

# Under-Compliance

[Return to Terms and Definitions](#)

## Discussion

Under-Compliance occurs when a participant, Node, or implementation performs work that is less governed than the applicable obligation requires. In the FX Demo Reference Architecture, under-compliance affects cost comparisons because an implementation that omits required work appears less expensive than one that performs the required work and records the required evidence.

Under-Compliance differs from efficient compliant processing. Efficient compliant processing reduces cost while satisfying the same semantic, policy, evidence, security, residency, sovereignty, operational, and service-level obligations. Under-compliance reduces apparent cost by omitting, weakening, or failing to evidence required governed work.

The Cost Recovery, Compensation, and Settlement Plane helps identify under-compliance by comparing required governed work with available work records, qualification records, cost records, and evidence references.

## Definition

*failure to satisfy an applicable obligation for governed work*

## Source

FX Demo Reference Architecture, Part 6: Cost Recovery, Compensation, and Settlement Plane

## Note

Under-Compliance differs from non-performance. Non-performance indicates the absence of required work or evidence. Under-compliance also includes incomplete work, weakened controls, insufficient evidence, or work that fails to satisfy the applicable obligation.

Under-Compliance does not by itself establish misconduct. Governance, audit, regulatory, contractual, or remediation processes determine cause, responsibility, and consequence.

## Example

An FX transaction requires fraud screening, sanctions checking, and evidence retention. A provider

performs fraud screening and sanctions checking but omits evidence retention. The provider appears less expensive than a provider that performs all three functions. The omitted evidence retention represents Under-Compliance.

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