



Violaine Clerc, Executive Secretary  
Financial Action Task Force (FATF)  
To: [FATF.Publicconsultation@fatf-gafi.org](mailto:FATF.Publicconsultation@fatf-gafi.org)  
Via e-mail

27 November 2024

**Re: Comments of IFAC on the proposed revisions to R.1/INR.1/INR.10/INR.15**

Dear Ms. Clerc,

IFAC (International Federation of Accountants) welcomes the opportunity to comment on the FATF's review of Recommendation 1 relating to financial inclusion, including corresponding changes to Recommendations 10 and 15 and related Glossary definitions. As the global voice of the accountancy profession, IFAC represents 189 Professional Accountancy Organizations in 142 jurisdictions, thereby representing over three million professional accountants worldwide. IFAC and our member organizations are champions of integrity, professional quality, and high-quality financial and sustainability-related information, and we work together to shape the future of the accountancy profession through learning, innovation, a collective voice, and a commitment to the public interest.

This response was prepared with the input and assistance of IFAC's Anti-Money Laundering Community of Practice (IFAC AML CoP). The IFAC AML CoP was established in October 2023 and brings together AML leads from 28 professional accountancy organizations from 25 countries and regions, covering every region of the world. By connecting and uniting our members through the IFAC AML CoP, we support a collective voice on anti-money laundering issues on behalf of the accountancy profession. We also take this opportunity to thank the FATF for meeting with the IFAC AML CoP in July 2024, to present on the FATF's recent report *Horizontal Review of Gatekeepers' Technical Compliance Related to Corruption*. See Appendix for list of organizations represented on the IFAC AML CoP.

IFAC strongly supports the FATF's ambition to promote financial inclusion by addressing the unintended consequences of overcompliance with the FATF Recommendations. The relationship between financial inclusion and sustainable development is well known, as demonstrated by the significant work undertaken by the United Nations Secretary-General's Special Advocate for Inclusive Financial Development (UNSGSA), the World Bank, and others. Overcompliance with the FATF Recommendations has a disproportionate impact on vulnerable or underserved populations and least developed countries, which may pose low money laundering risk. Accordingly, ensuring that the FATF Recommendations achieve their important goals in fighting money laundering, terrorist financing, and proliferation, while minimizing any negative impact on financial inclusion, must be an ongoing priority.

With this in mind, IFAC supports the proposed changes in the Consultation. In particular, where countries identify areas of lower risk, the revisions related to applying measures proportionate to those risks and allowing and encouraging designated non-financial businesses and professions (DNFBPs) to apply simplified measures, are very positive. Our more specific comments are set forth below.

- We support the proposal to replace “commensurate” with “proportionate” in Recommendation 1, paragraph 1, and the FATF Glossary. However, the proposed definition of “proportionate” appears to equate “proportionate” and “commensurate,” by using the language “a *proportionate or commensurate* measure or action is one that appropriately corresponds to the level of identified risk and effectively mitigates the risks.” We suggest removing the word “commensurate” from the definition of “proportionate” to ensure that this important change achieves its intended result.
- We support the changes related to encouraging simplified measures where countries identify lower risks. The proposed changes to Interpretive Note to Recommendation 1, paragraph 2, discussing

national risk assessments and guidance on simplified measures, are particularly positive, as are the changes in paragraphs 7 and 15.

- We support the proposed changes to Interpretive Note to Recommendation 1, paragraphs 2 and 8, changing “proven low risk” to “assessed low risk” and “strictly limited” to “limited.” This should support the FATF’s financial inclusion goals by further discouraging overcompliance with the FATF Recommendations in low-risk contexts. Moreover, this change is also broadly consistent with the recent changes to the [FATF Grey Listing criteria \(October 17, 2024\)](#), that aim to relieve pressures on least developed countries and increase focus on countries that pose a greater risk to the financial system.
- We support the proposed changes to Interpretive Note to Recommendation 1, paragraph 13, which would require that financial institutions and DNFBPs apply enhanced or simplified measures in line with the risks. The express requirement that financial institutions/DNFBPs apply simplified measures according to the level of risk further supports the FATF’s goals in this Consultation.
- We support the proposed changes to Interpretive Note to Recommendation 1, paragraph 16, changing “may differentiate” to “should consider differentiating,” in the context of CDD and other measures. Again, directing financial institutions and DNFBPs to differentiate the degree of measures applied will support the FATF’s goals in this Consultation.
- We support the proposed changes to Interpretive Note to Recommendation 10, Paragraph 15, regarding non-face-to-face business relationships and transactions to reflect technological advancements in digital identity systems that may reduce the risks associated with non-face-to-face interactions. However, the proposed qualification—“unless appropriate risk mitigation measures have been implemented”—could equally apply to most if not all higher risk situations. Accordingly, the FATF may wish to consider whether alternative or additional language would be more effective in achieving the intended aim.
- Finally, we would like to further emphasize a point made above related to “simplified measures.” Specifically, that countries should provide guidance to DNFBPs on possible approaches. This is a crucial element. In the absence of guidance from national authorities, financial institutions and DNFBPs may be less likely to avail themselves of simplified measures, as intended by these changes. We encourage the FATF to consider whether guidance from competent authorities on simplified measures will be reviewed in the mutual evaluation process. Further, it will be important for competent authorities to actively engage with financial institutions and particularly DNFBPs to ensure consistency in implementation. We would also flag the important opportunity for public-private partnerships to explore ways to effectively communicate the existence of simplified measures, particularly to assist in informing vulnerable and/or underserved populations.

In conclusion, IFAC and the global accountancy profession are important partners in the fight against money laundering, terrorist financing and proliferation financing, and we are committed to working with the FATF and others to advance these important goals. This Consultation represents a strongly positive step from the FATF to balance their core mission with financial inclusion, and we support continued work on this issue. If you have any questions regarding this response, or would like to discuss further, please contact Scott Hanson, Director—Policy & Global Engagement, at [scotthanson@ifac.org](mailto:scotthanson@ifac.org).

Sincerely,



Lee White, CEO IFAC

Appendix—List of Organizations Represented on IFAC’s Anti-Money Laundering Community of Practice

- The Pan African Federation of Accountants, Africa (regional organization)
- Institute of Authorized Chartered Auditors of Albania, Albania
- CPA Australia, Australia
- Chartered Accountants Australia New Zealand, Australia/New Zealand
- Institute of Chartered Accountants of Barbados, Barbados
- Union of Accountants, Auditors and Financial Workers of Federation of Bosnia, Bosnia & Herzegovina
- Conselho Federal de Contabilidade, Brazil
- Chartered Professional Accountants of Canada, Canada
- Cayman Islands Institute of Professional Accountants, Cayman Islands
- Croatian Audit Chamber, Croatia
- Japanese Institute of Certified Public Accountants, Japan
- Mauritius Institute of Professional Accountants, Mauritius
- Instituto Mexicano de Contadores Públicos, A.C., Mexico
- Ordem dos Contabilistas e Auditores de Moçambique, Mozambique
- Institute of Chartered Accountants of Nepal, Nepal
- Association of National Accountants of Nigeria, Nigeria
- Institute of Chartered Accountants of Nigeria, Nigeria
- Institute of Chartered Accountants of Pakistan, Pakistan
- Colegio de Contadores Publicos Autorizados de Panama, Panama
- Polish Chamber of Statutory Auditors, Poland
- Corpul Expertilor Contabili si Contabililor Autorizati din Romania, Romania
- The Saudi Organization for Chartered and Professional Accountants, Saudi Arabia
- Institute of Singapore Chartered Accountants, Singapore
- South African Institute of Chartered Accountants, South Africa
- South African Institute of Professional Accountants, South Africa
- Union of Chambers of Certified Public Accountants of Turkey, Türkiye
- Institute of Certified Public Accountants of Uganda, Uganda
- Institute of Chartered Accountants in England and Wales, United Kingdom