

The Community Development Finance Association (**cdfa**) is pleased to respond to Treasury's review of the Anti-Money Laundering regulations.

The **cdfa** is responding on behalf of its 71 members comprised of Community Development Finance Institutions (CDFIs). CDFIs are non-commercial social enterprises which deliver an appropriate financial service to those in greatest need. CDFIs serve three markets: third sector/social enterprise; micro, small and medium businesses in disadvantaged communities and financially excluded individuals, providing credit where access to finance has been denied by mainstream financial institutions.

Our response has been developed via direct consultation with the membership. Many aspects of the anti-money laundering consultation are unrelated to the activities of CDFIs. Therefore, our response takes the form of a general viewpoint on the issues at hand rather than addressing specific questions as posed.

How well do the regulations work in practice?

It would be useful for specific rules and guidelines specific to CDFIs to be drawn up, promulgated and confirmed annually.

Clear and unambiguous guidance as to exactly which credit providers must comply with the regulations is required. Virtually all of the focus is on and regarding high value dealers, bureaux de change, money transfer services and the like at the expense of guidance being provided regarding credit providers. As an example, the DVD provided by HM Revenue and Customs provides no identification or practical information as to whether credit institutions are required to comply with the regulations.

A clear and unambiguous definition of how the term 'consumer' is defined with regards to 'consumer credit financial institutions' being subject to the regulations. Many CDFIs operate in a grey area between consumer and business credit and it is unclear under what circumstances the regulations apply.

A clearer view is required from OFT regarding proportionate risk based assessment of what is required from CDFIs as far as identification of clients is required.

CDFIs should be able to rely on evidence of the client having a bank account together with company search rather than a requirement to see evidence of bank statements, company incorporation and identification of all directors, as commercial banks may be required.

Clearer guidance is required on how the regulations apply to advisors in the consumer business and credit fields. For example, how do Business Links and other enterprise agencies cover this.

Conclusion

Clearer guidance specific to the CDFI sector needs to be promulgated and disseminated.

A handwritten signature in black ink, appearing to read 'B. Morgan', written in a cursive style.

Bernie Morgan
Chief Executive
Community Development Finance Association