

Design Note

FATF Recommendations and Guidance on Financial Inclusion

Summary of relevant FATF guidelines for customer due diligence and CGAP research on innovations in the space.

FATF Recommendations and Guidance on Financial Inclusion

FATF Guidance on Financial Inclusion	<u>Guidance on Financial Inclusion and Anti-Money Laundering and Terrorist Financing Measures</u>, FATF This report makes the case that efforts to broaden financial inclusion and those to advance AML/CFT goals are complementary. It discusses the benefits of risk-based frameworks and simplified customer due diligence for lower risk accounts. The report also provides market illustrations of frameworks that enable risk-based simplified measures, access to basic financial products under specific circumstances, and specific risk-based due diligence, as well as others.
FATF Recommendations	<u>The FATF Recommendations</u>, FATF The Report provides the full set of International Standards on Combating Money Laundering and The Financing of Terrorism & Proliferation The following recommendations and excerpts provide further references on Simplified Customer Due Diligence Recommendation 1: Assessing risk and applying a risk-based approach (RBA) “The general principle of a RBA is that, where there are higher risks, countries should require financial institutions and DNFBPs to take enhanced measures to manage and mitigate those risks; and that, correspondingly, where the risks are lower, countries should allow and encourage financial institutions and DNFBPs to take simplified measures.” Recommendation 10: Customer due diligence “There are circumstances where the risk of money laundering or terrorist financing may be lower. In such circumstances, and provided there has been an adequate analysis of the risk by the country or by the financial institution, the country should allow and encourage its financial institutions to apply simplified CDD measures.”
Innovations in simplified CDD	<u>Beyond KYC Utilities: Collaborative Customer Due Diligence</u>, CGAP This report discusses new technologies and approaches that are supporting regulators and DFSPs in meeting CDD requirements. It discusses expanded reliance on collaborative approaches such as sharing of data and compliance function elements as a way to lower the costs of CDD and enable DFSPs in better serving low-income customers with limited transaction histories and formal proof of identify.

Works Cited

- “Financial Inclusion and Anti-Money Laundering and Terrorist Financing Measures,” FATF, June 2025, <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/Guidance-Financial-Inclusion%20Anti-Money-Laundering-Terrorist-Financing-Measures.pdf.coredownload.pdf>.
- “The FATF Recommendations,” FATF, June 2025, <https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/FATF%20Recommendations%202012.pdf.coredownload.inline.pdf>.
- Timothy Lyman, Louis De Koker, Chrissy Martin Meier, and Mehmet Kerse, “Beyond KYC Utilities: Collaborative Customer Due Diligence,” CGAP, August 2019, <https://www.cgap.org/research/publication/beyond-kyc-utilities-collaborative-customer-due-diligence>.