H.M. Queen Máxima of the Netherlands
UN Secretary-General's Special Advocate for Inclusive Finance for Development
Address to the Plenary Meeting of the Financial Action Task Force
"Strengthening financial integrity through financial inclusion"
Oslo, 20 June 2013

Excellencies, Ladies and gentlemen, I am so pleased to be speaking with you again.
The amount of good work that FATF has done since I addressed this Plenary in Amsterdam is truly impressive. I congratulate you for this.

In just three years, we have come from a situation where financial integrity was seen as a barrier to financial inclusion to the situation today where there is a general recognition that financial inclusion, financial integrity *and* financial stability are not only compatible, but also mutually reinforcing. FATF has time and again recognized this objective, which has paved the way for notable actions in many countries. In international fora, the G20 has continued to encourage FATF's efforts as well as global and national initiatives on financial inclusion. And in the United Nations, the role of inclusive finance is being discussed as part of the global development agenda that will come into effect after 2015, the target date for the Millennium Development Goals.

FATF's new recommendations do hold the potential to bring many more people into the formal financial system without compromising the purpose of combating financial crime. And by doing this, they also greatly reduce risks associated with financial exclusion, as Minister Johnsen highlighted.

Despite all this, these risk-based recommendations and guidance are not being widely applied, especially outside FATF jurisdictions. Many policy makers state that they could use extra support with interpreting the FATF standards and adapting guidelines for their own country contexts. And these contexts do vary. For example, some regulators manage a dual market that is at once well-developed and under-developed, often with many informal players. Others face significant capacity constraints that make it hard for them to develop, implement and supervise more complex regulations — even though they do aspire to do so. In other instances, the guidance is not always widely known or well-understood.

So, the continued efforts of FATF and its associated regional bodies to build awareness is thus very important at this stage. Outreach efforts will be even more effective if coupled with technical assistance and capacity building for those countries that are in earlier stages of regulatory development. I hope that this is an issue that FATF will take up actively. There are also many partners to take into consideration in this process. Like the World Bank, the Alliance for Financial Inclusion, CGAP and the G20. They can assist in this issue as well.

You are about to embark on a new round of country evaluations. The stronger focus on risk, through national risk assessments, is a very welcome step. In addition, I would like to commend FATF for adding effectiveness as a consideration in the evaluation methodology.

Financial inclusion relates to effectiveness in several ways. Rigorous customer due diligence standards may make the risk very low for existing accounts. However, *total* risks for illicit activity may be even further reduced if more people are encouraged to transact through the formal financial system. Approaches taken by Mexico, South Africa, India, Pakistan and other countries are recommendable in this regard. They have demonstrated, for example, that tiered regulations combined with simplified accounts, value limits and other measures can effectively balance the prevention of money laundering and terrorist financing with the improvement of financial inclusion. In finding this balance, it is important to consider the risks of not acting against financial exclusion. I know that more data and evidence-based research on different risk scenarios would be really helpful to this end. In any case, the new national risk assessments should play an important role in finding this new balance.

FATF has shown that it is responsive to its changing environment, to the benefit of many. It will need to maintain this, as **innovations in financial services will change the way we look at AML/CFT risks.** Mobile money and services from non-bank financial institutions are a good example of this. I understand that tomorrow this Plenary will consider guidance for new kinds of payment services. I hope this will be adopted, and I hope that it will lead to continuous consultations on emerging issues with diverse stakeholders, including financial service providers as well as regulators.

As you consider all these new products, I urge you to look if and how these products are used. Because the use of informal financial services frequently persists because they are often more convenient, more reliable, or sometimes cheaper than formal ones. For example, international migrant workers are expected to send home about USD 450 billion this year through formal services, paying fees as high as 20%. They are also expected to send an additional USD 150 billion through informal channels, even though these are known to be not very safe for sender or receiver. FATF's continued focus on financial inclusion will help policy makers set regulations that encourage even better and cheaper products in order to tackle informality. And your work on typology and informal money transfer services will hopefully assist in addressing the associated risks.

FATF's actions can have a big impact. They can enable a generation of social, business and development advances that leverage financial services. This is indeed exciting. I hope that FATF will bear in mind these ripple effects as it continues its work.

But your work alone is not enough. Countries must also have a good enabling environment, financial infrastructure and strong rule of law for the private sector to invest into new products, upgraded infrastructure, payment systems and communications technology. There must be demand too, with clients trusting the system. So, robust consumer protection and financial capability of consumers will enable them to be an active part of a law-abiding financial system. While these issues I know are not explicitly part of FATF's mandate, they are important to the outcomes FATF wants to achieve — as well as to sustain development of a healthy financial sector. To this end, financial integrity *and* financial inclusion will benefit from greater coordination within governments and across sectors. Coordination with other standard setting bodies as well as those institutions that actively promote financial inclusion is here also extremely important. This sounds like a simple recommendation, but often it seems to be the key to effective policy making.

FATF was founded 24 years ago in response to emerging needs to fight money laundering and illicit use of the financial system. During this time, FATF has helped to develop a financial system that effectively reaches about two-thirds of the world's population. As the system expands to include the other third, we enter a new phase of financial system development. This is tremendously exciting. In FATF's second quarter century, you can build on its legacy as a body that, in breaking new ground, guides us all to a safer, more prosperous and more equitable future.

I thank you and especially the FATF President for this opportunity. I wish you continued good deliberations and success to your efforts. It has really made a huge difference.

Thank you very much.

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