

## **Financial inclusion**

### **Presentation by John Ringguth, Executive Secretary of MONEYVAL**

Your Majesty, Mr President, ladies and gentlemen.

May I too join the President in thanking your Majesty for sharing with us your unique global perspective on the financial inclusion issue as our jurisdictions engage more directly with this issue.

MONEYVAL decided to first conduct a survey of the extent to which the issue is currently taken into account in MONEYVAL states and territories. We have had a good response to our questionnaire, and our report has been circulated to you all.

The first point. MONEYVAL is not an homogenous group of States and territories. Its jurisdictions are very diverse, ranging from international financial centres to countries with emerging economies. Consequently we received very diverse replies from the 32<sup>1</sup> jurisdictions which responded.

It was therefore not possible to draw one overall conclusion. But it was clear that those jurisdictions which had actively promoted the development of basic low-cost financial products, as well as developing programmes of financial awareness, had achieved a higher degree of financial inclusion than some of their neighbours.

A number of respondents considered financial inclusion to be a strategic priority. In practice this is largely driven by social concerns, rather than AML/CFT concerns. Those that have developed financial inclusion policies consider that these have benefited the jurisdiction as a whole, the AML/CFT regime included.

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<sup>1</sup> One country responded after the report had been finalised and the report will be amended to reflect this before final publication.

Our report has identified a number of positive measures that have been adopted by states and territories to improve financial inclusion. Overall the most effective measures appeared to be in education and awareness raising (particularly at the level of schools and universities and through Internet packages) and through the development of basic financial products, including free or low-cost bank accounts with basic and essential services. It was encouraging that at least one of our jurisdictions with very high levels of access to financial services is also creating basic customer accounts for the lower risk customers. It was also notable that there are a number of private sector initiatives being taken to develop basic financial products. Several countries report the use of pre-paid cards as a means of both reducing the amount of cash in the economy and providing greater access to basic financial products.

The barriers to financial inclusion, to which Your Majesty has referred, were also identified from the replies in several countries. These included financial illiteracy, lack of experience of formal financial systems, concerns over the complexity of financial products, lack of confidence in financial institutions following the banking crisis, and the problems arising with credit rating agencies for persons who lack a financial track record.

Other initiatives included promoting the use of post offices in remote areas for the provision of basic remittance services, as well as for the payment of utility bills and receipt of social benefits and pensions. This, I think, underlines Your Majesty's important message that a balance between security and financial inclusion can be struck using the risk based approach. One size does not fit all. And it does need to be recognised that not all money remitters are high risk.

The replies to the questionnaire showed that many countries are still in the process of developing their national risk assessments. While it is increasingly understood that financial inclusion policies should be a part of a country's strategy for mitigating AML CFT risks, the extent to which financial inclusion is included in risk

assessments was not always clear. We expect that this MONEYVAL survey, by raising awareness of this issue, should, of itself, spur more countries to address the issue also in their AML/CFT national risk assessments.

So, to conclude, as financial exclusion is clearly an obstacle to an efficient AML/CFT regime, we propose that we continue to analyse the development of our states and territories in this area. The Council of Europe is, of course, a human rights based organisation. While the right to open a basic payment account is not, as yet, a universally recognised human right, access to financial services is increasingly being recognised, in the modern world, as an important basic right, particularly in the EU, where work is proceeding on a Directive to ensure that the right to open a bank payment account is not denied within Europe. Therefore we propose that similar surveys are conducted by MONEYVAL on a biannual basis to monitor both the developing levels of financial inclusion in MONEYVAL jurisdictions and to try, if this is possible, to measure more precisely the impact this is having on AML/CFT regimes.

Thank you.