UNSGSA OPENING REMARKS AT THE 26TH EGMONT GROUP PLENARY
04 Jul 2019

Her Majesty Queen Máxima of the Netherlands, United Nations Secretary-General’s Special Advocate for Inclusive for Development (UNSGSA), delivered opening remarks at the 26th Egmont Group of Financial Intelligence Units Plenary Meeting at the World Forum in The Hague, on 4 July 2019.

Your Excellency,

Distinguished guests,

Ladies and gentlemen,

It’s great to have all the members of the Egmont Group, and your work partners, here for this important event.

As many of you know, in my capacity as the UN Secretary-General’s Special Advocate for Inclusive Finance for Development, I aim to ensure that all individuals and enterprises can access and responsibly use reliable formal financial services.

Nearly nine years ago, I highlighted at a FATF meeting in Amsterdam that financial inclusion and financial integrity were complementary, something I still very much believe today. The use of payments, savings, credit and insurance from the formal sector not only results in more reliable and cheaper services for people—it also makes their transactions more traceable, reducing the risk of money laundering and financing of terrorism. Therefore, the Egmont Group has an important role both for integrity and inclusion.

In the past few years, we have made great strides to expand financial inclusion. 1.2 billion adults gained a formal account between 2011 and 2017. Close to 70% of adults are today included, and technology has been an engine of this progress.

Nevertheless, large segments of population, including women and the poor, remain hard to reach. And some are becoming more excluded than ever.

International remittances are essential for financial inclusion. There are 168 million migrant workers, as of the end of 2018, and for them remittances often represent the first formal financial service they need.

Remittances are the bloodlines of numerous economies and the lifelines of millions of families. They amount to 10% of the GDP in the Philippines, 28% in Nepal and 29% in Haiti.

At the same time, the issue of de-risking still threatens these crucial financial flows. The number of active correspondent banks declined by 3.8% in 2018—a decline that has been continuous since 2009.

And of course the situation varies regionally. Each region has lost at least 10% of their correspondent banking relationships between 2011 and 2018. During that period, South America, Northern Africa, Polynesia, Micronesia, Melanesia and the Caribbean have all lost more than 30% of these relationships.

On the other hand, Eastern Asia, Western Africa, Middle Africa, Northern America, as well as Australia and New Zealand have lost less than 15%.

The decline of correspondent banks and money transfer operators has negative consequences for individuals, businesses and non-profit organizations that send or receive money abroad. With less channels and actors in the
market, we run two risks:

First, the reduced number of correspondents and the concentration of the market could increase the price of remittances and prevent us from reaching the target price of 3%, as set in the UN Sustainable Development Goal 10 with an aim to reduce inequality.

Second, by closing down smaller actors, especially money transfer operators, customers might move to informal money transfer services, which are opaque and less reliable—a loss for financial integrity and a loss for financial inclusion.

Many non-profit organizations, especially those working in sensitive geographies, have lost access to international payments, and are sometimes driven back to cash. This is critical at a time when populations in need of humanitarian assistance are growing.

Many organizations, including those represented in this room, have acted to counter the negative effects of de-risking on remittances and financial flows for non-profits. For example:

- In 2015, the FSB established a four-point action plan, in collaboration with FATF and BCBS, to assess and address the decline in correspondent banking relationships.
- FSB, CPMI and SWIFT have collaborated to produce data on the number of correspondent banks.
- The World Bank has managed the Remittances Price Worldwide Survey, which collects valuable data on the price of remittances. All this data is crucial to measure progress and take necessary action.
- And in 2016, FATF revised its guidance, including on moving the status of non-profit organizations as recipients of remittances from medium risk to low risk.

Going forward, it is essential that we continue to promote AML/CFT regulation and supervision that is proportionate to the risks. I can think of three areas where members of the Egmont Group can foster both financial integrity and financial inclusion.

First, building on its excellent experience, the Egmont Group could further promote dialogue at the national level between international banks working locally, local banks, MTOs, NPOs, as well as regulators. It is essential to have this dialogue. It can help these stakeholders gain a common understanding of the specific nature of the risks of money laundering and financing of terrorism to then determine a proportionate approach. It would also be beneficial to involve the clientele, which is most affected in this dialogue—for example migrants and their families.

Second, more can be done to ensure that the risk-based approach to AML/CFT is well informed by data. The Egmont Group can play an important role to help standardize the publication of annual global statistics about AML/CFT law enforcement. Good statistics will enable providers to distinguish appropriately between higher and lower risk providers, customers, transactions and services.

Third, it could be useful for FIUs to engage emerging financial technology solutions for meeting AML/CFT requirements, which I know is a critical aspect mentioned in your strategic plan. Particularly, new regulatory technologies (also called regtech) could offer a partial solution to de-risking by lowering compliance costs, improving risk management capabilities, and safely opening the market to new players. This includes real-time distributed ledger technology solutions.

For example, Mexico’s banking supervisor developed a new data infrastructure for AML supervision, which in turn enabled further growth for its fintech sector.

It will be important for all partners, including those beyond the Egmont Group, to work together to continue to support integrity and inclusion. In its latest report issued in May, the FSB highlighted several important areas of further action, such as encouraging good practices for supervision and regulation of remittance providers, as well as continued dialogue with key actors to standardize customer due diligence.

I was also pleased to hear that the World Bank and the Dutch Ministry of Finance are exploring solutions on
improving business relationships between banks and non-profits by building a mutual understanding of AML/CFT issues.

It is only by building these kinds of partnerships that we will create a world where people and companies can send money abroad in a faster, cheaper, and safer manner, without creating risks of money laundering and financing of terrorism.

Thank you.