



**Submission to the Public  
Consultation on AML/CFT and  
Financial Inclusion - Updated  
FATF Guidance on AML/CFT  
Measures and Financial Inclusion**

To: Financial Action Task Force

4 April 2025

To Whom It May Concern

**Re: Submission to the Public Consultation on AML/CFT and Financial Inclusion - Updated FATF Guidance on AML/CFT Measures and Financial Inclusion**

Thank you for the opportunity to comment on the draft *Updated FATF Guidance on AML/CFT Measures and Financial Inclusion*.

This submission was co-authored by the following researchers and practitioners:

- Professor Andreas Chai, Director of the Academy of Excellence in Financial Crime Investigation and Compliance, Griffith Business School, Griffith University
- Dr Shawn Hunter, Research Fellow, Griffith Asia Institute, Griffith Business School, Griffith University

Established in 2022, The Academy of Excellence in Financial Crime Investigation and Compliance with the aim to become a leading centre in the Asia Pacific producing training, research and thought leadership in financial crime investigation that will build a safer, more equitable and stable financial system. The Academy draws together key Griffith expertise in financial systems and regulations, ethics and governance, criminology, information technology and forensic accounting. In addition to providing undergraduate and postgraduate education in financial crime investigation, the Academy undertakes cutting edge research in the area of financial crime investigation, detection and prevention with the aim to provide analysis and support to regulators, businesses and NGOs in their mission to detect and fight financial crime.

Last year, the Academy produced a paper discussing [De-Banking trends in the Asia-Pacific](#) and staged discussion forums at both the [2024](#) Japan Fintech Festivals. During [2025](#) Japan Fintech Festival, the roundtable specifically covered the *draft FATF Guidance on AML/CFT Measures and Financial Inclusion*. This submission reflects some of the outcomes of these discussions.

We limit our comments to two questions:

- Is the discussion on the concept of financial inclusion and its relevance to financial integrity and financial exclusion risk in Chapter 1 sufficiently comprehensive?
- Is the guidance on assessment of areas of lower risks for implementation of simplified measures in Section 2.2.3 of Chapter 2 sufficient to inform balanced risk assessments?

## Q1: Is the discussion on the concept of financial inclusion and its relevance to financial integrity and financial exclusion risk in Chapter 1 sufficiently comprehensive?

While we welcome the broader definition of financial inclusion, there is an unclear link between institutional risk management practices and financial exclusion risks.

The FATF guidance should ideally:

- Make a distinction between general financial exclusion risk that can be driven by many factors (as discussed in paragraph 36) and financial exclusion risk that is directly linked to the AML/CFT mandate of countries and institutions and identify where and when these risks might differ. This would help clarify the and passages like *"Under the RBA, countries and regulated entities should avoid a "one size fits all" solution, in part, to mitigate financial exclusion risks"* (paragraph 59). Effectively what the phrase "mitigate financial exclusion risks" is referring to is not general financial exclusion risk but specifically financial exclusion that caused by the AML/CFT mandate of countries and institutions.
- Position the role of regulatory rules and exemptions to clarify how regulated entities may advance national inclusion objectives while safeguarding financial integrity.

Section 1.5.4, Paragraph 53 discuss the need for countries to identify instances of de-risking. However, it does not specify what data should be collected and how this should be reported for transparency purposes. As per the finding of the Australian Council of Financial Regulators (2022), we recommend that the collected by institutions should include the instance of de-risked customers and the documented reasons for de-risking. This data could be passed to relevant national authorities to publish annual report & analysis on de-risked trends. We therefore recommend the following change to the text (see bolded text):

53 As mentioned above, de-risking increases financial exclusion and exacerbates related ML/TF risks. As part of a well-founded risk understanding, countries should identify instances of de-risking and ensure it is not caused by its legal and regulatory framework, as well as supervision and examination policies and practices. **Regulated Entities should report both the number of de-risked customers and the documented reasons to the relevant national authorities on a quarterly basis.** It is important for countries (regulators and supervisors) to understand why regulated entities refuse to initiate, terminate, and/or restrict financial services and to identify instances/trends of de-risking. **National Authorities should publish trends in de-risking and general reasons for de-banking on an annual basis.** Depending on the extent and nature of de-risking, effective responses may require a holistic or targeted response.

## **Q 2: Is the guidance on assessment of areas of lower risks for implementation of simplified measures in Section 2.2.3 of Chapter 2 sufficient to inform balanced risk assessments?**

We note and welcome the valuable statements in paragraph 75:

*Risk occurs when a threat successfully takes advantage of a vulnerability to produce a consequence. To determine the level of risk the country or institution should consider matters such as the extent to which it may occur, and the likely consequence that such an ML/FT event will produce. The likelihood and extent of an event and its probable consequences may differ depending on a range of contextual factors, including types of predicate offences, channels, types of institutions and customers, etc.*

This new FATF definition of risk is helpful and highlights the need to assess likely consequences. However no guidance is provided the underlying process to measure both the likely consequences and the likelihood of occurrence. If such guidance is provided elsewhere it would be helpful to insert clear cross references that readers may use.

The paragraph furthermore states that the “probable consequences may differ depending on a range of contextual factors, including types of predicate offences, channels, types of institutions and customers, etc”. To be helpful the guidance should unpack that statement and clarify how FATF views the potential interplay between those factors, likelihood and impact.

- An example of a possible guidance that could be provided for Terrorist Financing is the well-known Threat-Vulnerability-Consequence (TVS) formula: Risk = Probability of attack (threat) X Probability that attack succeeds (target weakness) x Consequence (Ezell et al. 2010)

### *Risk tolerance*

We note and welcome the risk tolerance approach in par 76:

*The FATF refers to risk management as developing the appropriate measures to mitigate or reduce assessed level of risk to a lower or acceptable level. Taking an RBA means recognising that residual risks will never be zero. Risk tolerance refers to the accepted level of unmitigated or unmitigable risk taking into consideration the potential impact. Clarity about the country's AML/CFT priorities and risk tolerance is important to inform appropriate and granular risk assessments. With limited resources a focus on the more likely significant ML/TF instances with more severe consequences may mean that less likely or less significant ML/TF instances or those with more minor consequences may be tolerated in order to focus the AML/CFT system on the priorities set by the country.*

We view this approach as sensible and pragmatic but countries are not in a position to determine risk tolerance levels for TF without a clearer indication from FATF. Any country that does so individually risks being de-banked by institutions of other countries who may determine different level of tolerance, or even subscribe to a zero tolerance approach in relation to TF.

Ideally this document or a related document should address TF risk tolerance to enable countries to set their risk calibration levels appropriately to identify lower TF risks where simplified measures may be appropriate.

- A good example of how this could be done is the Financial Stability Board's development of a set of principles that banks should follow in developing their Risk Appetite Framework (RAF) (FSB 2013). The FSB Principles set out key elements for: (i) an effective risk appetite framework, (ii) an effective risk appetite statement, (iii) risk limits, and (iv) defining the roles and responsibilities of the board of directors and senior management. It includes the expectation that an effective RAF includes a process for communicating the RAF across and within the financial institution as well as sharing non-confidential information to external stakeholders.

### *Inherent and residual risk*

Par 77 states: *"Apart from the inherent risks of the products, it is important to recognise that the targeted groups can also encompass a wide range of different ML/TF risk profiles across different jurisdictions."*

This appears to be rephrasing paragraph 44 from the 2013 Financial inclusion guidelines. However, when referring to risk, it is not clear whether the FATF intend to refer to inherent risk or residual risk in this context.

Also, while it discusses "low income" clients may not necessarily be "low risk", it ignores that there are many types of groups that are de-risked beyond those who are low-income. This paragraph should be re-written keeping in mind the content of paragraph 23 which discussion the many dimensions of vulnerable communities.

## References

Council of Financial Regulators (2022) Potential Policy Responses to De-banking in Australia. ISBN 978-0-6456221-0-2 (Online). Accessed at: <https://www.cfr.gov.au/publications/policy-statements-and-other-reports/2022/potential-policy-responses-to-de-banking-in-australia/pdf/potential-policy-responses-to-de-banking-in-australia.pdf>

Ezell, B. C., Bennett, S. P., Von Winterfeldt, D., Sokolowski, J., & Collins, A. J. (2010). Probabilistic risk analysis and terrorism risk. *Risk Analysis: An International Journal*, 30(4), 575-589.

Financial Stability Board (2013) Principles for an Effective Risk Appetite Framework. Accessed at: [https://www.fsb.org/uploads/r\\_131118.pdf](https://www.fsb.org/uploads/r_131118.pdf)

