



## FINANCIAL ACTION TASK FORCE

### Private Sector Consultation on the Draft Guidance for a Risk based approach (RBA): Money or Value Transfer Services (MVTs)

#### Foreword

The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering and counter-terrorist financing (AML/CFT) standards.

In 2012, the FATF updated its Recommendations to keep pace with evolving risk and strengthen global safeguards in order to further protect the integrity of the financial system by providing governments with the tools they need to take action against financial crime. One of the most important changes introduced was the increased emphasis on the RBA to AML/CFT, especially in relation to preventive measures and supervision.

As part of the development of a series of Guidance documents on the risk-based approach (RBA), FATF is currently working on a draft Guidance on the RBA for money or value transfer services (MVTs). This draft Guidance is intended to update the 2009 *RBA Guidance for Money Service Businesses (MSBs)* to reflect the 2012 *FATF Recommendations* and to merge it with the 2003 *SR.VI Best Practices on Money or Value Transfer Services*. In addition, it seeks to remain consistent, as appropriate, with the *RBA Guidance for the Banking Sector*, which was the first of the series of RBA Guidance papers to be updated.

It is important to note that the current draft Guidance for MVTs has not been approved or endorsed by the Policy Development Group (PDG) of the FATF or the FATF Plenary at this stage. It is still at a draft stage and will be subject to further revisions and amendments.

In order to factor in the practical knowledge and experience of the private sector in its policy work, the FATF wishes to receive your views on and specific proposals to the text of the draft Guidance. Please insert your drafting suggestions, if any, in the attached draft Guidance in track- change mode, clearly explaining the rationale for those changes in the comment box.

Your comments should reach us at the email id [pdg@fatf-gafi.org](mailto:pdg@fatf-gafi.org) with subject-line clearly stating "*Comments of XX on the draft Guidance for RBA: MVTs*" **no later than Friday, 11 December 2015.** All the comments received will be shared with the FATF delegations. Personal identifying information will not be edited from submissions.

To facilitate the analysis, input which is not submitted according to the instructions and following the template, and/or is submitted after the above deadline, **cannot** be considered.

We thank you for your timely contribution.

## Template

<p><b>1. Name of the organisation and/or person submitting comments</b> World Council of Credit Unions, Inc. (World Council). See <a href="http://www.woccu.org/about/mission">http://www.woccu.org/about/mission</a>.</p>
<p><b>2. Country/region in which you or your organisation primarily operates</b> World Council is the leading trade association and development organization for the international credit union movement. Worldwide, there are 57,000 credit unions in 105 countries with USD 1.8 trillion in total assets serving 217 million natural person members.</p>
<p><b>3. Which of the following entities do you represent</b></p> <p><input type="checkbox"/> MVTs provider; or</p> <p><input type="checkbox"/> MVTs agent; or</p> <p><input type="checkbox"/> Bank; or</p> <p><input checked="" type="checkbox"/> Industry association/network (please indicate representing which sector); or <b>The credit union sector. Credit unions are cooperative depository institutions which generally only do business with their own members, who are also the owners of the credit union.</b></p> <p><input type="checkbox"/> Others (please indicate representing which sector)</p>
<p><b>4. General comments about the structure, approach and contents of the draft Guidance</b> (Please restrict your general comments to one page only. Comments exceeding this length may not be considered.)</p> <p>World Council thanks the Financial Action Task Force (FATF) for the opportunity to comment on its <i>Draft Guidance for a Risk based approach (RBA): Money or Value Transfer Services (MVTs)</i> for anti-money laundering/countering the financing of terrorism (AML/CFT) compliance. This guidance also addresses the phenomenon of banks “de-risking” their client bases for AML/CFT compliance purposes by ceasing to be business with MVTs businesses.</p> <p>Credit unions can be impacted by the phenomenon of “de-risking” in two possible ways: (1) when credit unions believe that they should not serve MVTs providers because of AML/CFT regulatory uncertainty and the reputational, compliance, and enforcement risks and expenses resulting from such uncertainty; and (2) when banks decline to commence or continue customer relationships with credit unions because of similar AML/CFT regulatory uncertainty concerns regarding reputational, compliance, and enforcement risks and expenses.</p> <p>World Council supports Section IV of this proposed guidance (“Access of MVTs to Banking Services”). We urge the FATF to finalize this part of the guidance as proposed.</p> <p>In particular, World Council strongly supports Paragraphs 134-141 of the proposal, i.e. Subpart C of Section IV concerning “Guidance for the supervision of banks with MVTs providers as customers.”</p>

We strongly urge the FATF to finalize Paragraphs 134-141 as proposed because the national-level guidance contemplated by these paragraphs is essential for this FATF guidance to have a practical impact on “de-risking” and related AML/CFT regulatory burdens in most jurisdictions. We also urge the FATF to work with FATF-member governments and regional FATF-style bodies to ensure that national-level Financial Intelligence Units promulgate the guidance and training on banks’ AML/CFT responsibilities concerning MVTS contemplated by Paragraphs 134-141.

World Council also believes that this MVTS guidance should apply to the scenario where a credit union is a bank customer. Under those circumstances the credit union meets the FATF’s definition of an MVTS in Paragraph 9 of the guidance because credit unions are depository institutions which typically provide their members with “financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network.” This guidance should apply to situations where credit unions are bank customers because the relationship between a bank and its credit union clients for AML/CFT compliance purposes is essentially the same as a bank-MVTS client relationship.

We believe that the final version of this guidance paper will help reduce the phenomenon of “de-risking” by clarifying the AML/CFT responsibilities of banks and credit unions with respect to their MVTS clients/members, as well as clarifying the AML/CFT responsibilities of banks with respect to their credit union customers.

Thank you for the opportunity to comment on this this draft guidance for a risk-based AML/CFT approach to MVTS. If you have any questions about our comments, please do not hesitate to contact World Council’s VP and General Counsel Michael Edwards at [medwards@woccu.org](mailto:medwards@woccu.org) or 202-508-6755.