

## Update to FATF Guidance on AML/CFT Measures and Financial Inclusion

### Survey for Private Sector Stakeholders

*Country:* Argentina

*Name of organisation responding:* Global NPO Coalition on FATF

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<p><b>Inputs to Chapter 1 - Statement of the problem</b></p>
<p><b>1. Challenges in balancing AML/CFT requirements and financial inclusion</b></p> <p>Examples could cover (non-exhaustive list):</p> <ol style="list-style-type: none"> <li>a. Cases of challenges in implementing simplified measures for AML/CFT (e.g. limits posed by regulations on the use of technological solutions)</li> <li>b. Cases of unintended financial exclusion or de-risking linked to the implementation of AML/CFT measures</li> </ol>
<p><b>Example</b></p> <p>The challenge of balancing FI requirements and financial inclusion of NPOs is still far from being addressed in most Latin American countries.</p> <p>Even in cases where authorities have managed to implement sectoral risk assessments in the non-profit sector, such as Peru, Paraguay, Argentina and Uruguay, this has not resulted in coordinated work with financial institutions.</p> <p>The Peruvian case is a fairly descriptive example of what is happening in the region. Although the country completed the last sectoral risk assessment of NPOs in 2021, identifying different levels of exposure to TF risk, this has not had an impact on the modification of the one-size-fits-all regulation in force.</p> <p>According to the responses to the sectoral assessment, 12 out of 15 banks surveyed consistently apply enhanced due diligence measures to NPOs in accordance with SBS instructions (SBS Resolution No. 2660-2015).</p> <p>SBS Resolution N°2660-2015, Article 32°. - Enhanced know-your-customer due diligence regime, requires FIs to apply this regime to all existing and potential customers that qualify as NPOs. See page 85 of the SRA's report (chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.sbs.gob.pe/Portals/5/jer/ESTUDIO-ANALISIS-RIESGO/2023/ESR%20Sector%20OSFL%202022.pdf)</p> <p>As long as the FATF does not strongly encourage countries to include mechanisms to measure the impact of financial exclusion of some sectors such as NPOs, this issue will remain muted and affected sectors will continue to do their best to continue their activities even at the risk of using more cash or opening accounts in the name of third parties.</p>
<p><b>Inputs to Chapter 2 - Implementing the risk-based approach in a financial inclusion context</b></p>
<p><b>2. Risk assessment tools and mechanisms to identify low ML/TF risk and justify</b></p>

**simplifications, at an industry/individual entity level**

Examples could cover (non-exhaustive list):

- a. Risk assessment methodologies developed by the industry/individual entity
- b. Engagement with the domestic authorities on financial inclusion (e.g. to identify areas of lower ML/TF risks, promoting financial inclusion objectives, etc.)
- c. Engagement with sectors/customers to identify lower ML/TF risks

**Example:**

In most Latin American countries, appropriate mechanisms have not yet been developed either to promote financial inclusion of NPOs or to support NPOs that encounter obstacles to operate through banks in line with a RBA.

According to the Report on Guidelines and Challenges for Preventing the Abuse of NPOs for Terrorist Financing in GAFILAT Countries (2021), GAFILAT notes:

“As far as GAFILAT is concerned, most of the countries participating in the survey commented that they are not aware of the exclusion of NPOs from the formal financial system. However, it is possible to ask whether the lack of knowledge is due to the fact that this phenomenon does not occur in the region, or that countries do not have mechanisms in place to report on this issue”. See paragraph 130 ([chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.gafilat.org/index.php/es/biblioteca-virtual/gafilat/documentos-de-interes-17/publicaciones-web/4106-informe-sobre-pautas-y-retos-para-prevenir-el-abuso-de-las-osfl-para-el-financiamiento-al-terrorismo-en-los-paises-del-gafilat/file](https://www.gafilat.org/index.php/es/biblioteca-virtual/gafilat/documentos-de-interes-17/publicaciones-web/4106-informe-sobre-pautas-y-retos-para-prevenir-el-abuso-de-las-osfl-para-el-financiamiento-al-terrorismo-en-los-paises-del-gafilat/file))

The lack of coordination among key stakeholders to detect obstacles to financial inclusion and the lack of guidelines and support from regulators appear as a constant element in the region that is far from being addressed by the authorities.

**Inputs to Chapter 3 - Guidance on measures to support financial inclusion**

**3. AML/CFT (including CDD-related) measures to support financial inclusion**

Examples could cover (non-exhaustive list):

- a. Measures by banks, credit unions, micro-finance and other financial institutions in enhancing access to and use of financial services by the unserved or the underserved population
- b. Governance initiatives (trainings, etc.) to foster understanding of financial inclusion objectives
- c. Measures by stakeholders in facilitating AML/CFT including CDD-related actions to support financial inclusion (e.g. knowledge exchange, regional initiatives, etc.)

**Example:**

A team of experts from Human Security Collective with the support of GIZ and the collaboration of NPOs and banks developed two guides in Peru:

- Guide on access to financial services
- NPO Accountability and Transparency Best Practices Document
- In addition, the Asociación Nacional de Centros (ANC), a coalition of reputable NPOs in Peru, published a video compiling the lessons learned during the process.

<https://www.anc.org.pe/2023/03/29/guia-de-apoyo-para-facilitar-el-acceso-de-las-osfl-a-los-servicios-financieros-en-peru-agosto-2022/>

<https://www.anc.org.pe/2023/03/29/buenas-practicas-de-transparencia-y-rendicion-de-cuentas-en-organizaciones-sin-fines-de-lucro-en-el-peru-enero-2023/>

<https://www.anc.org.pe/2023/03/29/video-informe-sobre-rendicion-de-cuentas-en-peru/>

#### **4. Products and services that target the financially excluded and underserved groups (and how they utilise the flexibility in FATF Recommendation 10 on Customer Due Diligence Measures)**

Examples could cover (non-exhaustive list):

- a. Design and implementation of low-risk financial products or services with restricted functionality to limit the potential of the relevant products and services to criminal abuse (e.g. small/low-risk bank accounts, micro insurance, pre-paid payment products with limits, restrictions on number or total value of transactions, etc.) to enhance the levels of financial inclusion, including experience of any potential unintended consequences (e.g. limiting access to more sophisticated financial products over time)
- b. Use of digital financial products and services (e.g. payments, transfers, savings, credit, insurance, securities, financial planning and account statements) to advance financial inclusion (such as branchless banking approaches)

**Example:**

#### **5. Tiered customer due diligence (CDD) regime**

Examples could cover (non-exhaustive list):

- a. “Progressive” CDD approach where clients have access to a range of different account functionalities depending on the risks associated with the functionalities/products/services offered
- b. Parameters for the thresholds applicable to the tiered CDD approach
- c. Ensuring capacity and mitigative measures in place for tiered CDD regime

**Example:**

<p><b>6. Simplified due diligence regime (including addressing customer identification/identity verification challenges)</b></p> <p>Examples could cover (non-exhaustive list):</p> <ol style="list-style-type: none"> <li>a. Reduction of the extent of identification information required</li> <li>b. Use of alternative identification means or documents</li> <li>c. Use of innovative technological solutions (e.g. biometrics, voice prints, electronically certified copies, eKYC processes, etc.)</li> <li>d. Specific means of identification for targeted groups of customers (e.g. asylum seekers and refugees)</li> <li>e. Postponing the verification of the identification information</li> <li>f. Identifying and verifying the beneficial owner based on information from the customer's profile</li> <li>g. Inferring the nature and purpose from the product design or customer profile</li> <li>h. Simplifications related to address verification</li> <li>i. Procedures specifically applied in lower-risk scenarios (e.g. exemptions)</li> <li>j. Other examples of SDD measures (e.g. reducing the frequency of customer identification updates)</li> <li>k. Ongoing monitoring of the relationship</li> </ol>
<b>Example:</b>
<p><b>7. Exemptions from CDD and other AML/CFT requirements in limited circumstances to facilitate financial inclusion (if any)</b></p>
<b>Example:</b>
<p><b>8. AML/CFT requirements and digital solutions to support financial inclusion</b></p>
<b>Example:</b>
<p><b>Any other issue relevant to addressing financial exclusion and de-risking:</b></p>