



7 December, 2023

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

T. Raja Kumar, President
Financial Action Task Force
FATF/GAFI
2, Rue André Pascal
75775 Paris Cedex 16 FRANCE

Re: Comments on draft Amendments to FATF Guidance regarding Beneficial Ownership (Recommendation 25)

Dear President Kumar:

World Council of Credit Unions (World Council) appreciates the opportunity to comment on Financial Action Task Force's (FATF) Public Consultation regarding the **FATF Risk-Based Guidance on Beneficial Ownership (Recommendation 25)**.¹ 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 82,000 credit unions in over 98 countries with USD 3.6 trillion in total assets serving over 400 million physical person members.²

World Council supports FATF's guidance and recommendations to aid national-level implementation. However, to ensure Recommendation 25 achieves its stated purpose to prevent the misuse of legal arrangements for money laundering or terrorist financing, World Council urges FATF to include additional language and direction. Credit union operations and their mission to reach underserved communities need to be considered within the guidance. We've included information to one of your questions below to highlight areas where it is beneficial to add credit union and other community-based considerations.

Question. 5 What are the suggested approaches to identify, assess, and mitigate the ML/TF risks linked with different types of legal arrangements (trusts governed under domestic law, foreign trusts administered in the country, and foreign trusts having sufficient links with the country)?

World Council strongly believes the appropriate mechanism for credit unions to report and determine the beneficial owner is through a registry administered by a public authority with accurate up-to-date information. We urge FATF to include additional language ensuring

¹ See, Public consultation on FATF Guidance on Beneficial Ownership (Recommendation 25); at: <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/R25-Public-Consultation-Oct-23.html>

² World Council of Credit Unions, *2022 Statistical Report (2023)*, available at: https://www.woccu.org/documents/2022_Statistical_Report_EN

individual governments provide access to a registry for credit unions to determine beneficial ownership. It is critical that they have access to reliable information from public authorities to determine beneficial ownership.

Credit unions generally do not administer trusts as fiduciaries, but some systems allow credit unions to open accounts or hold assets for the trusts. Due to the unique and limited nature of a credit unions ability to identify beneficial owners, a verifiable database that can be relied upon when conducting due diligence is even more important. This will go further to easing regulatory burden to small financial institutions with limited resources. It will also provide more consistent data for FATF and other regulatory agencies responsible for investigating money laundering. Governmental entities or oversight bodies are in the best position to require and accurately determine beneficial ownership information when certain trusts are formed.

The guidance notes that given the private and flexible nature of trusts, registries may not be available in some instances. In the case where a registry is not possible World Council urges FATF to include additional guidance to the risk-based approach that not only assesses the risk of the legal trust framework of the country but also the types of trust services at individual financial institutions.

Credit unions are not-for-profit financial service providers dedicated to reaching underserved communities and do not interact with the same type of trusts as large banks. Risk-based determinations should be more clearly included in the approach to identify and mitigate money laundering risk. Credit unions serve local communities that often involve much smaller dollar amounts than large financial institutions. Additional language should be included to clearly identify a more limited review of legal documents based on a risk conscious approach for community based financial institutions.

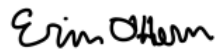
While the guidance directs individual countries to require the assessment of risk and take measures to prevent misuse, as well as adequate, accurate, and up-to-date information, it does not clearly direct jurisdictions to take a proportional approach to implementing requirements. World Council requests Section 3 include additional guidance to assess the risks and corresponding level of information to be collected at the individual institution level by the type of trusts, volume and legal arrangements serviced by the financial institution. World Council also requests Section 4 and Section 5 of Recommendation 25 highlight the need for countries to develop and create a reliable repository. Specifically, one that ensures a process that is inclusive of community-based organizations with more limited resources to conduct extensive search and verification activities.

We also request the guidance encourage countries to work with industries when establishing registries both to ensure ease of access, training on use of the database, and providing adequate resources to ensure smooth operation of the database.

Smaller financial institutions, such as credit unions, are at risk of overburdensome regulations that impede the operations of the financial institution due to high compliance costs associated with excessive regulations. The guidance suggests that there could be cases where following a risk-based approach, countries may decide it is not necessary to identify individual beneficiaries of certain trusts. While a risk-based approach is cited in various places throughout the guidance, it is mentioned as a suggestion and only in limited capacity, leaving room for jurisdictions to impose encumbering and unnecessary standards.

World Council reiterates its support for FATF's objective to improve Recommendation 25 and supports the need to prevent money laundering and terrorist financing. To ensure this objective is met and community based financial services are still possible, we urge FATF to consider additional language directing jurisdictions to apply proportionate requirements specifically tailored to the size, risk and complexity of the institution. If you have questions about our comments, please feel free to contact me at erin.ohern@woccu.org.

Sincerely,



Erin O'Hern
International Advocacy and Regulatory Counsel
World Council of Credit Unions