

FATF comments

on BCBS Consultative document *Guidance on the application of the Core principles for effective banking supervision to the regulation and supervision of institutions relevant to financial inclusion*

- **Core Principle 3, p. 7, last paragraph:**

“(i) the financial intelligence unit, with respect to ~~customer due diligence requirements~~ **the detection** and monitoring **of suspicious transactions**”

→ *FIUs are not involved in the implementation of CDD requirements by reporting entities but focus on the systems and processes in place to detect suspicious transactions.*

- **Core principle 29, p. 29, 2nd and 3rd paragraphs:**

“Subject to a jurisdiction’s assessment of its money laundering and terrorist financing risks, financial inclusion products and services may present lower risk if they are subject to appropriate restrictions such as: (i) low-value limits, whether for account balances, individual transactions, or total value of transactions in a given period; (ii) geographic restrictions (eg no or limited international transactions); or (iii) restrictions on the customer who may be offered and use the products and services (eg only individuals).⁷⁸ Among RoP Survey respondents, the most common means of establishing “lower risk” was the imposition of low-value thresholds. Where risks are proven to be lower, the regulator should have the option of permitting the application of simplified CDD measures, and should do so where appropriate.”

→ *The BCBS Guidance needs to stick to the language/concept of FATF Recommendation 10 in order to avoid any confusion: when there is low risk, exemptions can be granted; when there is lower risk, simplified CDD can be applied.*

“Regulation that requires documentation to verify identity **can potentially** creates ~~potential~~ barriers to access to financial services and products. It is therefore important to consider the purpose and design of the verification measures. Acceptance of non-standard identification documentation is particularly important in jurisdictions that lack a national identity document or other widespread means of identity verification, **provided that this documentation is reliable and is an independent source documentation, data or information (+ add footnote with a reference to R 10)**. For services that involve remote account opening via mobile phone or agent, explicit permissibility of non-face-to-face CDD (by agents or mobile device) is essential.”

→ *The BCBS Guidance should reflect the conditions set by the FATF Recommendations to accept documentation for the verification of clients’ identity, in order to avoid any risk of confusion or inconsistency between the BCBS and FATF’s approaches.*