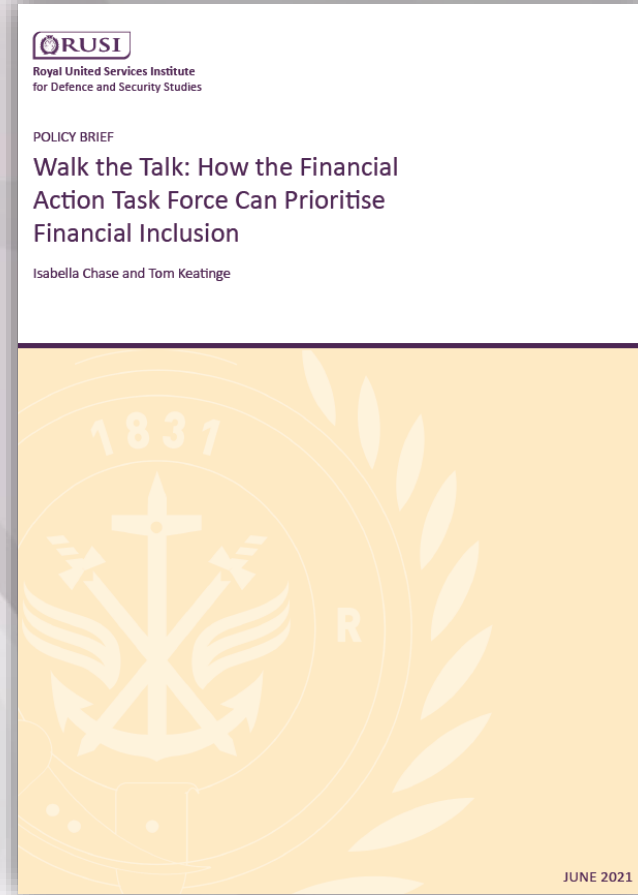
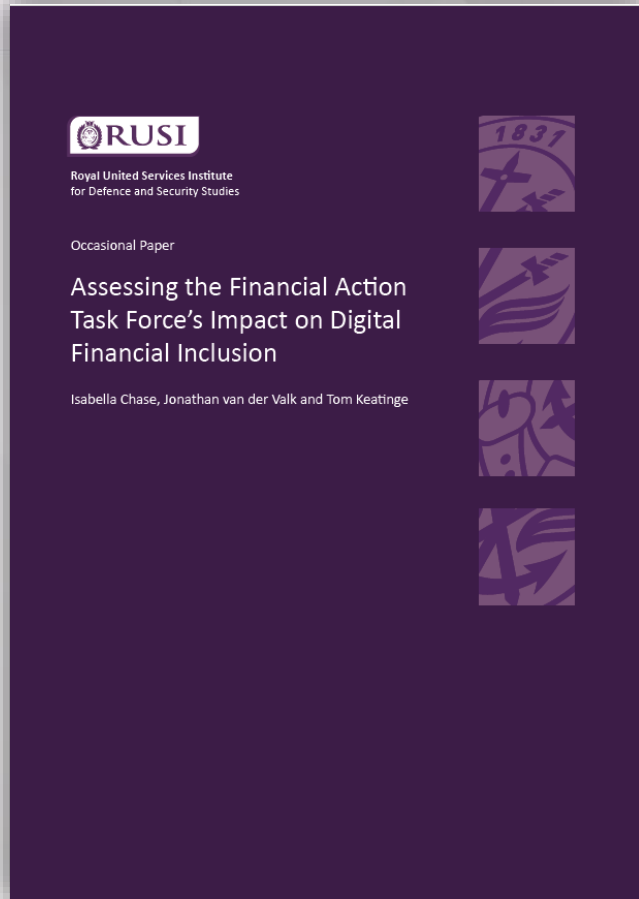


Assessing the impact of FATF on financial inclusion

Isabella Chase, Research Fellow, RUSI



THINK TANK OF THE YEAR

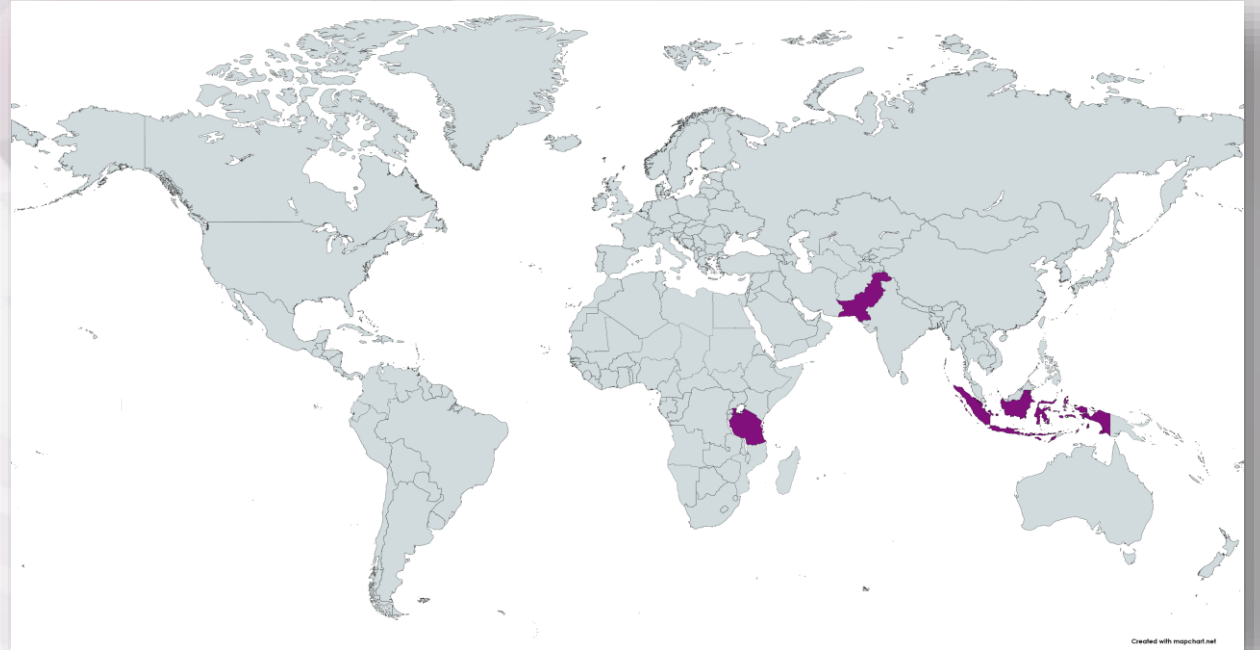


FATF Permanent Mandate, 2019

*'The FATF will **continue to promote financial inclusion** and encourage proportionate and effective implementation of the FATF standards by countries in line with the risk-based approach.'*

Research Activities

- Extensive literature review
- Case studies in:
 - Tanzania
 - Pakistan
 - Indonesia
- 90 virtual interviews in total
- Expert working group



Research Findings

Research Findings – The FATF Standards

The FATF Standards afford the necessary provisions and flexibility to support financial inclusion. However, there are **insufficient incentives within the framework** to ensure they are implemented in a way that supports inclusion. This is further impeded by **limited guidance** on how to balance financial inclusion.

Research Findings – The MER Process

The MER process **indirectly inhibits financial inclusion** by failing to grasp the opportunity to bolster the narrative that financial inclusion and the robust implementation of financial crime controls are mutually beneficial. Inconsistent treatment of financial inclusion in the MER process is made worse by the **limited training that assessors** receive on the subject.

Research Findings – ICRG Process

FATF listings have repercussions for financial inclusion in listed countries. Listings impact national policymakers, the investment climate and remittances. **Better data must be produced** to validate and better understand these impacts.

Research Findings – FATF Governance

The FATF president, FATF and FSRB secretariats and other associated international bodies **play a vital role in setting the tone** for how the FATF framework is implemented. These bodies must do more to ensure that **all stakeholders understand** that proper implementation of the FATF framework should benefit financial inclusion and, as a result, inclusive financial integrity.

Recommendations

1 Update the FATF Recommendations to better promote compliance practices that enable financial inclusion

1

- Balance the language between SDD and EDD to give entities more confidence in using SDD.
- Update guidance on SDD.

10

- Remove 'remote verification' as an example of higher risk in the Interpretative Note to Recommendation 10.

2

- To ensure coordination between financial inclusion and financial crime policies include national authorities responsible for financial inclusion efforts in Recommendation 2.

2 Update the FATF Methodology to incorporate a recognition of financial inclusion as contributing to the effectiveness of a country's anti-money laundering and counterterrorist financing regime



3 Strengthen FATF assessor training on financial inclusion

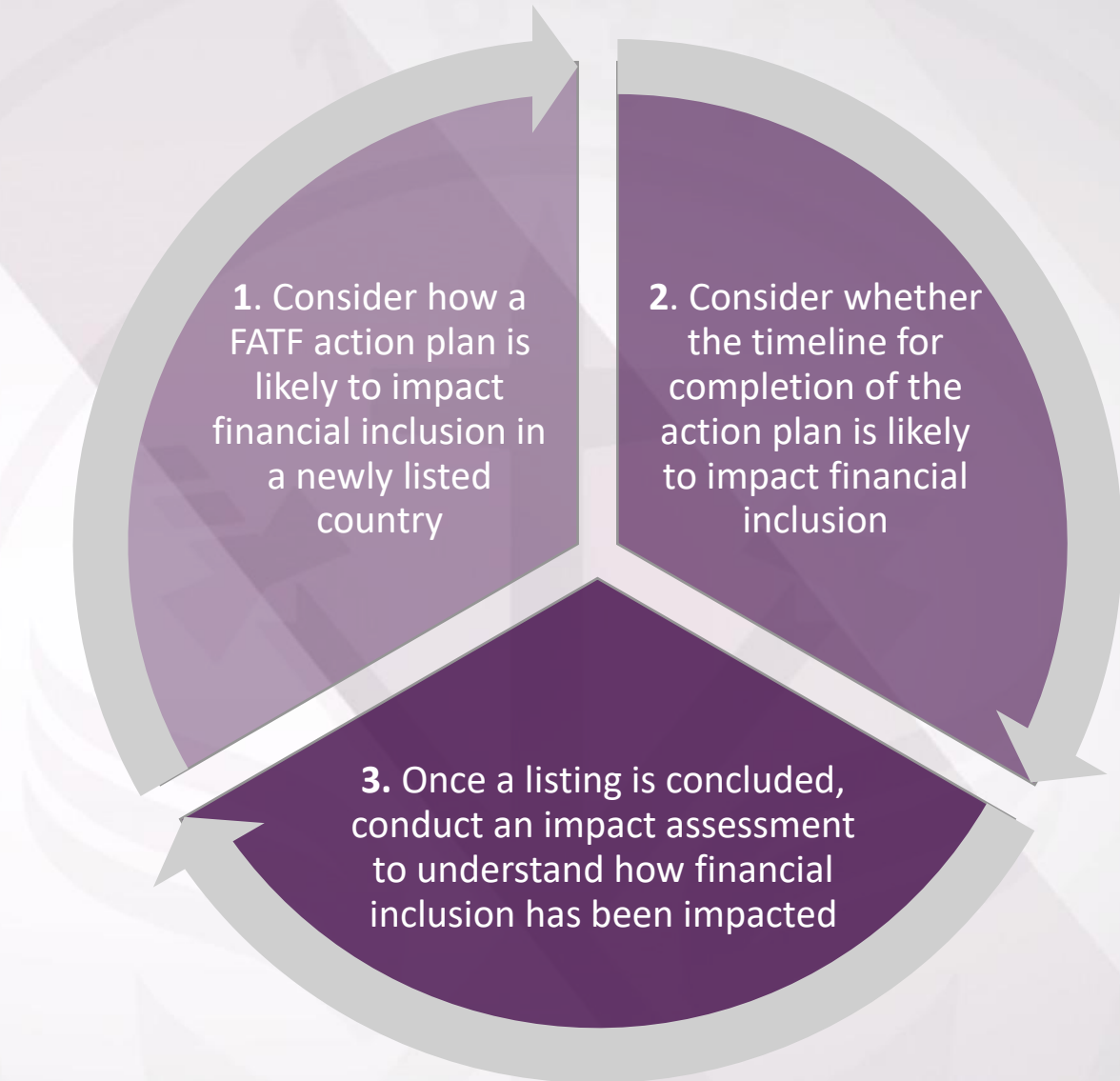
We recommend creating specialised assessor training on financial inclusion, to:

Give assessors a greater understanding of how FATF compliance can be balanced with financial inclusion

Help assessors understand how a country's financial inclusion landscape impacts the implementation of the FATF framework

Ensure that financial inclusion is considered during the Mutual Evaluation

4 Measure the impact on financial inclusion of the International Cooperation Review Group process



5 'Walk the talk' – ensure all stakeholders understand that promoting financial inclusion is key to the successful implementation of the FATF framework

Acknowledge financial inclusion in speeches and at plenaries

Use external influence to raise the profile of inclusive financial integrity

Engage with a wider set of stakeholders

Questions