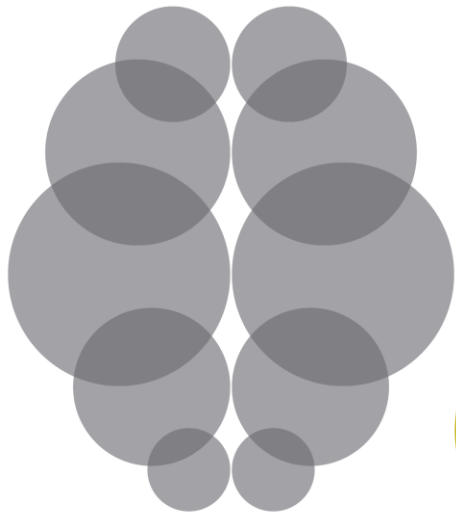


Ensuring Integrity while promoting financial access

Lima, Perú
May 12 - 13, 2011





afi

Alliance for
Financial Inclusion

Ensuring Integrity While Promoting Financial Access

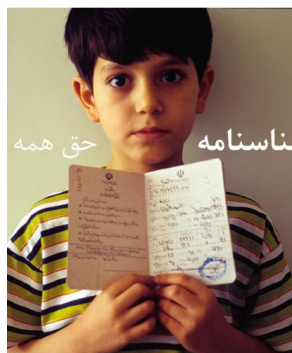
Global Forum

12-13 May 2011, Peru

Group 2: Defining customer identification and verification requirements

The group will discuss the topic of appropriate use of alternative IDs and third party verification. Existing country examples will be used to guide the discussion

Background



Population register

Population registration

Name, address, birth date & place, residence, marriage, etc.

Population Register Law
Census Law



Local Authorities

Identification documents

Issuance of documents for identification such as ID card, driver's license, etc.

National Identification Act
Personal Identification Documents Act



Commerical Banks, MFIs

Customer verification

Customer acceptance policy
Risk-tiered ID program

Banking Act
KYC Regulations
Data Protection Act
Credit Reporting Regulations

Countries face a number of challenges:

- Lack of ID systems or insufficient systems
- Verification of addresses (no street names)
- Unclear whether alternative IDs are accepted
- Use of third-parties in identification
- Enable identification for low-risk products

1. What challenges do you face in terms of customer identification?
2. How do you solve the challenge – any successful examples from the countries (alternative IDs, etc.)?
3. Are there any not-so-good examples?
4. Can and should third-parties be involved in customer identification?
- (5. Key ingredients for successful regulation?)**

Summary of key points of our discussion

FATF Recommendations

Due diligence tasks for financial institutions are laid down in the Recommendation 4-16 of the *40+9 Recommendations*.

Financial institutions have some discretion in designing their policies, due diligence procedures encompass:

- a customer acceptance policy;
- customer identification mechanisms;
- on-going monitoring of activities; and
- risk management procedures

FATF Recommendations

Recommendation 5: verify a client's identity based on "reliable, independent source documents, data or information."

Recommendation 9: financial institution can use third parties for delegated KYC conduct. This, however, applies to other financial institutions (in cases of correspondent banking, for instance).