

Simplifying Customer Due Diligence for Low-Risk Customers

THE CHALLENGE

Rules governing anti-money laundering and countering the financing of terrorism (AML/CFT) measures took a central place on the international regulatory agenda after the 9/11 terrorist attacks in 2001. The global financing watchdog, [Financial Action Task Force](#) (FATF) created customer due diligence (CDD) standards for banks to apply. However, these standards became a significant obstacle to advancing formal financial inclusion because national regulation often required all customers to present formal identification, proof of residence, and other documentation that people living in poverty simply did not have.

CGAP'S ROLE

Working in close partnership with the World Bank, CGAP guided the collection of evidence and highlighted the importance of financial inclusion in achieving the FATF's overall goal of [combating illegal activities](#) that undermine financial integrity. CGAP successfully advocated for the adoption of risk-based approaches so lower risk customers would not be subjected to the types of stringent requirements that apply to higher risk customers.



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CGAP'S IMPACT

Responding to the concerns raised by CGAP and other organizations, FATF incorporated simplified CDD into its 2012 revised standards. Its decision to adopt risk-based approaches enabled central banks across the developing world to allow mobile money operators and nonbanks providing other forms of DFS to offer lower risk services to millions of new users. Working with other organizations that focus on financial inclusion, including the World Bank, CGAP continues to advocate for the needs of people living in poverty by contributing to the ongoing discussions and work programs of the FATF and other regulatory agencies and standard-setting bodies.

INFLUENCE
STORIES