



# FATF GUIDANCE







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,*

## ONTENTS

### *2017 SUPPLEMENT ON CUSTOMER DUE DILIGENCE AND FINANCIAL INCLUSION*

### 2013 FATF GUIDANCE ON ANTI-MONEY LAUNDERING AND TERRORIST FINANCING MEASURES AND FINANCIAL INCLUSION

# SUPPLEMENT TO THE 2013 FATF GUIDANCE ON AML/CFT MEASURES AND FINANCIAL INCLUSION

## CUSTOMER DUE DILIGENCE AND FINANCIAL INCLUSION

### FATF AND FINANCIAL INCLUSION

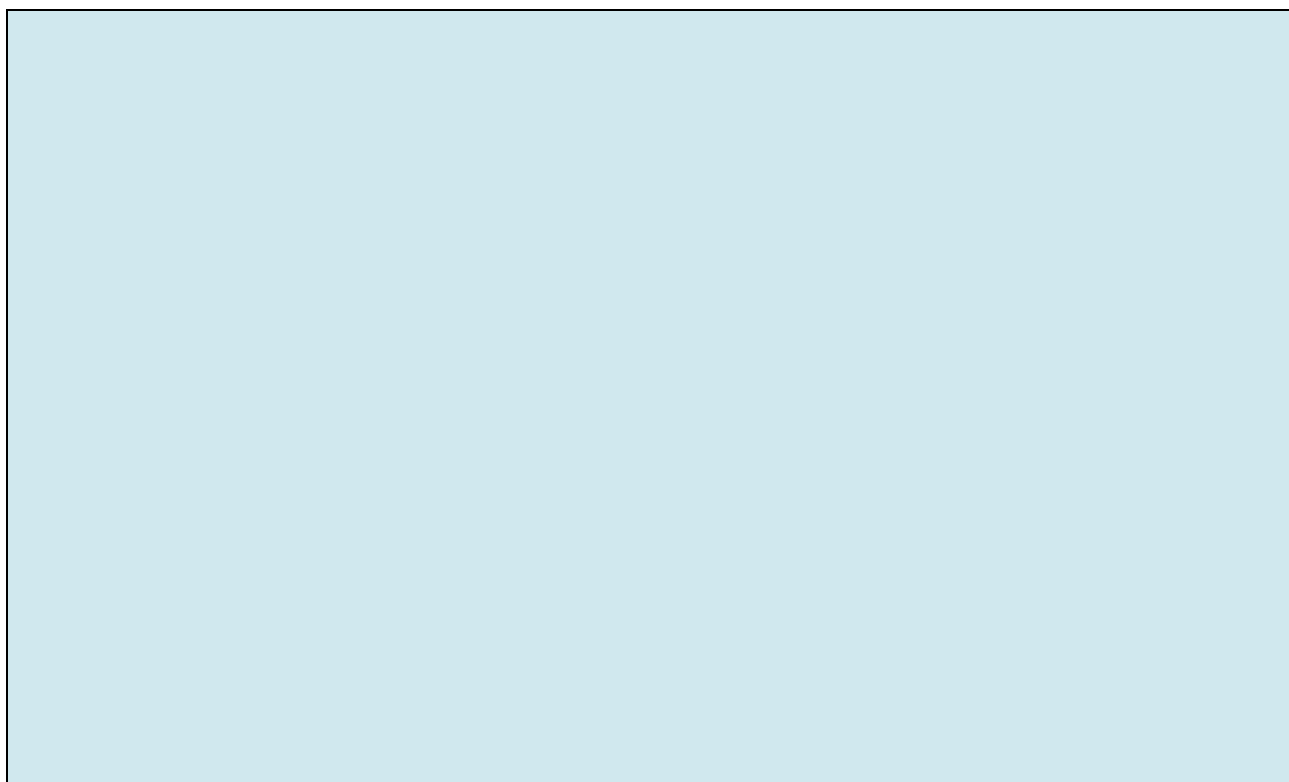




## ASSESSING RISK AND MITIGATION IN A FINANCIAL INCLUSION CONTEXT

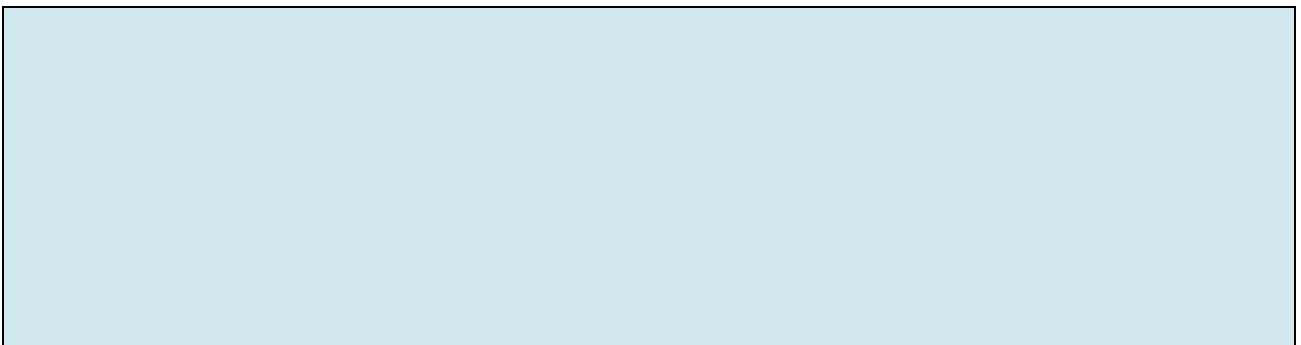
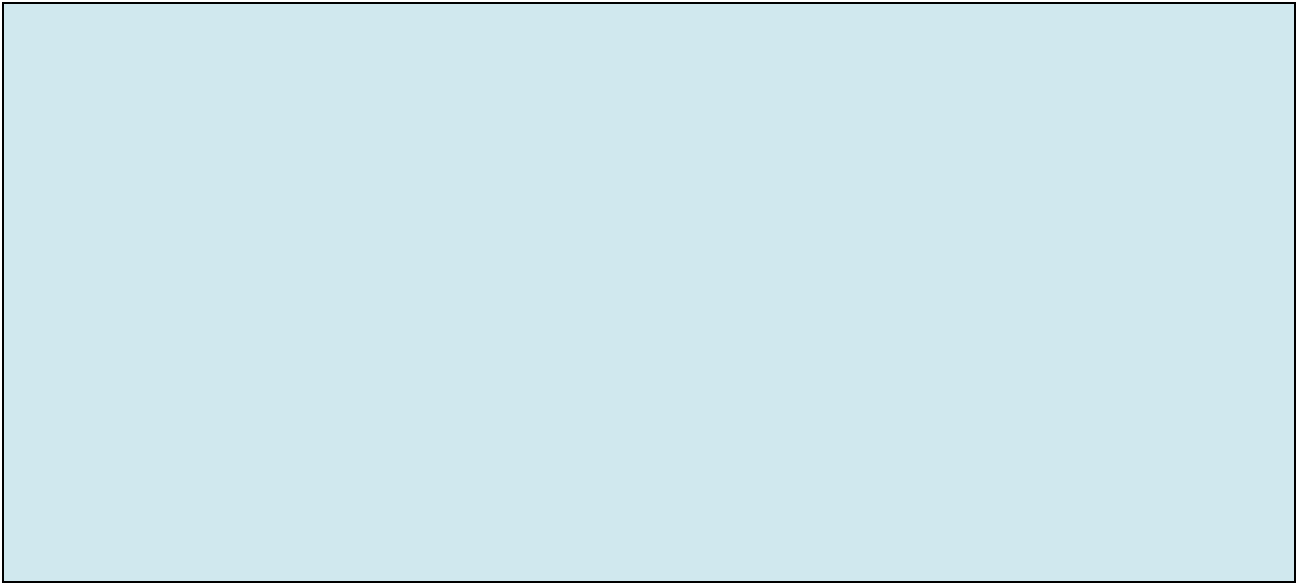


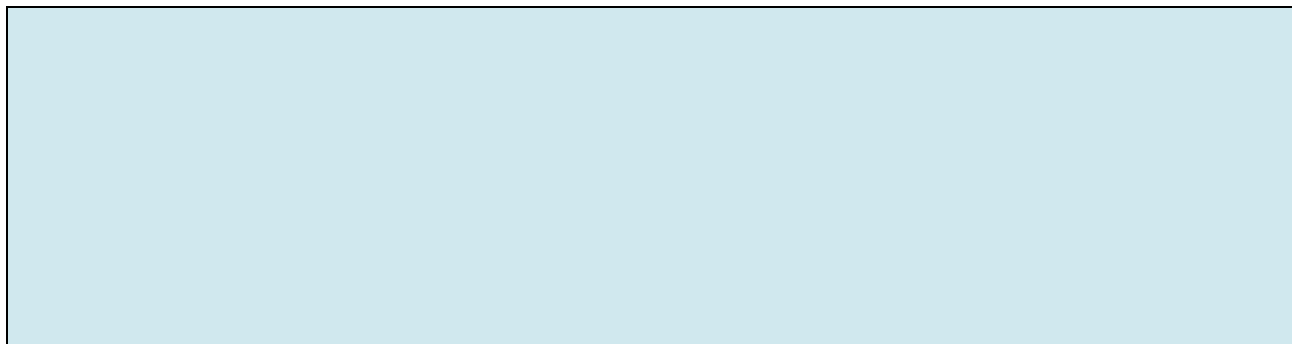




## 2. Appropriate risk mitigation measures

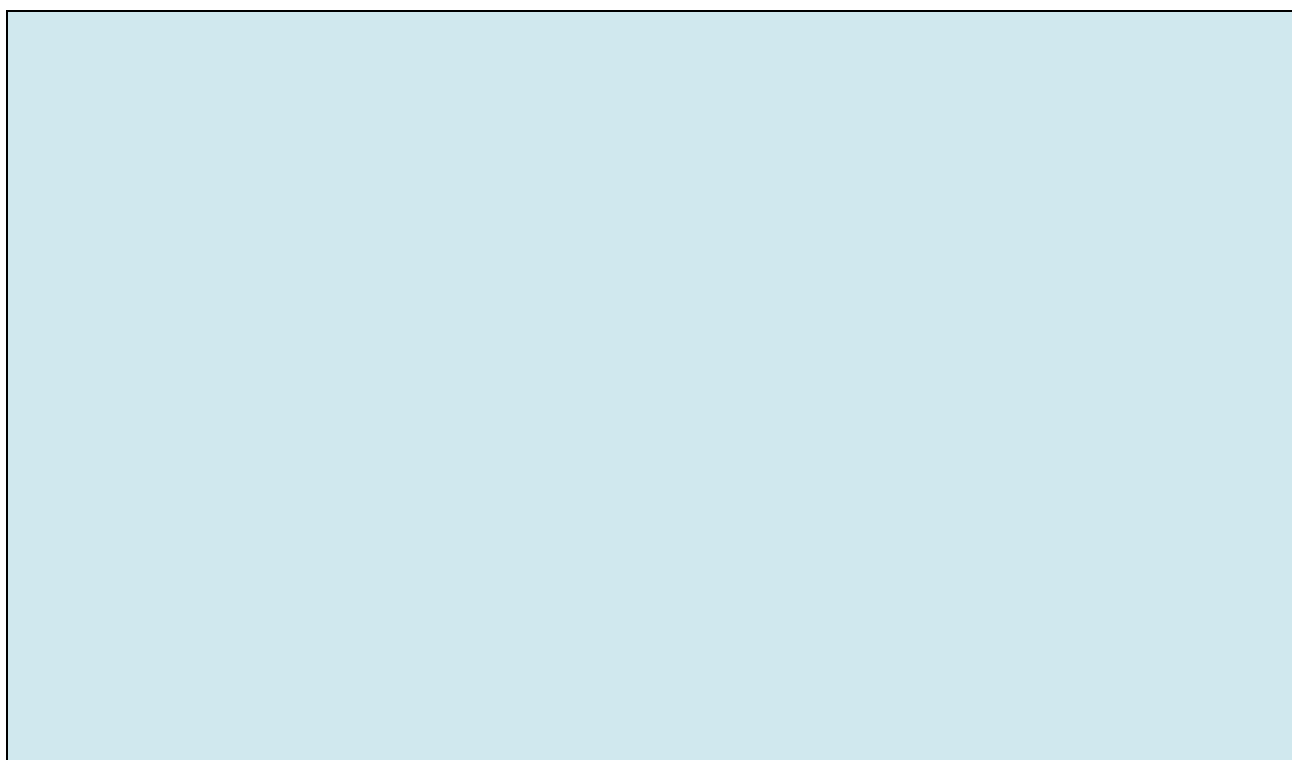
a) Tiered CDD approach



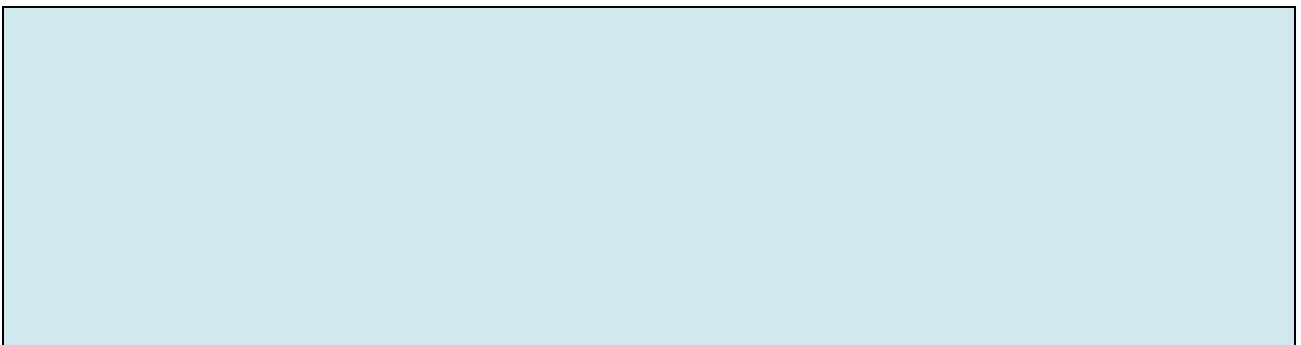
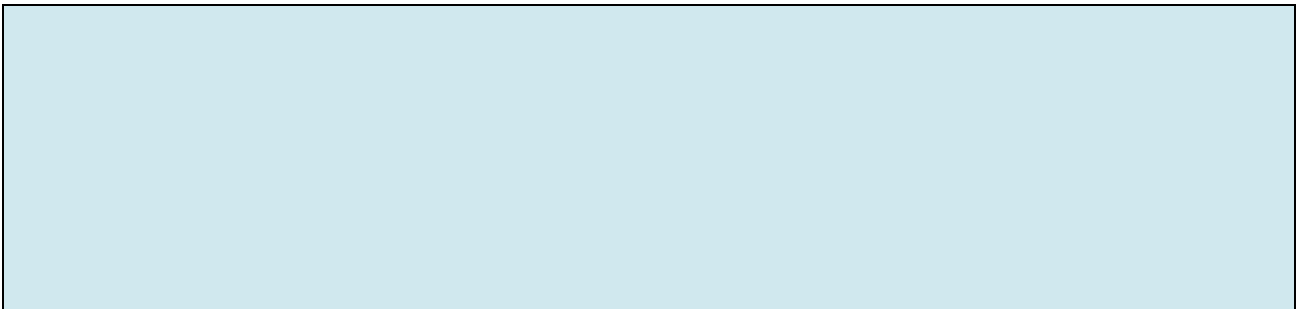
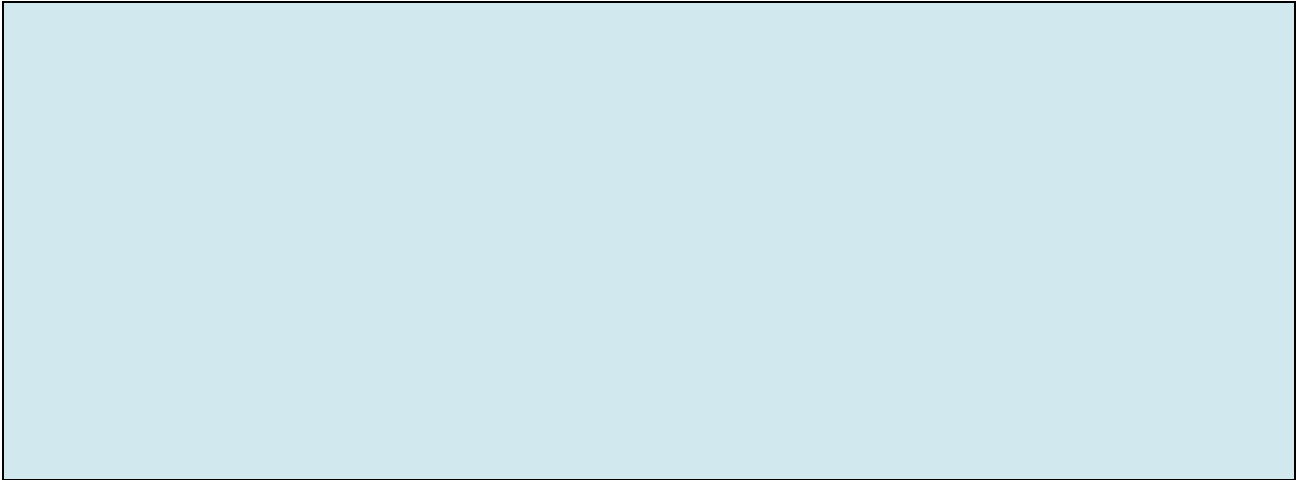


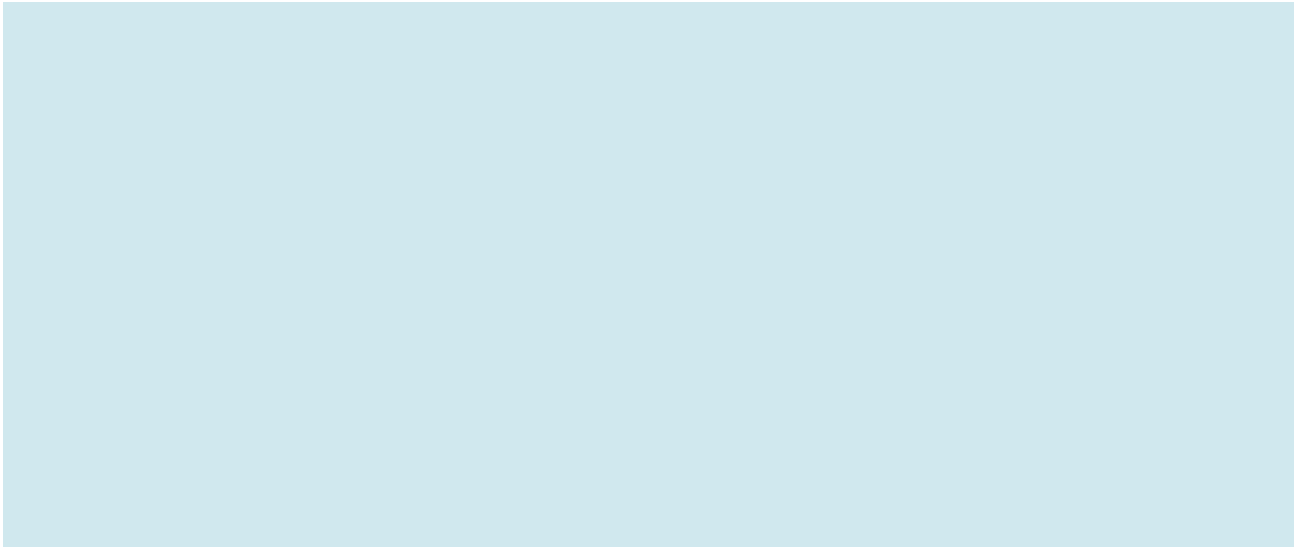
b) Restriction of product functionalities and services



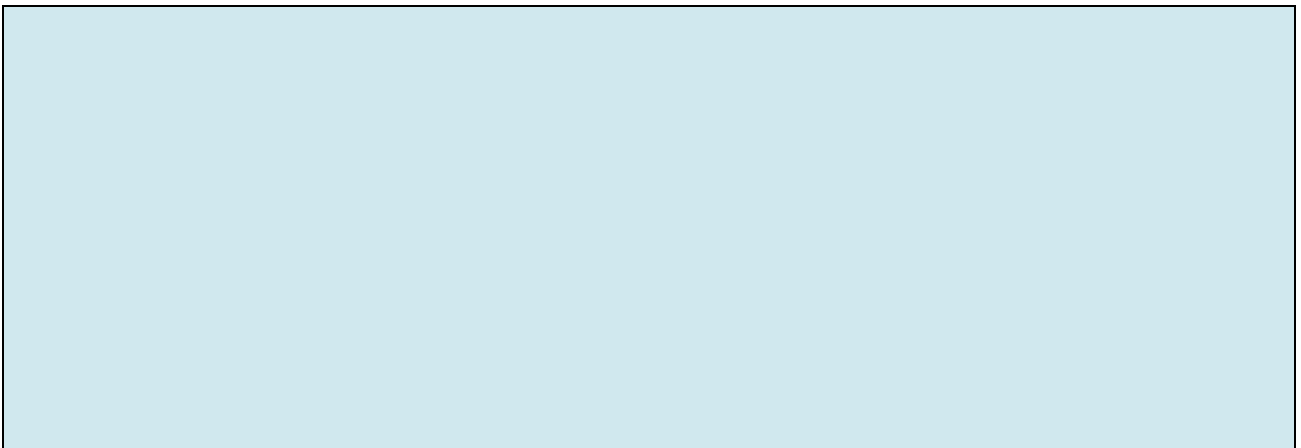


a) Alternative and new means of identification applicable to all customers









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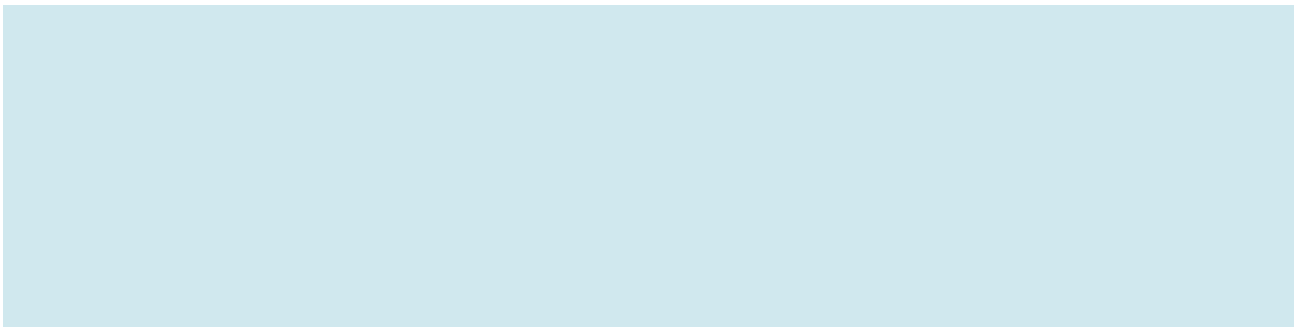
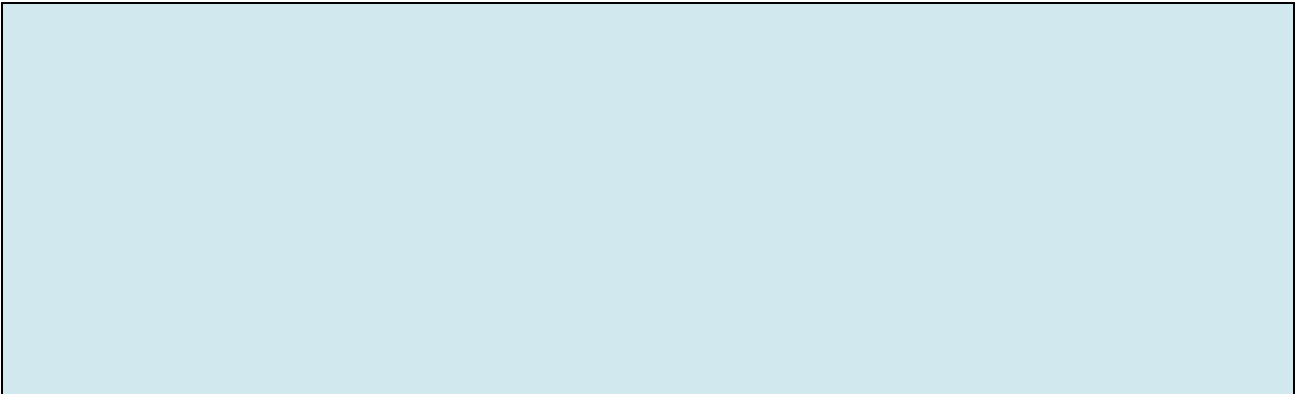
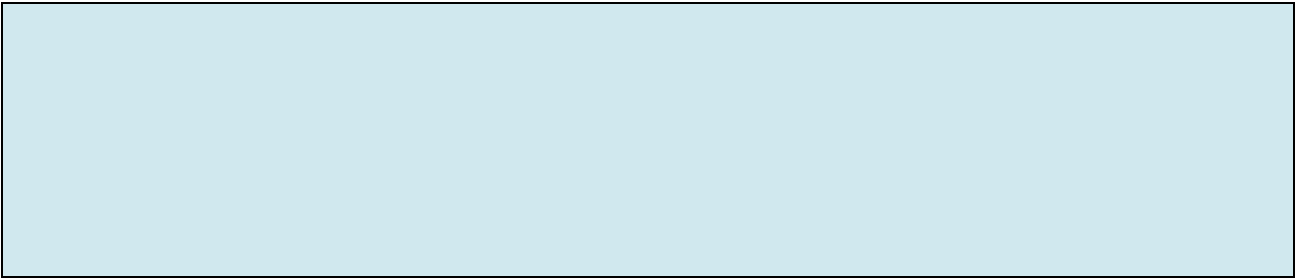
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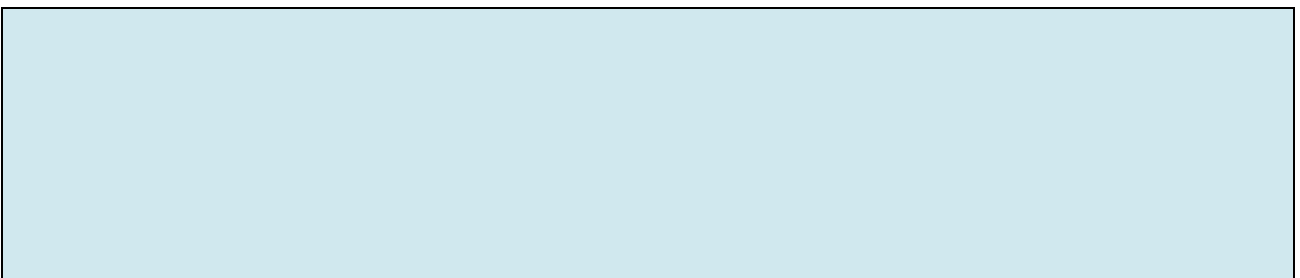
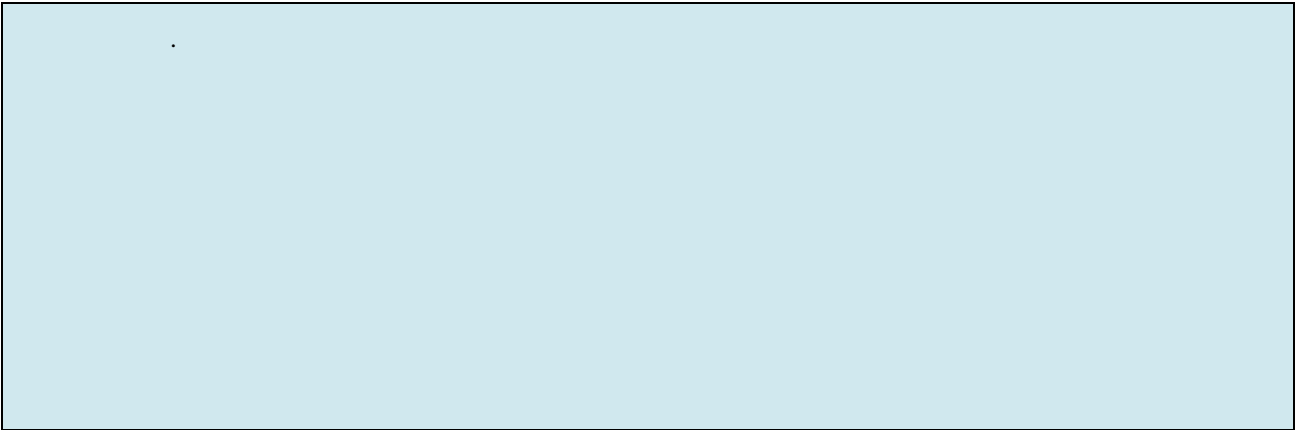


## Anti-money laundering and terrorist financing measures and financial inclusion

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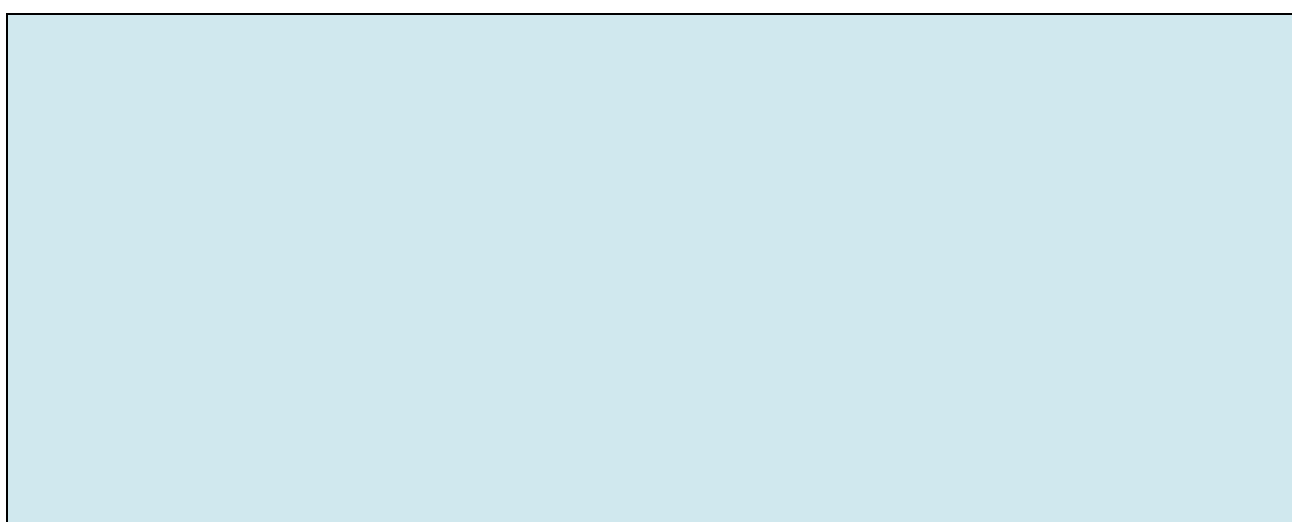
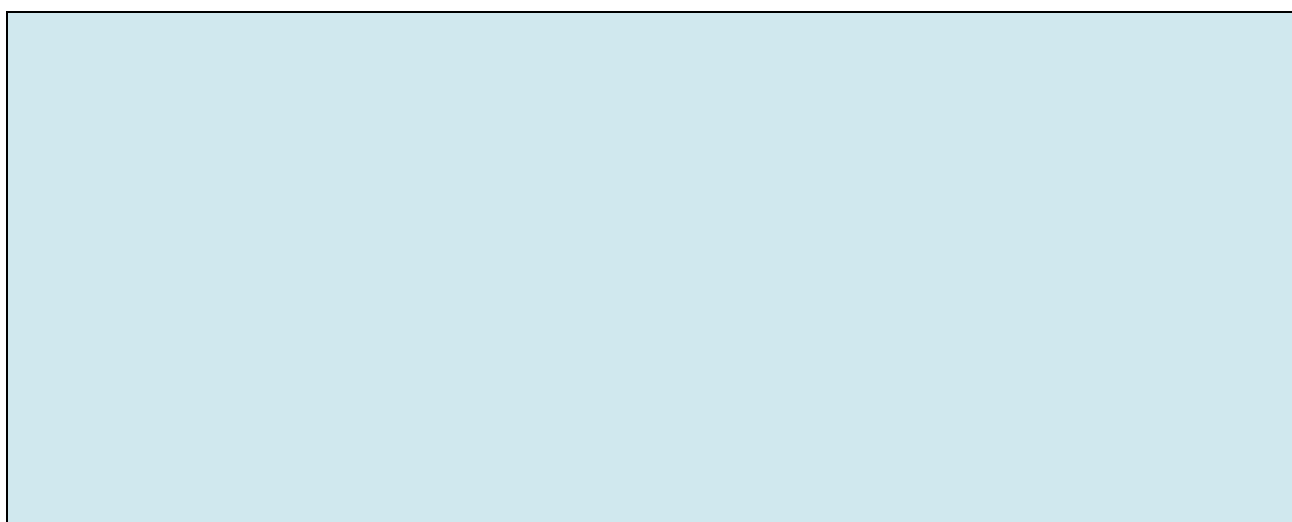
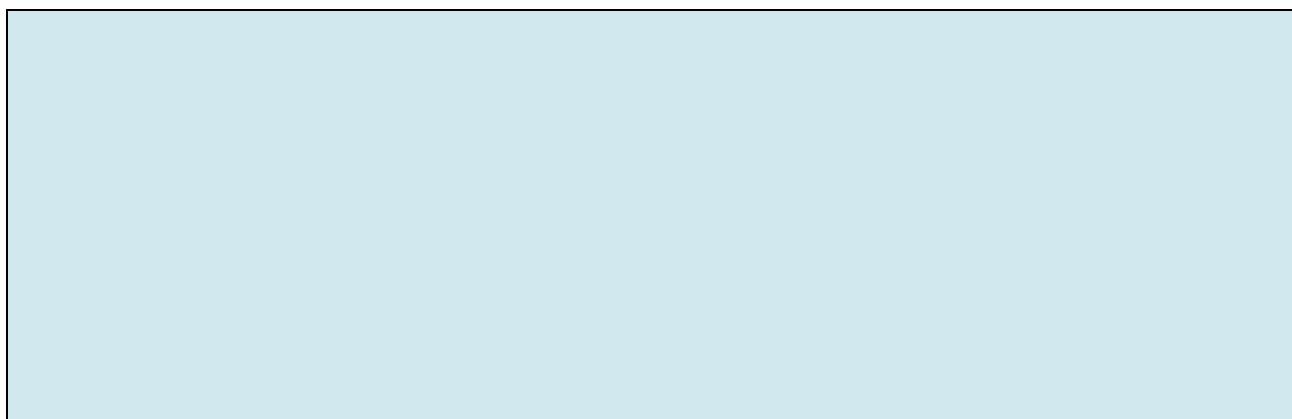
With a supplement on customer due diligence





## 2. Simplified due diligence regime

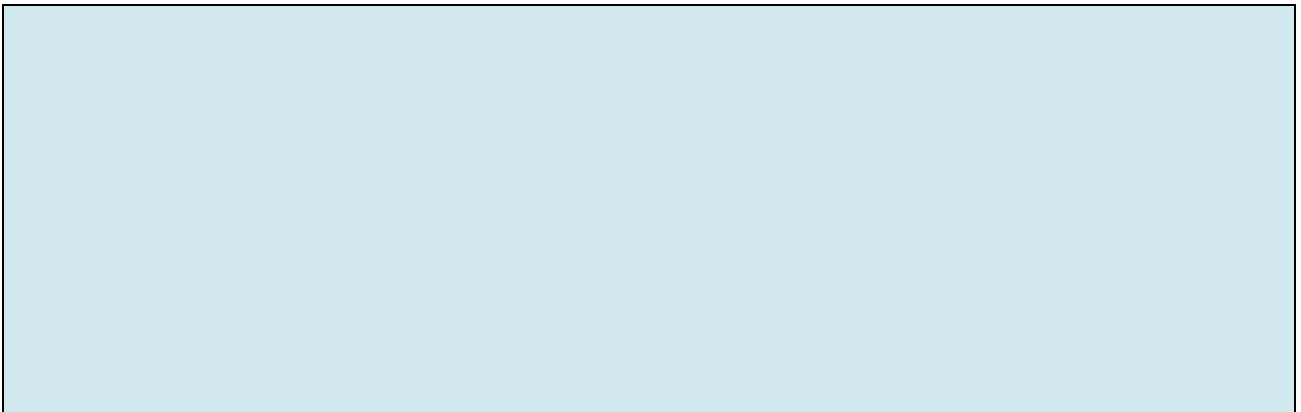
*Reduction on the extent of identification information required -*



*Postponing the verification of the identification information*



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

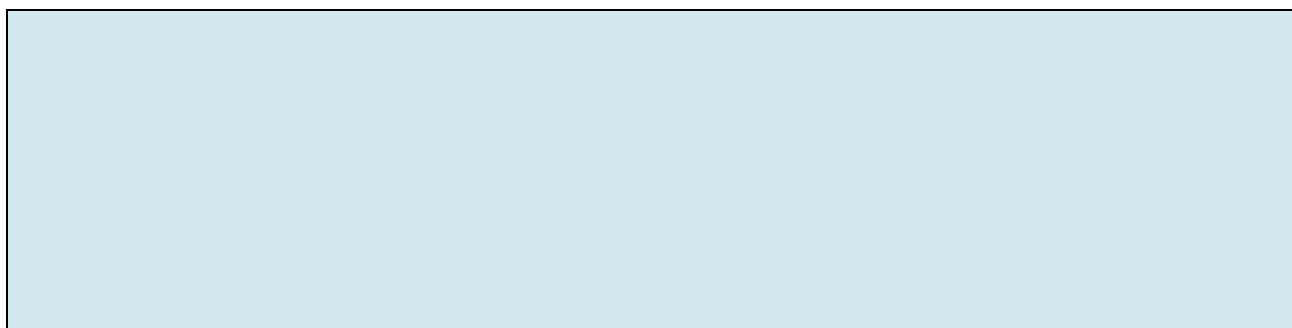


*Identifying and verifying the beneficial owner based on information from the customer's profile*

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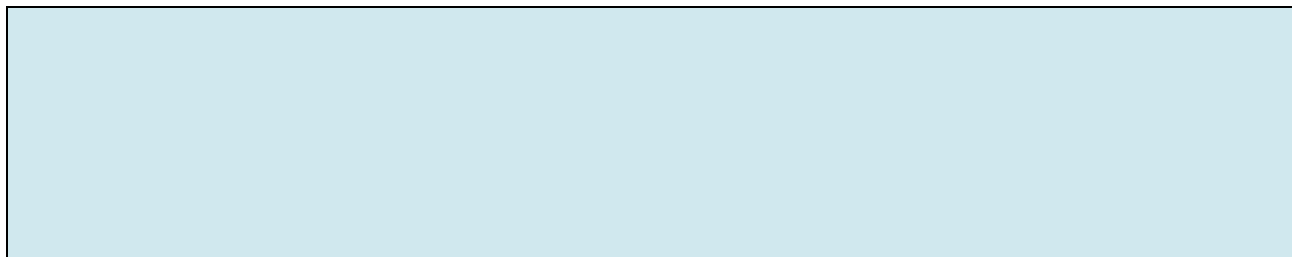
*Other examples of SDD measures*

*Ongoing monitoring of the relationship*









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

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## APPENDIX

### EXPERIENCES FROM THE WORLD BANK'S SUPPORT TO FINANCIAL INCLUSION PRODUCT RISK ASSESSMENTS

THE WORLD BANK'S FINANCIAL INCLUSION PRODUCT RISK ASSESSMENT MODULE (FIRM<sup>23</sup>):

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

THE DIAGNOSIS OF THE IMPEDIMENTS TO FINANCIAL INCLUSION IS ESSENTIAL TO DETERMINE THE MOST APPROPRIATE POLICY FOR SIMPLIFIED CDD:

SOME EXAMPLES OF FINANCIAL INCLUSION PRODUCTS WITH A LOWER OR LOW ML/TF RISK:

Table 1. Examples of financial inclusion products assessed and found to be “lower” or “low risk”

**Anti-money laundering and terrorist financing measures and financial inclusion**

With a supplement on customer due diligence



**COMMON ISSUES RELATED TO AML/CFT REGULATION OF FINANCIAL INCLUSION PRODUCTS:**

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## 2013 FATF GUIDANCE ON ANTI-MONEY LAUNDERING AND TERRORIST FINANCING MEASURES AND FINANCIAL INCLUSION

## EXECUTIVE SUMMARY

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## INTRODUCTION – BACKGROUND AND CONTEXT

### Preliminary remarks

*Financial Inclusion Action Plan*

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

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**Scope of the February 2013 Guidance Paper**

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## Objectives of the Guidance

## Target Audience

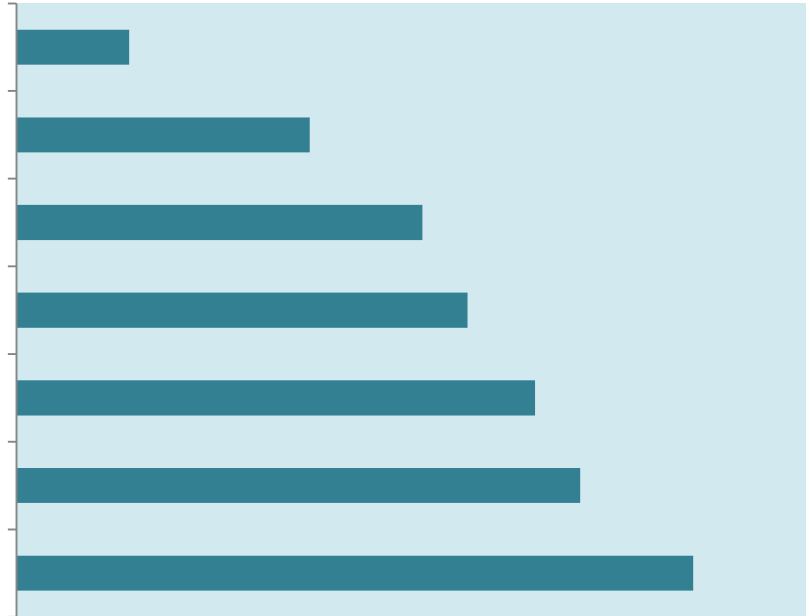
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## The Diversity of the Financially Excluded and Underserved Groups



Note:

Source:

## Balancing AML/CFT Requirements and Financial Inclusion

*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*

Anti-

## CHAPTER 2 - GUIDANCE ON ACTION TO SUPPORT FINANCIAL INCLUSION

### I. Preliminary Remarks



Developing a risk assessment – A key step to identifying low risk and lower risk situations

*e.g.,*

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



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*et al*



” vulnerabilities

*vulnerabilities* *threat*

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”

Note

*Crime* *Guidance on the preparation and*  
*use of Serious and Organised Crime Assessments*

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*e.g.,*



### III. The flexibility offered by the FATF Recommendations in proven low risk scenarios: the exemptions

Notes:

*inter alia*

*Conditions for exemption -*

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”

### 3. 1. THE “PROVEN LOW RISK” EXEMPTION

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*e.g.*

### 3.2. THE “DE MINIMIS” EXEMPTION

*limited basis*

*on an occasional and very  
de minimis*

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*i.e.*

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*I.e.,*





## CDD measures - general

## CDD measures - lower risk scenarios

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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.

CDD measures – customer identification

CDD measures – verification of customer identification

Note:

Source:

*Relying on a broader range of acceptable identification means*

*Fraud risk relating to alternative acceptable IDs*

*Postponing ID verification–*

*i.e.*

## CDD measures - Identification in non face-to-face scenarios<sup>92</sup>

*e.g.,*

*New products and technologies.*

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*Reliance on third parties -*



Anti-



*i.e.,*

*e.g.,*

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*e.g.,*

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#### 4.4. THE USE OF AGENTS TO CARRY OUT AML/CFT FUNCTIONS

*General.*

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## Definitions and scope

*General.*

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

*Who can be an agent?*

AML/CFT functions of the agent and related challenges

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Specific requirements for agents of Money and Transfer Value Service providers<sup>115</sup>  
(Recommendation 14)

*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*

## 4.5. INTERNAL CONTROLS

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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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## CONCLUSION

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## ANNEXES

## ANNEX 1: MEMBERSHIP OF THE PROJECT GROUP

### FATF MEMBERS/OBSERVERS



## ANNEX 2: G20 PRINCIPLES FOR INNOVATIVE FINANCIAL INCLUSION AND ACTUAL RELEVANCE TO THE FATF

### 1. PRESENTATION OF THE G20 PRINCIPLES FOR INNOVATIVE FINANCIAL INCLUSION<sup>120</sup>

## 2. *RELEVANCE TO THE FATF*

Anti-

Stakeholder	Examples of actions to support financial inclusion
	” ” ”
<b>Banks, credit unions, micro-finance and other financial institutions</b>	” ” ”

## **ANNEX 4: EXAMPLES OF GOVERNMENT-TO-PERSONS PAYMENT PROGRAMMES TO SUPPORT FINANCIAL INCLUSION**



## II. EXAMPLES OF PRODUCTS OFFERED TO FINANCIAL EXCLUDED AND UNDERSERVED GROUPS

### *Example 1 – products launched to serve the financially excluded and underserved groups in India*

*Insurance products*

*Example 2 – products launched to serve the financially excluded and underserved groups in Mexico – low risk bank accounts*



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<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>	<i>e.g.,</i>	
<ul style="list-style-type: none"><li>•</li><li>•</li><li>•</li></ul>		

Anti-money laundering and terrorist financing measures and financial inclusion

With a supplement on customer due diligence

<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> </ul>		
<p>LEVEL 3</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>

<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)	

*Example 3 – product launched to serve the financially excluded and underserved groups in South Africa – basic bank accounts*

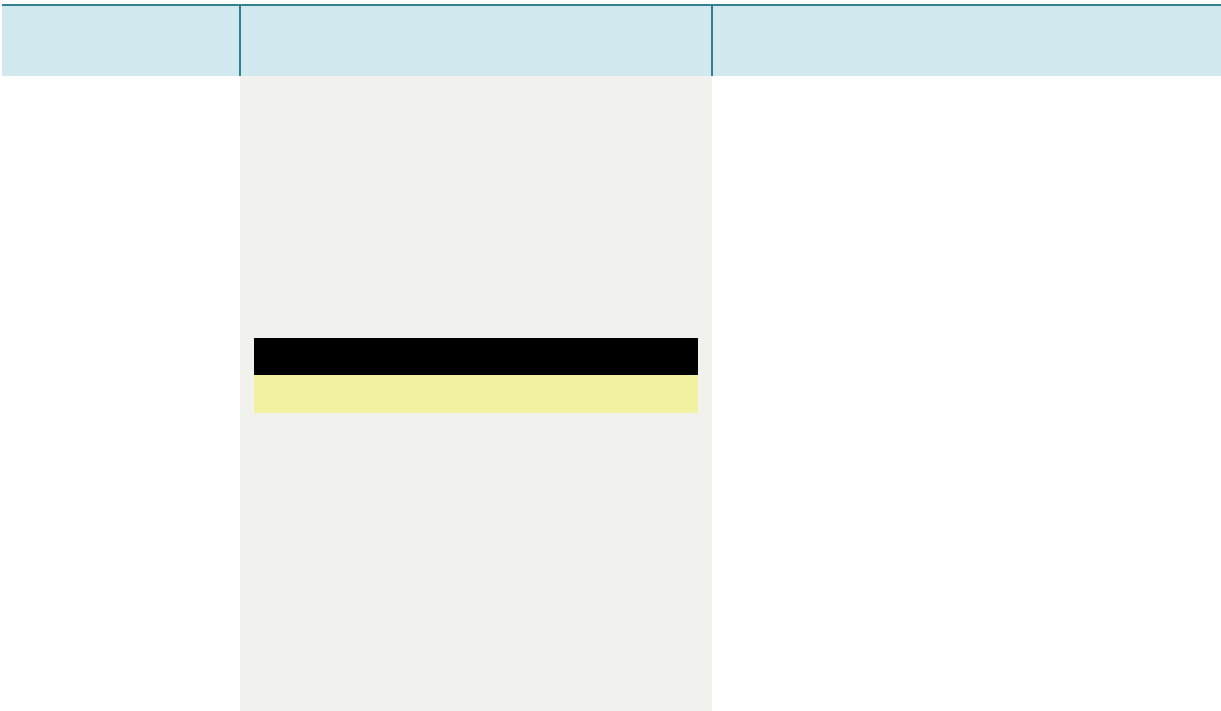

Anti-money laundering and terrorist financing measures and financial inclusion

With a supplement on customer due diligence

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*Example 4 – product launched to serve the financially excluded and underserved groups in South Africa – bank issue pre-paid low value payment product*


*Example 5 – product launched to serve the financially excluded and underserved groups in Pakistan - Basic/Entry Level Branchless Banking Accounts*

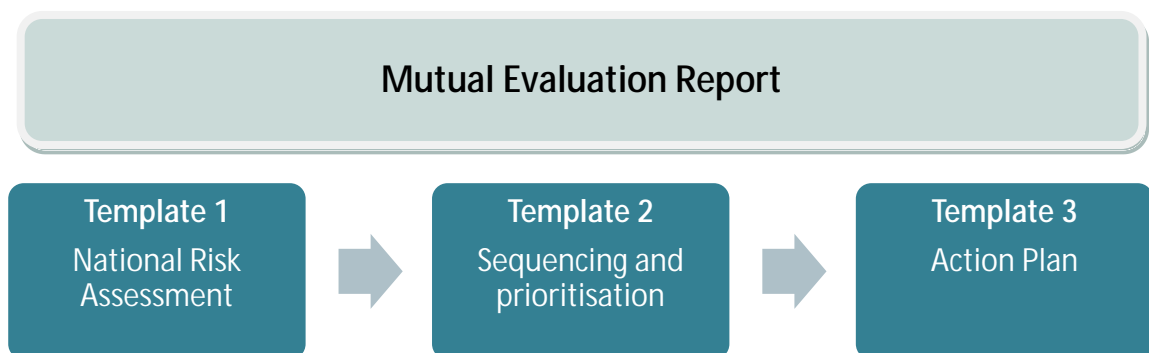
Anti-money laundering and terrorist financing measures and financial inclusion

With a supplement on customer due diligence

		<i>i. Mother's maiden name OR ii. Place of birth etc.</i>

## ANNEX 6: EXAMPLES OF RISK ASSESSMENT TOOLS

### I. PRESENTATION OF THE RISK ASSESSMENT TEMPLATE IN THE STRATEGIC IMPLEMENTATION PLANNING (SIP) FRAMEWORK



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

##### Background



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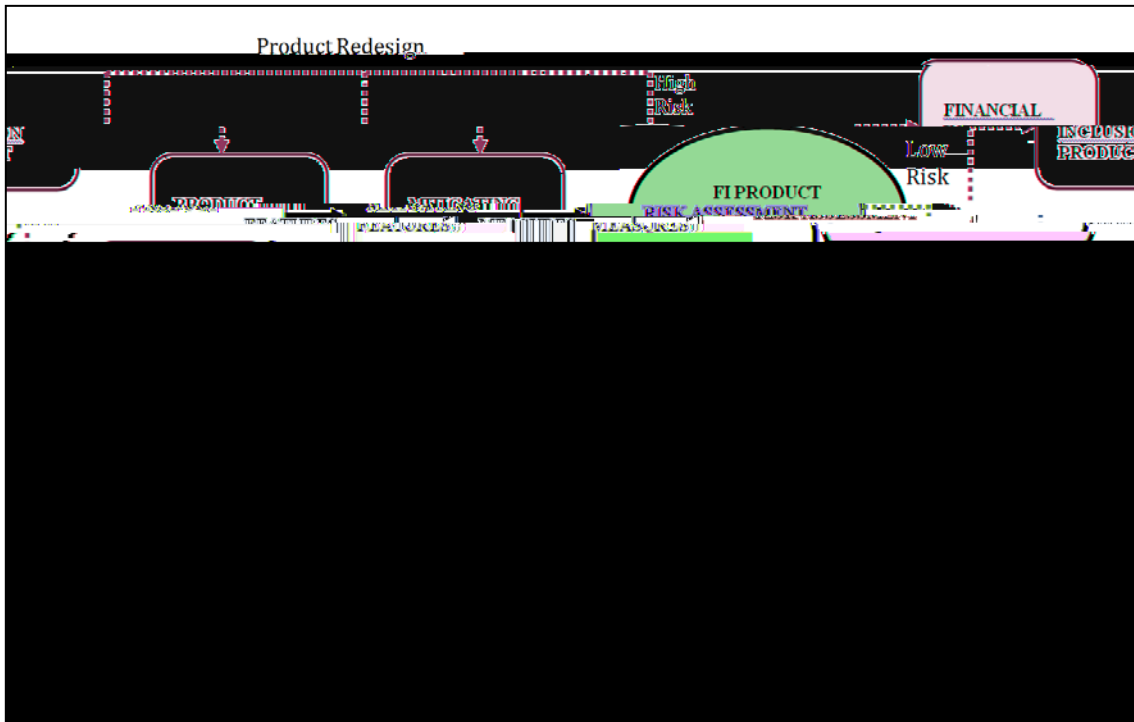
### *Methodology*

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National ML Risk Assessment Template	National ML Risk Assessment Template
Threat Analysis	Threat Analysis
Vulnerability Analysis	Vulnerability Analysis

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Anti-



### III. EXAMPLES OF RISK ASSESSMENT METHODOLOGIES DEVELOPED BY THE INDUSTRY

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.

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Source: Western Union, 2011



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


KYC Process	Full KYC	Risk-Based KYC



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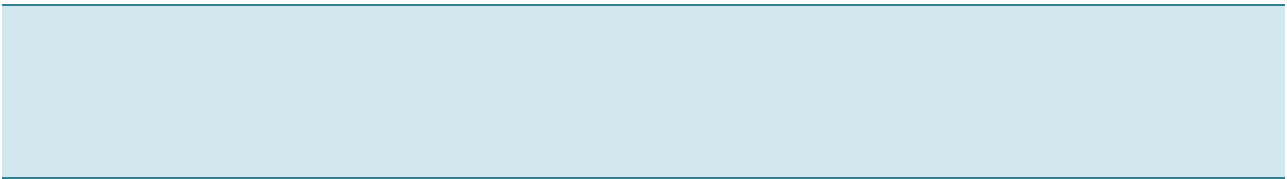
- - \_\_\_\_\_

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



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

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## Anti-money laundering and terrorist financing measures and financial inclusion

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With a supplement on customer due diligence

money services<sup>130</sup>. Countries may find this risk categorization helpful in informing their domestic risk analysis and developing appropriate risk-management responses.

Type of risk	Observed risks
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## ANNEX 7: COUNTRIES' INITIATIVES TO ADDRESS THE CUSTOMER IDENTIFICATION/IDENTITY VERIFICATION CHALLENGES

### *USE OF ALTERNATIVE IDENTIFICATION MEANS OR DOCUMENTS*

Fiji	<p>”</p> <p>”</p> <p>”</p> <p>”</p>
Lesotho	<p>”</p> <p>”</p> <p>”</p>



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Malawi	”
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United States	”
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## USE OF INNOVATIVE TECHNOLOGICAL SOLUTIONS



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## RISK FACTORS AND POSSIBLE APPROACHES TO VALIDATE CUSTOMERS' IDENTITY

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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)*



## **ANNEX 8: COUNTRIES' INITIATIVES TO ADDRESS THE RECORD KEEPING REQUIREMENTS CHALLENGES**

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## TABLE OF ACRONYMS

AML/CFT

APG

CDD

DNFBP

FATF

FSRB

GPFI

IN

INR. X

KYC

PEP

RBA

SIP

STR

LCC

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[http://www-wds.worldbank.org/external/default/WDSContentServ\(e\)2\(r\)1 Tw 20cs 0 048\(d\)7.2493 0 TF7.7\(4P5.9\(i\)6\(m\)-1.3](http://www-wds.worldbank.org/external/default/WDSContentServ(e)2(r)1 Tw 20cs 0 048(d)7.2493 0 TF7.7(4P5.9(i)6(m)-1.3)

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