



AML P Forum
North Lynn Business Village
Bergen Way, North Lynn Industrial, Estate
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AML P Feedback

Date: 5 December 2024

Ms. Violaine Clerc

Executive Secretary
Financial Action Task Force
(FATF)
2 Rue Andre Pascal 75116
Paris, France

**Re: Public Consultation on AML/CFT and Financial Inclusion R.1/INR.1/INR.10/INR.15
– proposed changes**

Dear Ms Clerc,

As a professional association representing 500 professionals from across the financial, payments, and other sectors, we have consistently emphasized the importance of aligning compliance practices with evolving risks. Our recommendations focus on strengthening the risk-based approach, enhancing clarity in interpretation and implementation, as well as fostering financial inclusion.

This document outlines our key recommendations, including:

- FATF is considering the replacement of the term “commensurate” with “proportionate” in Recommendation 1**, in order to clarify how these concepts should be applied in the context of a risk-based approach; to set clearer expectations with regard to simplified measures; and to align the FATF’s language more closely with that of financial inclusion stakeholders and frameworks. For these purposes, the term “proportionate” is defined as follows: *“In the context of the risk-based approach adopted by the FATF Recommendations, a proportionate or commensurate measure or action is one that appropriately corresponds to the level of identified risk and effectively mitigates the risks”*. FATF would welcome views on whether to proceed with this change and on the proposed definition.

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Financial Inclusion: What exactly does this entail as it can vary across regions? Does it refer to making funds accessible to developing countries, refugees, or other marginalised groups, among others?



Vulnerable Populations: How is this term currently defined, given that its meaning has evolved over the years?

Recommendation 1: What does "**clarifying proportionate**" truly mean? Practical interpretation guidelines and concrete examples would be valuable, as many feel the proposed changes are unlikely to bring about any meaningful impact.

Non-Retail Banks: What specific criteria or implications does this involve?

'Effectively' mitigate the risks' – The phrase "effectively mitigate the risks" is often interpreted to mean addressing risks entirely, with no residual risk allowed. **'Reasonable degree'** definition would be preferable! It would be good for FATF to give practical examples of good mitigation!

2. **FATF is considering amendments to require supervisors to** *"review and take into account the risk mitigation measures undertaken by financial institutions/DNFBPs"*, to avoid overcompliance resulting from an only partial understanding of the risks, and also to consider proportionality in the engagements with them. FATF would welcome views on the potential impact of this change.

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Risk Mitigation Measures: What exactly does this entail? A clear definition, practical examples, and relevant case studies would be incredibly helpful.

Interpretation Notes: Providing real-world examples and clear guidance would greatly aid in understanding and application.

Purposeful Requirement: Measures need to align with the specific business context and associated risks. Supervisory assessments should avoid subjective interpretations that set impractical standards without adding real value.

Supervisors should prioritise proactive engagement, intelligent information sharing, and allocating resources to implement practical, risk-based approaches.. While achieving zero risk is unattainable, the focus should remain on minimising vulnerabilities effectively through reasonable procedures.

Clear, uniform guidelines and practical application are essential to ensure assessments are both constructive and aligned with minimising actual financial crime risks.



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3. **FATF proposes to replace** *"countries may decide to allow simplified measures"* with *"countries should allow and encourage simplified measures"*. This would place an explicit requirement on countries to be more active in creating an enabling environment for implementation of simplified measures.

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Simplified Measures: What does this entail in practice? Clear examples of Simplified Due Diligence (SDD) would be valuable, especially since different countries interpret and apply simplified measures in varying ways. Proportionality and simplified measures need clearer definitions and illustrations. Providing more detailed guidelines and practical examples could help ensure uniformity across jurisdictions.

New Terms: The consultation introduces terms like "outreach engagement" (footnote, page 5). Clarifying what FATF means by this would be helpful.

Interpretative Note to Recommendation 1 (Page 5): Countries are advised to identify risk areas through National Risk Assessments (NRAs) and apply proportionate measures. However, NRAs are not updated regularly. Without annual updates, NRAs should not be relied upon as the sole source. It would be beneficial to suggest additional sources countries can use.

Cost-Benefit Consideration: Institutions are more likely to implement SDD changes if the costs of compliance are balanced by clear, demonstrable benefits. Highlighting these advantages would be useful!

Uniform Application: The application of these measures has been inconsistent. Providing more detailed guidelines and practical examples could help ensure uniformity across jurisdictions.

Consistency: It would be more effective to offer practical examples rather than being overly prescriptive. FATF could enhance consistency by providing such guidance.



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4. **On “non-face-to-face customer-identification and transactions”** as an example of potentially higher-risk situations, addition of qualification (“*unless appropriate risk mitigation measures have been implemented*”) to reflect technological advancements in digital identity systems that may reduce the risks associated with non-face-to-face interactions and recognise that in many countries this has become the normal mode of interaction with financial institutions.

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It's encouraging to see recognition of non-face-to-face customer identification methods. However, there must also be an acknowledgment of the potential misuse of AI and technology in this space.

Guidelines are needed to clarify when reliance on non-face-to-face technology-based Customer Due Diligence (CDD) methods is appropriate and when it is not. These should include considerations of the risks associated with technology and AI misuse, ensuring uniform application across jurisdictions.

In summary, we believe these proposals can provide practical solutions to improve the effectiveness of Recommendation 1 while maintaining a flexible and proportionate framework for institutions of all sizes and sectors, while also promoting global financial inclusion.

The AMLP Forum is grateful for the opportunity to comment on the draft changes to **R.1/INR.1/INR.10/INR.15** and would like to thank you in advance for considering our feedback. We remain at your disposal should any clarification be necessary and would be delighted to discuss these recommendations further.

We look forward to exploring how AMLP can collaborate with FATF to support its mission of fostering global financial integrity and inclusion.

Your sincerely

Adriana van der Goes-Juric
Chair

AML P Forum
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