



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

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**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**

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**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.

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

**Sri Lanka**

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

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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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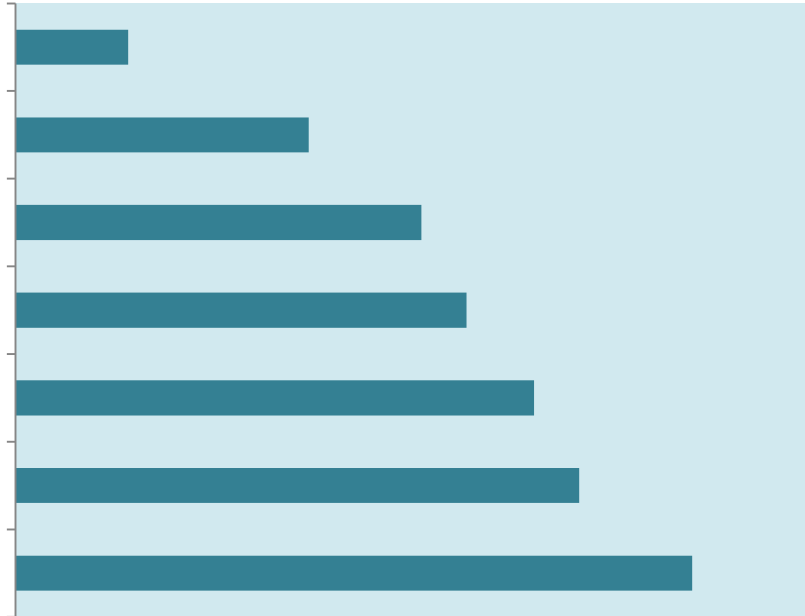








### Self-reported barriers to use of formal accounts



Note:

Source:

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

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*Better than Cash*

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*et al*







*e.g.,*

*Guidance on National Money Laundering/Terrorist Financing Risk Assessment*

**About the definition of risk**

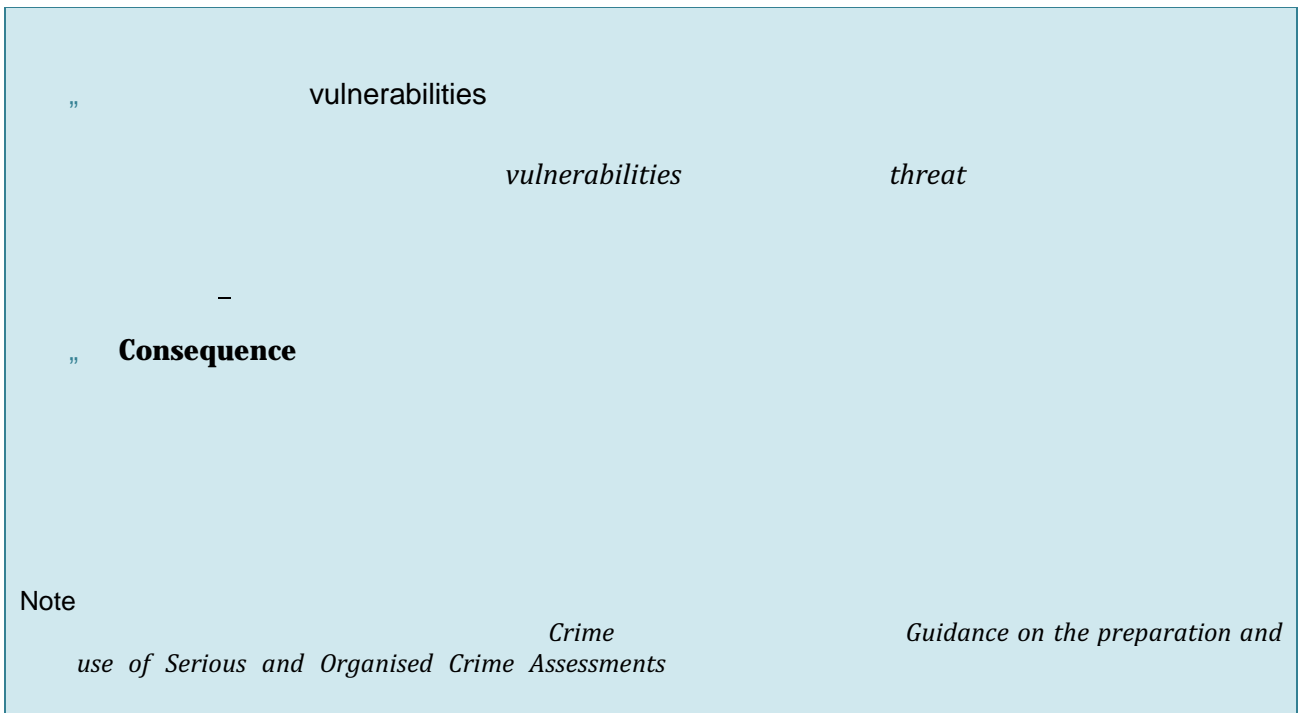
„ **threat**

*Threat*

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*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*

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*i.e.*

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*I.e.,*









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*e.g.,*

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<sup>84</sup> 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.*

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*Reliance on third parties -*







*i.e.,*

*e.g.,*

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*e.g.,*

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*General.*

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*General.*

*Notion of agent*<sup>108</sup>.

*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.*

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*et. al*

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<sup>118</sup> 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**

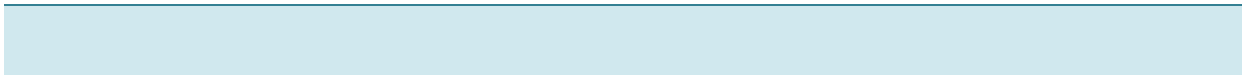
**Cooperation**

**Knowledge**

**Proportionality**

**Framework**





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**Fiji**

<b>Service</b>	<b>Institutions</b>	<b>Delivery mechanism</b>

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





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

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"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul> <p style="text-align: center;"><i>e.g.,</i></p>		
<p><b>LEVEL 2</b></p> <ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> </ul>		

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"> <li>•</li> <li>•</li>   <li>•</li> <li>•</li>   <li>•</li> <li>•</li>   <li>•</li> <li>•</li>   <li>•</li> <li>•</li>   <li>•</li> <li>•</li> </ul>		
<p><b>LEVEL 3</b></p> <ul style="list-style-type: none"> <li>• For natural or legal persons</li> </ul>	<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"> <li>• Fund transfers are allowed</li> <li>• Accounts opening should be at banking branches or through banking agents</li> </ul>	month)	

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

With a supplement on customer due diligence

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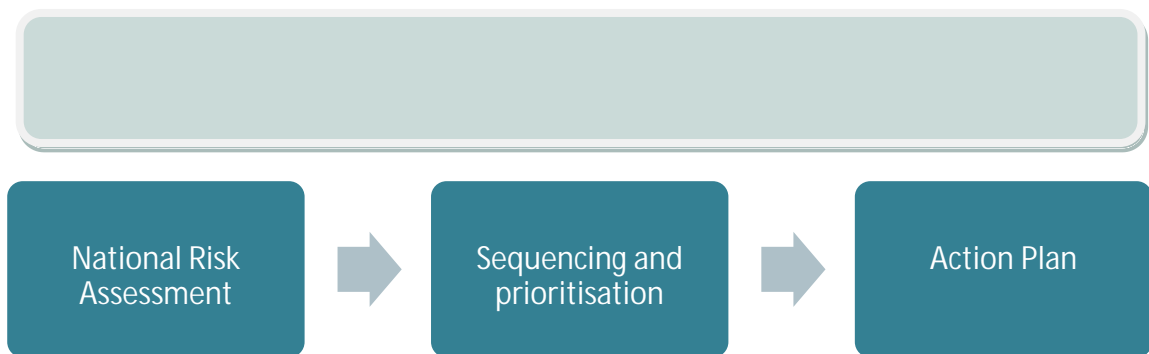
<b>Description of the product and financial facilities</b>	<b>Amount/threshold limitation</b>	<b>Customer identification requirements</b>

<b>Account Level</b>	<b>Level 0</b>	<b>Level 1</b>

Account Level	Level 0	Level 1

Account Level	Level 0	Level 1
	<b>B) Responsibilities of FI:</b>	<b>B) Responsibilities of FI:</b>  <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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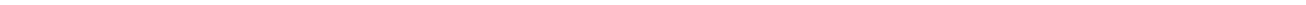
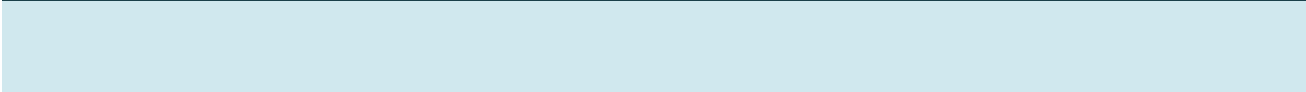
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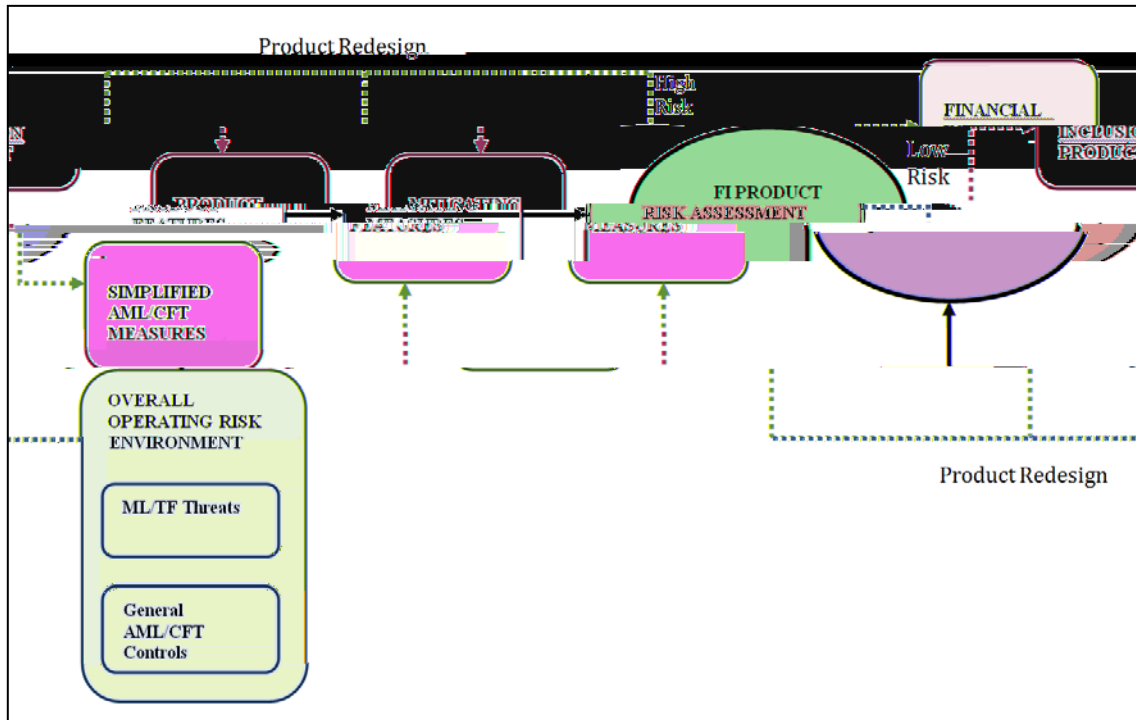


*Methodology*

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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**

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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 KYC<sup>127</sup> 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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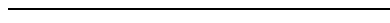
The GSMA has also identified potential vulnerabilities for – risk categories – at each stage of a mobile money transaction:

Loading	Transferring	Withdrawing
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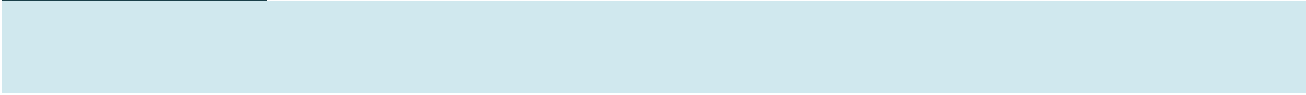


Source:

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 services<sup>130</sup>. 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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