



April 14, 2017

***Sent via email***

Financial Action Task Force Secretariat  
2 rue André Pascal - 75775  
Paris, France  
[pdg@fatf-gafi.org](mailto:pdg@fatf-gafi.org)

Re: Information Sharing, Correspondent Banking, and Financial Inclusion-Related  
Customer Due Diligence

Dear Sir or Madam:

World Council of Credit Unions (World Council) appreciates the opportunity to comment to the Financial Action Task Force (FATF) regarding information sharing, correspondent banking, and financial inclusion-related customer due diligence. Credit unions are cooperative depository institutions and World Council is the leading trade association and development organization for the international credit union movement. Worldwide, there are over 60,000 credit unions in 109 countries with USD 1.8 trillion in total assets serving 223 million physical person members.<sup>1</sup>

World Council appreciates the FATF's efforts to clarify anti-money laundering/countering the financing of terrorism (AML/CFT) rules in the areas of information sharing and financial inclusion-related customer due diligence. World Council also strongly supports the FATF's efforts to ensure that its guidance on *Correspondent Banking Services*<sup>2</sup> is adopted at the national level around the world.

### **Correspondent Banking**

World Council believes that the FATF's guidance on *Correspondent Banking Services* issued in October 2016, once adopted at the national level, will significantly help reduce the phenomenon of "de-risking" in the correspondent banking system. "De-risking" occurs when correspondent banks refuse to establish or maintain correspondent accounts because the perceived compliance, reputational and enforcement risks outweigh the potential financial benefits of the correspondent relationship. We urge the FATF to work with national governments and regional FATF-style bodies, such as the Caribbean Financial Action Task Force, to ensure that its *Correspondent Banking Services* guidance is adopted locally because correspondent institutions cannot likely rely on the FATF's guidance without that guidance also being promulgated at the national level.

Credit unions and similar financial cooperatives in many jurisdictions continue to face challenges in terms of establishing and maintaining correspondent banking relationships. In

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<sup>1</sup> World Council of Credit Unions, *2015 Statistical Report* (2016), available at [https://www.woccu.org/documents/2015\\_Statistical\\_Report\\_WOCCU](https://www.woccu.org/documents/2015_Statistical_Report_WOCCU).

<sup>2</sup> Financial Action Task Force, *Correspondent Banking Services* (Oct. 2016), available at <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Correspondent-Banking-Services.pdf>



particular, credit unions in the Caribbean and Great Britain continue to face difficulties in terms of establishing correspondent relationships with local banks, and credit unions from Canada and other jurisdictions outside the United States of America have faced challenges establishing and maintaining correspondent accounts in the United States. Non-US credit unions accessing US Dollar liquidity is often necessary operationally because the credit unions' members make online purchases in US Dollars, the credit union's members travel to the United States for vacation or business, and/or tourists from the United States make withdrawals at the non-US credit union's ATMs. To a large degree, we believe that these continued headwinds with respect to credit unions establishing and maintaining correspondent relationships result from a lack of clarity at the national level regarding correspondents' AML/CFT responsibilities.

The FATF's October 2016 guidance on *Correspondent Banking Services* provides significantly increased clarity regarding supervisory expectations for correspondents' AML/CFT responsibilities. National adoption of the FATF's *Correspondent Banking Services* guidance would likely significantly reduce "de-risking" because it will transpose the FATF's increased clarity on correspondent banking AML/CFT responsibilities into national guidance. National adoption is essential in terms of putting the FATF's correspondent banking principles into practice because few AML/CFT compliance officers are likely to be comfortable with relying on guidance that was issued only at the international level but has not yet been adopted by the jurisdiction where the correspondent institution is operating.

We urge the FATF to work with regional FATF-style bodies such as the Caribbean Financial Action Task Force to ensure that its *Correspondent Banking Services* guidance is adopted by national-level regulators around the world.

## **Information Sharing**

World Council urges the FATF to clarify when unaffiliated institutions may share AML/CFT-relevant information with other financial institutions and with associations of financial institutions. World Council's members report a wide array of national-level rules on AML/CFT information sharing, which range from relatively permissive to outright prohibitions. In order to combat financial crime more effectively and reduce correspondent bank "de-risking," we urge the FATF to permit AML/CFT information sharing between unaffiliated institutions (such as between correspondent and respondent financial institutions) and to permit AML/CFT information sharing within associations of financial institutions in a manner similar to Canada and the United States of America.

Canada and the United States of America have the most liberal information sharing rules reported to World Council by its members. In the United States, Section 314(a) of the USA Patriot Act encourages financial institutions to share AML/CFT information with the federal government. Section 314(b) of the USA Patriot Act allows financial institutions or associations of financial institutions to share AML/CFT information with each other. Associations of financial institutions are included because they can enhance information-sharing among their members.



Canada has similar information sharing rules allowing the use of financial institution associations to help combat money laundering and other financial crimes. The Canadian Credit Union Association hosts the Credit Union Office of Crime Prevention and Investigation (CUOCPI) to which credit unions may voluntarily belong. This office facilitates sharing of information on fraudulent and other criminal activities between member organizations (which may or may not include AML/CFT matters) and, importantly, allows law enforcement to disseminate advisories or ask for assistance on criminal matters, including AML/CFT ones.

In Europe, however, World Council's members reported that data protection regulations typically prohibit information sharing between unaffiliated institutions or within credit union associations. World Council believes that the lack of information sharing authority reported by our members in Europe is likely related to European Union data protection directives and the guidance of the Article 29 Working Party.<sup>3</sup>

In the Republic of Ireland, for example, it is reported that there is relatively little coordination between the Central Bank of Ireland (which has responsibility over AML/CFT matters) and Ireland's Data Protection Commissions, and that Ireland's data protection rules prohibit AML/CFT information sharing between credit unions, their correspondent institutions, and with their credit union associations. In Great Britain, credit unions report having their correspondent accounts suspended without warning, and then closed without explanation or the opportunity to try to provide information concerning the underlying transaction(s) behind the account activity or activities that had concerned the bank.

In Poland, only the General Inspector of Financial Information (within Poland's Ministry of Finance) and the Prosecutor's Office may legally request AML/CFT information from a credit union and information on suspicious transactions cannot be shared between individual financial institutions. Efforts are underway to create central accounts data where some AML/CFT information sharing functionality will be possible, however, information sharing using this approach is not yet underway.

World Council urges the FATF to issue guidance on information sharing that permits institutions in all jurisdictions to share AML/CFT information between unaffiliated financial institutions as well as within financial institution associations. Information sharing between unaffiliated institutions and within associations will help reduce financial crime in general—by making it harder for bad actors to move to the bank or credit union down the street—as well as likely reduce “de-risking” in correspondent banking by making it easier for respondent institutions to provide information to correspondent banks that would help resolve red flags and similar ambiguities.

### **Customer Due Diligence in the Financial Inclusion Context**

World Council urges the FATF to provide clearer Customer Due Diligence guidance on when financial institutions can promote financial inclusion by opening accounts for individuals who

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<sup>3</sup> See “JUST Newsroom – Article 29 Working Party – European Commission,” European Commission Directorate General for Justice and Consumers; [http://ec.europa.eu/newsroom/just/item-detail.cfm?item\\_id=50083](http://ec.europa.eu/newsroom/just/item-detail.cfm?item_id=50083) (last visited Apr. 14, 2017).



lack standard identification. Unbanked persons often lack standard identification, such as a passport, whether they live in a wealthy country or a poor one, however, lack of standard identification is an especially significant issue in developing countries where many people lack the means to obtain standard identifying documents or may lack the underlying documents, such as a birth certificate, necessary to obtain standard identifying documents. World Council urges the FATF to permit institutions in all jurisdictions to open accounts for persons without standard identification using alternative means of identification such as those allowed to varying degrees in Canada, the Republic of Ireland, the United Kingdom, and the United States of America.

In the United States, for example, credit unions and banks are permitted to use non-documentary methods to identify new members, such as: (a) comparing the information provided by the person with information obtained from a credit bureau or against fraud and bad-check databases; (b) obtaining references from other financial institutions; (c) contacting the member after the account is opened to confirm information such as telephone number and address; (d) obtaining a tax return or a financial statement; or (e) using an online verification system.

Accounts that do not have Social Security Numbers associated with them, however, are typically a focus area during US credit unions' AML/CFT compliance examinations. These accounts receive heightened scrutiny from examiners, who often instruct the credit unions' staff to pull for review all accounts that do not have a Social Security Number. As a result of the apparent examination risks associated with accounts that do not have a Social Security Number, there is debate among credit unions in the United States over whether identifying members using non-documentary methods is worthwhile.

In Canada, the Access to Basic Banking Services regulations (which apply to federally chartered credit unions) only require one piece of identification: "[I]f the identity of the individual is also confirmed by a client in good standing with the member bank or by an individual of good standing in the community where the member bank is situated." Under these regulations, an individual also can disclose, orally or in writing, identifying information regarding their name, date of birth, address and occupation, if the information is not available on the pieces of identification presented by the individual. Although the legislation does not restrict account activities per se, examiners sometimes consider accounts opened without standard identification to be high risk and the institutions holding these accounts often have restrictions that are based on the financial institution's risk appetite and policies and procedures.

In the Republic of Ireland and the United Kingdom, supervisors permit credit unions to open accounts for members who genuinely cannot provide standard identification documents if they are at risk of financial exclusion. Identification of name and date of birth and address may be provided or through written verification of identity from a reputable third party such as a school or a government office, or by the presentation of identifying documents issued by government offices such as an instrument of court appointment or pension or social welfare documents.



## World Council of Credit Unions

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Many other jurisdictions, however, do not have guidance permitting persons lacking standard identification to open accounts. In Poland, for example, currently there is no permissible Customer Due Diligence approach for persons without standard identification, other than that minors can open an account based on the written consent of their parent or guardian. We believe that similar circumstances prevail in many other jurisdictions, including in developing countries where structural issues result in many unbanked persons being effectively unable to obtain standard identification documents. Biometric identification could be useful in such jurisdictions, however, none of World Council's members who responded to our survey reported that their governments currently allow biometric means of customer identification.

World Council urges the FATF to clarify its guidance on financial inclusion to permit institutions in all jurisdiction to open accounts using alternative means of identification such as those allowed to varying degrees in Canada, the Republic of Ireland, the United Kingdom, and the United States of America.

World Council appreciates the opportunity to comment to the FATF on information sharing, correspondent banking, and customer due diligence in the context of financial inclusion. If you have questions about our comments, please feel free to contact me at [medwards@woccu.org](mailto:medwards@woccu.org) or +1-202-508-6755.

Sincerely,

A handwritten signature in black ink that reads "Michael S. Edwards". The signature is written in a cursive style.

Michael S. Edwards  
VP and General Counsel  
World Council of Credit Unions