



April 4, 2025

Financial Action Task Force
Office of FATF Secretariat
FATF/GAFI
2, André Pascal
75775 Paris Cedex 16 France

Delivered Via Email: FATF.Publicconsultation@fatf-gafi.org

Re: FATF Guidance on Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion

Dear Sir or Madam:

World Council of Credit Unions (WOCCU) appreciates the opportunity to comment on the Financial Action Task Force's (FATF) request for comment on the Updated Guidance on AML/CFT Measures and Financial Inclusion.¹ WOCCU is the leading trade association and development organization for the international credit union movement. Worldwide, there are over 82,000 credit unions in over 100 countries with USD 3.6 trillion in total assets serving over 400 million physical person members.² Credit unions and financial cooperatives fill a critical gap in the financial services market. Not driven by profit, credit unions are member-owned, elect their board of directors from their membership and are committed to reinvesting earnings into the services they offer to keep consumer costs low. They reach members of their local communities often excluded from financial services.

WOCCU applauds FATF's focus on financial inclusion and supports the draft guidance, with a few adjustments. It is critical that FATF continues its focus on financial inclusion. It is impactful to the continued improvement of AML/CFT measures. Financial inclusion is not only critical to the well-being of individuals but an important element to ensure the financial services economy is better able to detect and prevent financial crimes.

Credit unions face challenges when reaching underserved communities. Prudential supervisors often default to the strictest standards to avoid the appearance of falling short of global

¹ See, Public consultation on FATF Guidance on Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion, see: <https://www.fatf-gafi.org/content/fatf-gafi/en/publications/Financialinclusionandnpoissues/aml-cft-financial-inclusion-public-consultation-february-2025.html>.

² World Council of Credit Unions, 2023 Statistical Report (2024), available at https://www.woccu.org/documents/2023_Statistical_Report_EN.



AML/CFT standards or lack resources and guidance to tailor international standards to their country's financial ecosystem. In addition to our specific comments below, WOCCU encourages FATF to incentivize individual country supervisors to promote financial inclusion, properly tailor their regulations for the type of institutions they are supervising and establish clear risk measurement and mitigation controls that match the examination evaluation.

Is the guidance on assessment of areas of lower risks for implementation of simplified measures in Section 2.2.3 of Chapter 2 sufficient to inform balanced risk assessments?

WOCCU encourages FATF to further clarify the meaning of lower risk. Included in that clarification should be the type and structure of a financial institution that may contribute to a lower risk classification as well as the circumstances of the service provided. For example, characteristics such as the level of cross-border operations, asset size, the risk and complexity of business activities, the average size of transactions and the quality of risk mitigation practices should be considered. Credit unions and other financial cooperatives are locally based organizations embedded in their community. In many cases they have limited fields of membership such as serving consumers within a geographical area or serving specific employment groups like civil servants or educators. Credit unions enjoy an advantage in more quickly knowing and understanding their members. The nature of credit unions creates a unique risk profile, which in many cases is lower risk for certain aspects of AML/CFT practices.

As credit unions are not-for-profit institutions, they also have smaller margins and therefore fewer resources. This means overburdensome regulation or supervisory requirements that push for overcompliance have a disproportionate impact on credit unions who are on the front lines of reaching underserved communities. Regulations that are not properly tailored ultimately diminish resources and capital.

WOCCU recommends the guidance clarify FATF's concepts of lower money-laundering risk and what an appropriate level of risk tolerance would be in a lower risk setting. In addition, countries need to be encouraged to articulate and account for factors such the type of institution and the local services offered.

Is the explanation on recently adopted Standards revisions, for example on the concepts of proportionality, encouragement of simplified measures, tailoring measures to identified risks, etc., in Section 2.3 of Chapter 2 sufficiently comprehensive?

WOCCU encourages FATF to include stronger language in its guidance regarding the importance of countries implementing proportionally tailored measures. There are clear circumstances where properly adjusting requirements will benefit both financial inclusion and anti-money laundering efforts. Individual countries assessing the risks for the financial institutions within their borders and communicating simplified measures proportionate to areas



of lower risk is critical but in many cases is not happening. Moving a risk-based policy to the operational practice of identifying areas of lower risk and acceptable simplified measures is a challenge that requires further support and guidance from FATF.

WOCCU suggests the guidance indicate circumstances, if any, under which a country may rightly find that no lower risk areas are present so that these situations may be discussed with the private sector in a transparent manner.

Does the guidance in Section 3.2.2 and Section 3.2.3 of Chapter 3 provide sufficient clarity on the roles of supervisors and regulated entities in implementing the risk-based approach to promote financial inclusion?

In many cases there is a disconnect between a country's policy of a risk-based approach and the supervisors conducting onsite examinations. WOCCU appreciates Annex 6 and Boxes 6.1 through 6.12 *Alternative Identity Verification Sources*. A common barrier to financial inclusion is the identification requirements during the Customer Due Diligence process at account opening. When country-level regulations only allow the most common forms of identification or supervisors only allow limited methods to prove identity it is difficult to serve underrepresented communities. While the Annex provides helpful examples of alternative methods of identification and ways to mitigate risk it is important to note that many financial institutions in those countries are still at risk of individual supervisors requiring more strict standards. Financial institutions must make their own risk calculation on whether there will be challenges from individual supervisors and the level of resource it will require to defend their risk mitigation efforts and controls. This often has a chilling effect for reaching out to underserved communities, even though the regulation allows for effective alternative identity verification sources.

In many cases credit unions can address unique situations for members of their communities. Examples include serving refugees, partnering with social service organizations to reach victims of domestic violence or individuals experiencing homelessness. However, many countries are hesitant to allow a risk-based approach and support risk mitigation practices and controls. It is vital that credit unions have reliable and tailored standards to follow so they may continue to support underserved communities with effective AML practices.

WOCCU recommends FATF encourage training and a mutual understanding between the regulated financial institutions and the policy makers on how to assess risks, risk mitigation efforts and other methods of acceptable controls. As part of the country assessment process, it would be helpful to evaluate the steps taken by supervisors to measure whether a risk-based approach is properly implemented at the examination level.

Thank you for the opportunity to comment on the draft guidance. WOCCU is encouraged by the renewed focus on financial inclusion, we hope the work will be implemented at the individual country level. Proportionally tailored, risk-based regulations that are properly applied is critical to advancing FATF's objectives and enabling credit unions to serve the local community. If you



World Council

have any questions about our comments, please contact me at erinohern@woccu.org.

Sincerely,

Erin O'Hern

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World Council of Credit Unions