

**Address by H.M. Queen Máxima of the Netherlands, UN Secretary-General's Special Advocate for Inclusive Finance for Development, to the Plenary Meeting of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, Strasbourg, 17 September 2014**

Mr. Chairman, mr. secretary-general, ladies and gentlemen,

I am delighted to be here. The fact that I have been given the opportunity to address you today represents the growing appreciation of how the realms of financial inclusion and the work of monitoring bodies such as MONEYVAL complement each other. Indeed, it seems that if done well, our interests align perfectly.

As the UN Secretary-General's Special Advocate for Inclusive Finance for Development, I have seen how your work is key to addressing the issue of financial inclusion and by extension, equitable growth and development. The substance of your deliberations and actions through MONEYVAL has far reaching consequences. At the United Nations, issues like these are being discussed as part of the global development agenda that will come into effect exactly a year from now.

Allow me first to introduce the concept of financial inclusion. And how it intersects with your important work on combating money laundering and terrorist financing.

At present 2.5 billion adults – that's half the adults in the world – do without even the most basic financial services that you and I rely on every day. No bank account. No safe way to save money. No safe way to make payments, no insurance. No credit beyond what they can borrow from a loan shark. Even for mature economies, ensuring that socially vulnerable categories of the population and small business owners get access to mainstream financial services, is a real challenge. Millions of SME's in developed markets lack the financing they need to grow. Without access to financial services and without adequate financial literacy, small business owners use inefficient tools and are forced to cut back on growth, innovation and efficiency. Consequently, entrepreneurship and employment both suffer and economic development stagnates.

And there is even more at stake here. Supporting financial inclusion means also bringing financial transactions under the scrutiny of the authorities. When people are encouraged to transact through the formal financial system, risks of illicit activity - like money laundering and the financing of terrorism - are being reduced.

The challenges in each of your countries will be different. But I think we can agree that financial exclusion entails significant negative consequences. Not only for individual households and businesses, but for the stability, integrity and transparency of the wider financial system and for our security.

Financial inclusion, the promotion of financial integrity and the prevention of criminal cash flows go hand in hand. This is, provided that we strike the right balance between security measures and accessibility of formal financial services.

There has been a growing awareness that implementation of strict, inflexible standards can inadvertently prevent households and businesses from accessing or using formal financial services. It can also discourage providers from delivering these services to all customers because of the significant costs it imposes on them. As a consequence vast numbers of people are relegated to informal solutions where transactions cannot be traced and suspicious patterns are not identified. This leaves us all worse off.

And this not only here. In this increasingly connected world more than 215 million people live outside their country of birth. There is a huge demand for payments and remittances worldwide. According to the World Bank, global remittances are estimated at \$580 billion this year. We know that a well-functioning payment and remittance system plays a critical role in enhancing financial inclusion and poverty reduction. For millions of families in countries like for example the Philippines, you are talking about survival. However there is a global trend to clamp down on remittance providers citing concerns in the field of money-laundering and the financing of terrorism.

There are, no doubt, real concerns to be addressed here. But we should at the same time, be careful not to drive these substantial flows into the informal sector, shielding them from scrutiny. Again, achieving a balance will be the challenge.

The issue is: is it effective to confront all households and all businesses with uniform, inflexible identification and verification requirements that many of them cannot meet? Should customers who conduct limited transactions meet the same requirements as customers who conduct large transactions?

The ability to combat financial crime is of utmost importance. But we must find the means to continue to do so in an effective manner. And also *proportionate* to the risks involved, so that financial inclusion and transparency goals are not impeded.

I am very happy that the Financial Action Task Force has shown great vision by officially recognizing that financial inclusion, anti-money laundering and combating the financing of terrorism are mutually supportive. Put differently, measures that enable more citizens to use formal financial services will increase the reach and effectiveness of AML/CFT regimes.

Following on from this recognition, FATF has released guidance and recommendations making it easier for policy makers to pursue financial inclusion goals while combatting organized crime and preventing criminal cash flows.

These are build on a “risk-based approach”. Each of your markets is different and this approach gives policy makers the flexibility to move away from ‘one size fits all’. It gives them the freedom to tailor their regime to their specific national context and to respond to the relevant risks that have been identified. This has paved the way for flexibility on customer due diligence requirements in lower risk situations.

All of this is happening against a backdrop of innovation in products and services, such as mobile banking. FATF has provided clarity by issuing guidance on the use of mobile payments, internet-based money transfer and agents. This gives regulators and providers new opportunities to safely draw in large numbers of people and transactions into the formal financial system.

One of the most significant breakthroughs has been the introduction of the measurement of effectiveness into the new FATF assessment methodology. Also, for the first time, it includes financial inclusion policies as factors that assessors may consider in evaluations. This should prove to be a powerful incentive for policy makers to check how and if that balance is struck.

I think you will agree that a range of tools and approaches now exist to ensure that the work of combating money laundering and terrorist financing and the promotion of financial inclusion are mutually reinforcing. A significant challenge now is for policy makers to translate the new guidance to their domestic situations. Your support in helping bring this about in your jurisdictions will be vital.

Knowledge sharing and joint learning through monitoring bodies such as MONEYVAL are crucial in creating a more secure world in which equitable economic growth engages everyone!

I wish you all the best in your discussions over the next few days.