 2011; Archive Edition, Wombat House Publishing, 2026), https://trustisthecoin.com/#archive.

2 Beechwood International, *Safer Corridors Rapid Assessment*: Case Study: Somalia and U.K. Banking (U.K. Government-commissioned, September 2013), public copy: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/283826/SAFER_CORRIDORS_RAPID_ASSESSMENT__2013__SOMALIA___UK_BANKING.PDF; archived copy: https://trustisthecoin.com/safer-corridors-rapid-assessment-2013.pdf.

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Twenty-five years after 9/11 brought hawala into Western policy vocabulary, these papers return to the primary evidence: what the field record shows about informal finance, what is lost when regulated infrastructure withdraws, how delivery can be proved at the last mile, and how a payment can be made intelligible from its first mile to its last.

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Making payment transparency work where systems fail.

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