Advocate for people to be able to open an account, even if they don't have formal ID

What are Know-Your-Customer (KYC) regulations (also Customer Due Diligence)?

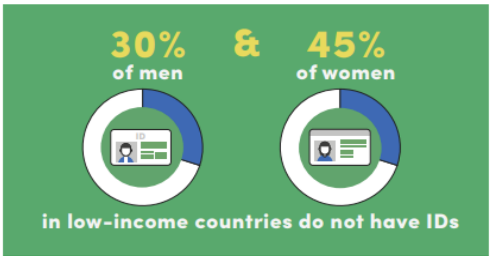
KYC rules, set by central banks and other regulators, make banks and other financial institutions check a customer's identity before they can use financial services. This helps prevent fraud, money laundering, and other financial crimes by confirming people are who they say they are. Key parts of KYC are:

- **Legal identity check** - Customers must show official ID (like a passport or national ID or birth certificates).
- **Risk check** - Financial institutions analyse how a customer uses their account to see if they might be a risk.
- **Ongoing monitoring -** Financial institutions keep an eye on accounts to spot anything suspicious.

The issue with **strict KYC rules is that they often exclude the most disadvantaged** from accessing financial services.

Key definitions:

- **Legal identity -** Basic personal details (name, birthdate, sex) officially registered at birth by a civil authority.
- **Foundational ID** - A multi-purpose official ID (e.g., National ID, Civil Registry document) used for broad identification.
- **Functional ID -** A single-use ID (e.g., voter card, UNHCR card) issued for specific services but not always recognized as foundational ID.



How are women's barriers different? Read this report by WFP & CFI (p.6).

What can we do if the people we assist don't have the full documentation required to open an account?

Where possible, we should always advocate for foundational IDs, as they are essential for more than just financial access.

Where this is not possible, you may engage with regulators to accept **alternative forms of ID**. *E.g. in Somalia, WFP worked with regulators to allow community members to verify identity and confirm residency. As last resort, you may consider closed-loop digital wallets, i.e. linking people to specific merchants.*

A common approach among regulators is **tiered KYC,** which **allows for lower ID requirements when the level of risk and amount of financial transactions is lower**. *E.g. this means that a refugee, who does not have an official national ID, can open a mobile money account with her UNHCR refugee card (functional ID) and use it as long as the transaction amount received is not too high.*

Here are key messages you can use to advocate for tiered KYC or functional IDs with regulators:

Main argument: Tiered KYC makes financial services more accessible while keeping risks low. This helps both the users and financial institutions. **Introducing and promoting simplified KYC is in the interest of regulators.**

- **Simplified KYC makes it easier for people to open and use digital financial accounts** by requiring fewer documents and identity checks, especially for small transactions. This helps more people access mobile wallets and digital banking, encouraging cashless payments and innovation.
- It also makes transactions **more transparent**, helping regulators detect crimes like money laundering or fraud that might go unnoticed in informal cash markets.
- Tiered KYC improves security by making it easier for people to open accounts while applying stricter checks only for high-risk transactions (large money transfers or international payments). This **helps governments balance security and accessibility**.

Other reasons why you should advocate for access to ID

- ✓ **Ensures financial inclusion -** IDs allow recipients to access and manage cash transfers securely and cost-efficiently.
- ✓ **Prevents fraud & misuse** – Proper identification ensures cash transfers reach the right people, preventing fraud and misuse/diversion of resources.
- ✓ **Reduces social exclusion** – IDs help governments provide support through **social protection systems**, as well as the right to vote, access to healthcare and education etc.
- ✓ Improves efficiency – Governments and humanitarian organisations **can better track and send assistance if distributed digitally**. E.g. people registered in databases can be assisted as soon as crises hit.
- ✓ **Boosts economic participation** – More people with IDs means greater access to employment.

Note: Central banks and other regulators are not directly responsible of issuing IDs (in most cases), this means you should also liaise with pertinent government ministries for this purpose.