



FATF GUIDANCE
**Anti-Money Laundering and
Terrorist Financing Measures and
Financial Inclusion**

With a Supplement on Customer Due Diligence



November 2017



FINANCIAL ACTION TASK FORCE

Guidance on Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion

APG

World Bank

FATF Supplement

2013

Guidance

Anti-money laundering and terrorist financing measures and financial inclusion - With a supplement on customer due diligence,

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World Bank – Financial Inclusion Product Risk Assessment Module (FIRM)

a) Tiered CDD approach

China – Bank account management based on risks

Guatemala – Small account threshold based on an average income analysis

Peru – Simplified CDD measures based on a specific authorisation of the supervisor

b) Restriction of product functionalities and services

United States – A risk-sensitive application of the Customer Identification Programme

- a) Alternative and new means of identification applicable to all customers

Switzerland – RBA to verifying customer’s identity in specific situations

Canada – Flexible means of customer’s identification when prescribed measures cannot be used

New Zealand - Amended identity verification Code of Practice

Fiji – Letter from a suitable “referee”

Chile – Account associated to the tax-identification number allocated to all nationals and residents

Box 12. The Philippines – Temporary relaxation of identification requirements following a natural disaster

India – e-KYC process

. Colombia – Banks’ access to the national registrar’s biometric ID database

Pakistan – Integration of the biometric national identity for account opening and SIM card registration

With a supplement on customer due diligence

Spain – A large range of valid documents to verify a customers' identity, including the resident card

. Australia - CDD procedures for Aboriginal and/or Torres Strait Islander people

Jordan – Using United Nations High

. US/Mexico – Use of the Consular Identification Card and Individual Taxpayer identification number

Israel – Alternative arrangements for asylum seekers

Reduction on the extent of identification information required -

Colombia – Basic ID information required

Egypt - Simplified due diligence measures for mobile payment services

Honduras - Simplified measures for opening of basic accounts and e-wallets

Postponing the verification of the identification information

India - "Small accounts"

Relying on a broader range of acceptable means of identity verification-

Brazil - Simplified verification for electronic accounts

Identifying and verifying the beneficial owner based on information from the customer's profile

Other examples of SDD measures

Ongoing monitoring of the relationship

Guatemala – Specific monitoring measures for small accounts

Fiji – Specific monitoring of accounts opened based on “referee” certificates

Ghana – CDD tiered approach for mobile money services

*transfer
money without opening a mobile wallet account, or obtaining other digital financial account-like
services,*

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Step 1–Analysing the product features and their risk implications

Step 2– Assessment of Risk Mitigation Measures

Step 3– Assessing the impact of country risk context on the product

Step 4– Overall assessment

Table 1.

Country	Financial Inclusion Product with Low or Lower ML/TF Risk*	Assessment's Conclusion on CDD Regulatory Framework
Bangladesh		
India		
Malawi		
Nigeria		

Sri Lanka

With a supplement on customer due diligence

Country	Financial Inclusion Product with Low or Lower ML/TF Risk*	Assessment's Conclusion on CDD Regulatory Framework

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Financial Inclusion Action Plan

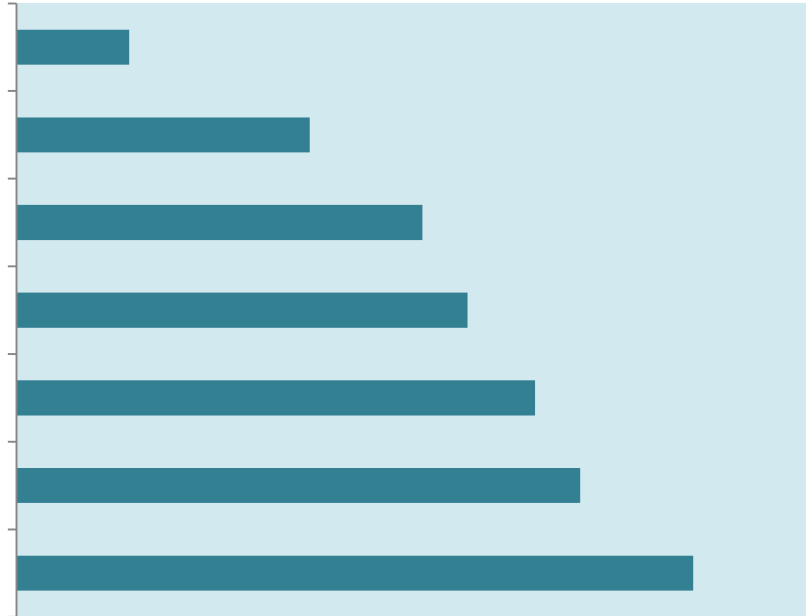
*Global Standard-Setting Bodies and Financial Inclusion for the
Poor - Toward Proportionate Standards and Guidance*

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Self-reported barriers to use of formal accounts



Note:

Source:

Measures that ensure that more clients use formal financial services therefore increase the reach and effectiveness of the AML/CFT controls”⁵⁴.

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Better than Cash

et al

e.g.,

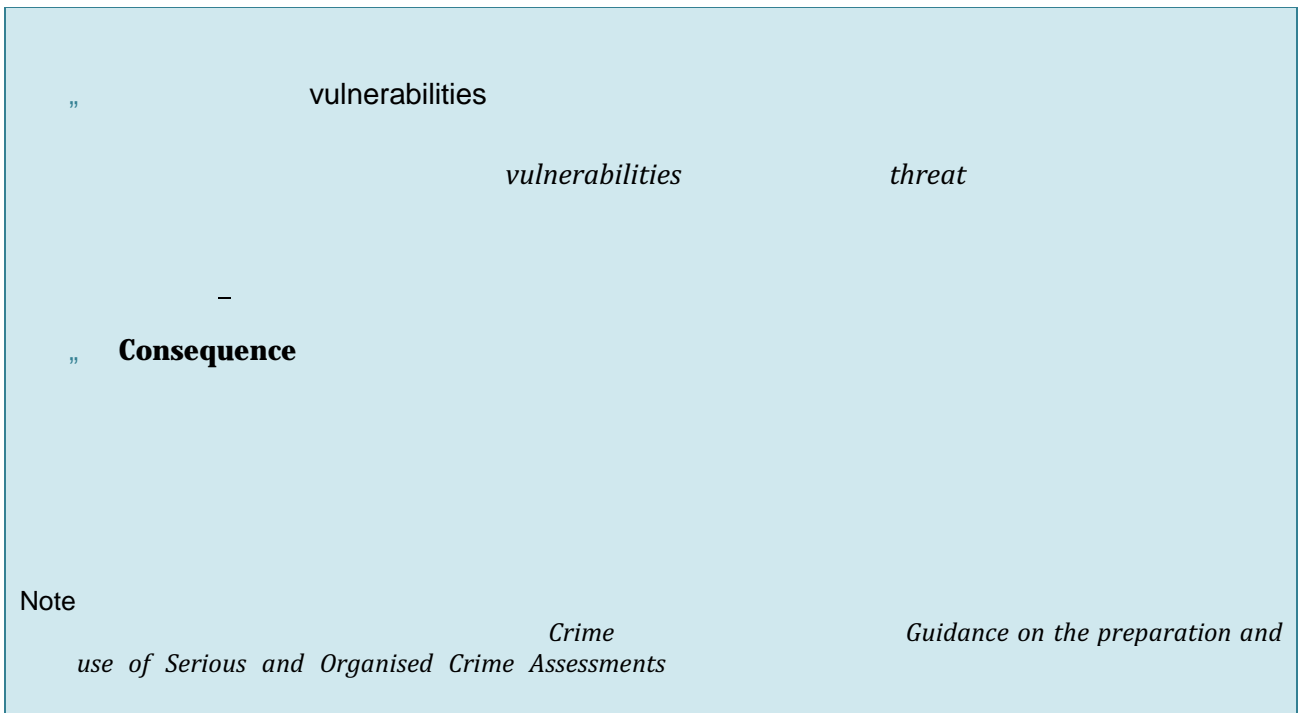
Guidance on National Money Laundering/Terrorist Financing Risk Assessment

About the definition of risk

„ **threat**

Threat

et al



e.g.,

Notes:

inter alia

Conditions for exemption -

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e.g.

limited basis

*on an occasional and very
de minimis*

i.e.

I.e.,

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e.g.,

⁸⁴ Specific examples of simplified measures which could be envisaged by countries for each step of the CDD process to accommodate the specificities of lower risk financial inclusion products or situations are detailed in the following paragraphs.

**Objective data support perceptions of documentation requirements and cost as
barriers to use of formal accounts**

Note:

Source:

Relying on a broader range of acceptable identification means

Fraud risk relating to alternative acceptable IDs

Postponing ID verification–

i.e.

e.g.,

New products and technologies.

Reliance on third parties -

i.e.,

e.g.,

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e.g.,

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General.

General.

*Notion of agent*¹⁰⁸.

Who can be an agent?

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any natural or legal person providing money or value transfer service on behalf of an MVTS provider, by contract with or under the direction of the MVTS provider.

et. al

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¹¹⁸ As defined in the Glossary to the FATF Recommendations, the term “MVTs ... refers to financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the MVTs provider belongs.”

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Leadership

Diversity

Innovation

Protection

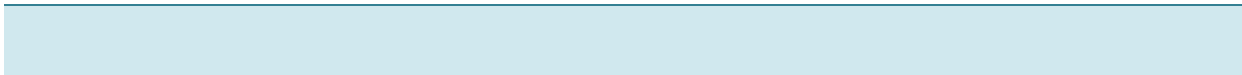
Empowerment

Cooperation

Knowledge

Proportionality

Framework



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Fiji

Service	Institutions	Delivery mechanism

Description of the product and financial facilities	Amount/threshold limitation	Customer identification requirements
	+	
	+	

Description of the product and financial facilities (including whether there is banking arrangement)	Amount/threshold limitation	Customer identification requirements
LEVEL 1		

Description of the product and financial facilities (including whether there is banking arrangement)	Amount/threshold limitation	Customer identification requirements
<ul style="list-style-type: none"> • • • • • • • • • 		
<p>LEVEL 3</p> <ul style="list-style-type: none"> • For natural or legal persons 	<p>Limited to 10 000 UDIS (around USD 3 500 a</p>	<p>Full data is required (copies are not required)</p>

Description of the product and financial facilities (including whether there is banking arrangement)	Amount/threshold limitation	Customer identification requirements
<ul style="list-style-type: none"> • Fund transfers are allowed • Accounts opening should be at banking branches or through banking agents 	month)	

Description of the product and financial facilities (including whether there is banking arrangement)	Amount/threshold limitation	Customer identification requirements

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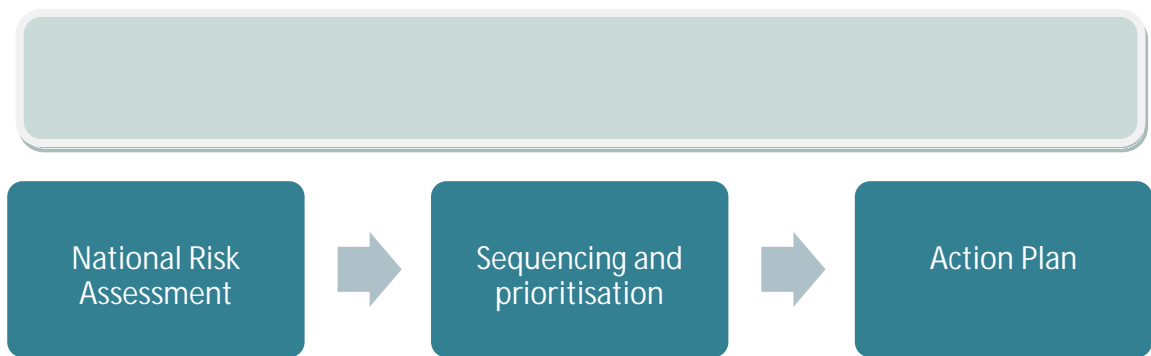
Description of the product and financial facilities	Amount/threshold limitation	Customer identification requirements

Account Level	Level 0	Level 1

Account Level	Level 0	Level 1

Account Level	Level 0	Level 1
	B) Responsibilities of FI:	B) Responsibilities of FI: <i>i. Mother's maiden name OR ii. Place of birth etc.</i>

.SIP framework



COMPONENT 1: NATIONAL RISK ASSESSMENT (NRA) USING TEMPLATE 1

Background

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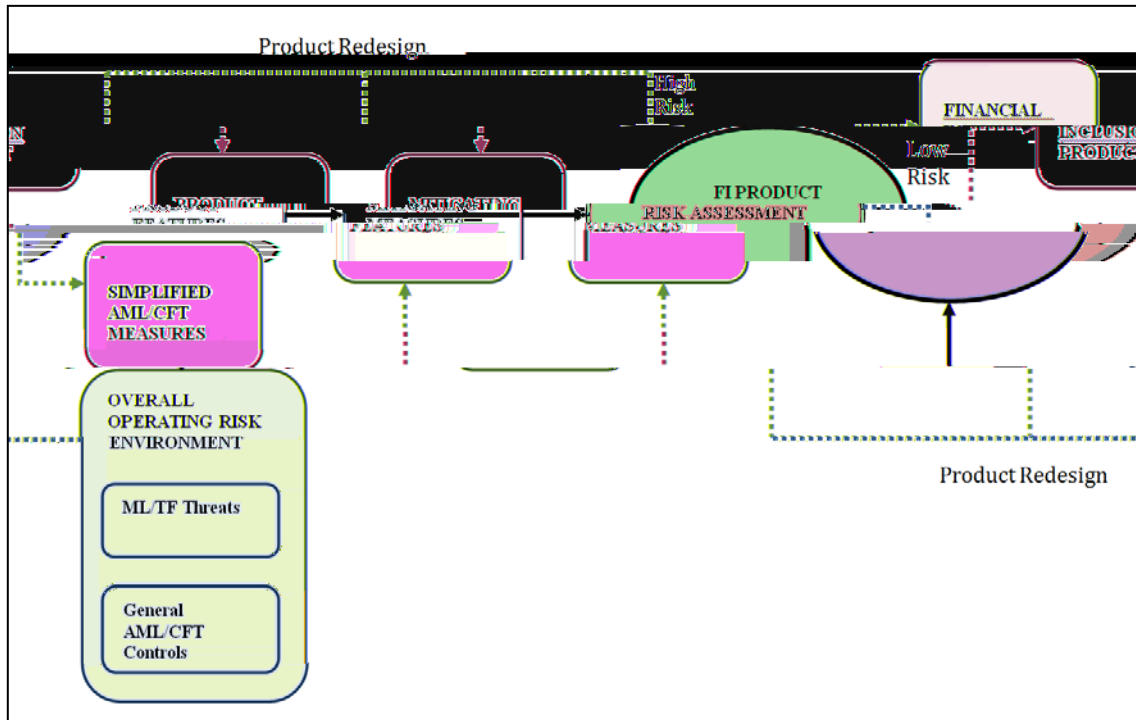
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Methodology

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Western Union Risk Methodology

Western Union offers its remittance and other retail payment services across the globe to a broad range of consumers including banked, unbanked, underserved and migrant populations. Consumer value the Company's global reach, reliable service and convenience. The breadth of the Company's reach creates unique challenges in balancing the utility of the services to consumers and mitigating the misuse of services. To assist in this effort Western Union assesses its risk using the traditional FATF risk categories of Agent, Consumer, Geography and Services. The Company uses these categories as a starting point to identify issues and organize its risk assessment efforts. Where relevant, categories are used in various combinations to further tailor Western Union's efforts to its specific risks.

” **Consumer Risk**

” **Agent Risk**

” **Geographic Risk**

” **Services Risk**

With a supplement on customer due diligence

Source: Western Union, 2011

Risk-Based KYC developed by Globe Telecom in the Philippines

Risk Rating KYC (P5 000 is equivalent to USD 100):

		Amount	
		Below P5K	P5K and up
Customer		Low	Med
		Med	High

Full KYC¹²⁷ vs. Risk Based KYC:

		No
		No if amount is less than P 5 000

GSM A Methodology for Assessing Money Laundering and Terrorist Financing Risk

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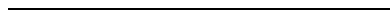
The GSMA has also identified potential vulnerabilities for – risk categories – at each stage of a mobile money transaction:

Loading	Transferring	Withdrawing
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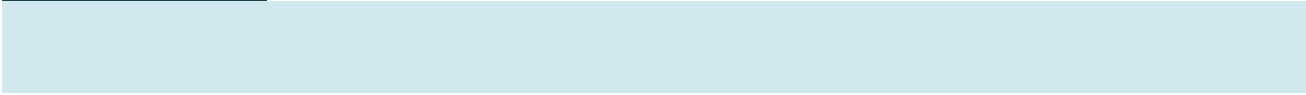


Source:

Other stakeholders may be in a position to inform a country of a given sector’s exposure to ML/TF risks. For instance, the 2011 World Bank study on “*Protecting Mobile Money against Financial Crimes, Global Policy Challenges and Solutions*” offers a detailed analysis of the major ML/TF risks faced by the mobile



money services¹³⁰. Countries may find this risk categorization helpful in informing their domestic risk analysis and developing appropriate risk-management responses.



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Lesotho	” ” ”

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Malawi	”
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United States	”
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New Zealand

Rwanda Kenya

India

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South Africa

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Malawi

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the UK

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Firms should recognise that some documents are more easily forged than others. If suspicions are raised in relation to any document offered, firms should take whatever practical and proportionate steps are

available to establish whether the document offered has been reported as lost or stolen. In their procedures, therefore, firms will in many situations need to be prepared to accept a range of documents, and they may wish also to employ electronic checks, either on their own or in tandem with documentary evidence.

(Source: JMLSG)

South-Africa

Mexico

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