

New York, February 2023

Dear Sir or Madam,

In December 2022, the European Banking Authority (EBA) launched a public consultation on new guidelines on the effective management of money laundering and terrorist financing (ML/TF) risks when providing access to financial services. Through these guidelines, the EBA aims to ensure that customers, especially the most vulnerable, are not denied access to financial services without valid reason. Our experience demonstrates that financial exclusion is a risk multiplier for experiencing modern slavery and we strongly believe that customer risk should be assessed on individual histories and not the category of experience (i.e., survivors, refugees, or displaced persons).

We very much welcome the intention to provide vulnerable populations with broader access to financial services. In addition to developing guidelines, however, we would like to stress that the effective implementation of the guidelines is of equal importance. Without awareness raising, outreach, training, and adequate enforcement, the guidelines will have limited impact.

The FAST Initiative

The [Finance against Slavery and Trafficking \(FAST\) Initiative, managed by the United Nations University Centre for Policy Research \(UNU-CPR\)](#), responds to calls from the G7, the G20, and the United Nations General Assembly to mobilize the private sector in the fight against modern slavery and human trafficking. In three years, the initiative has already had substantial impact. It has trained thousands of financial sector professionals in more than 130 countries, mobilized institutional investors managing more than USD 8 trillion in assets, developed risk analysis tools, and provided input into a range of multilateral and regulatory policy processes.

With its Survivor Inclusion Initiative (SII), FAST brings together a dedicated coalition of survivor support organizations, financial institutions, and other groups to facilitate survivor access to basic financial services and resources, aiding their financial recovery and helping them to become full financial participants in their communities. Our current work focuses on putting survivor support organizations in touch with banks so that survivors can open checking and savings accounts. Partner banks are aware of the potential challenges that survivors face (i.e., lack of ID documents) and are willing to make adaptations.

Comments on the guidelines

Section 5 – Guidelines on policies and controls for the effective management of ML/TF risks when providing access to financial services

Comments on section “General requirements”

Para. 10: A great example is [Mexico’s AML/CFT regulation for banks](#) which establishes low risk deposit accounts with a risk-based approach to simplify due diligence requirements. These accounts are classified into three levels of operation with variations in service restrictions. They are subject to certain safeguards and use simplified due diligence to increase financial access for excluded groups, especially Level 1 and 2 basic bank deposit accounts.

- Level 1 deposit accounts can be opened in person or remotely only for natural persons, requires minimum identification data (full name and date of birth), and has a maximum account balance and monthly transactions.
- Level 2 deposit accounts can be opened in person or remotely only for natural persons, requires basic identification, and has maximum monthly transactions.
 - **Data (In person):** full name, without abbreviations, date of birth and address obtained from a **current supporting identification document**. Banks may accept other types of ID documents to open accounts for Mexican teenagers, repatriated Mexican citizens, and refugees.
 - **Data (Remote):** full name without abbreviations, gender, entity of birth, date of birth, as well as their address.

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- Level 3 deposit accounts can be opened only in person for natural or legal persons, require full identification data obtained from current supporting documentation, and have a maximum monthly transaction and account balance.

We recommend the EBA to consider following a similar approach.

Comments on section “Adjusting monitoring”

Para. 18 (b): it is stipulated that “To effectively manage ML/TF risk associated with a customer, monitoring should at least include [...] ensuring that the customer’s account is reviewed regularly to understand whether changes to the customer’s risk profile are justified.” While a regular risk-based update of customer data is sensible, the requirement for a regular review of the account should be deleted. Account reviews of vulnerable customers should only be conducted within the framework of risk-based transaction monitoring and when specific transaction alerts are present. Otherwise, the opening of accounts for vulnerable populations would always be accompanied by an abstract review requirement, which would place additional burdens (of time and effort) on financial institutions and increase personnel costs. Such additional burdens are precisely why financial institutions take de-risking decisions in the first place.

Comments on section “Applying restrictions to services or products”

Para. 21: In addition to the risk mitigating measures listed, we suggest that accounts be opened that only allow deposits by a specific counterpart, i.e., the social service agency that disburses aid to refugees.

Comments on section “Accompanying documents”

Regarding the requirement to document the reasons for a customer's rejection, the requirement should be limited to natural persons. Financial institutions must be given the option to reject companies of certain industries, and without further explanations. Such de-risking of entire categories of customers, must not be considered “a sign of ineffective ML/TF risk management” (p. 26). Otherwise, banks would be put in the difficult position of having to explain why they reject corporate customers in the red-light industry (whenever legal in the respective country), for which there is no concrete evidence of criminal behavior, instead of managing the ML/TF risks related to them. This would only strengthen the position of an industry that is particularly likely to exploit vulnerable populations.

We thank you for the opportunity to contribute to increasing the effective application of this important new guideline.

Yours faithfully,



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