

4 April 2025

To: FATF Public Consultation

[FATF.Publicconsultation@fatf-gafi.org](mailto:FATF.Publicconsultation@fatf-gafi.org)

Dear Sir/Madam,

# SUBMISSION

## PUBLIC CONSULTATION ON AML/CFT AND FINANCIAL INCLUSION - UPDATED FATF GUIDANCE ON AML/CFT MEASURES AND FINANCIAL INCLUSION

Comments of the Financial Integrity Hub (FIH) on the draft FATF FI Guidance



TABLE OF CONTENTS

About the submitter ..... 3

Comments ..... 4

# About the submitter

The Financial Integrity Hub at Macquarie University Law School drives transformative change through interdisciplinary and future-focused research, offering cutting-edge solutions to the global challenge of financial crime. As an independent research centre, the Hub focuses exclusively on the integrity of financial systems and compliance with both domestic and international anti-money laundering and counter-terrorist financing regimes. Currently, there is no other research centre of this nature in Australia.

The Hub is distinguished by several exceptional attributes, including a strong and well-established track record, and comprehensive interdisciplinary coverage across fields such as law, business, security, and cyber.

We appreciate the opportunity to respond to your draft financial inclusion guidance.

Our submission addresses the first five questions, followed by several general observations.

**Dr Doron Goldbarsht**

**FIH Director**



# Comments

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

We welcome the new definition of financial inclusion but suggest the addition of a definition of financial exclusion risk with guidance on when FATF objectives are advanced by exclusion and when they are undermined by it.

**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?**

The guidance would be more helpful if:

- It provided clearer guidance on the reasonable level of residual ML, TF and PF risk that may be tolerated as lower by countries and institutions to advance financial inclusion.
- explained how factors such as channels, types of institutions and customers may impact on the likelihood and extent of an ML, TF or PF abuse, and its probable consequences.

**3. Is the explanation on recently adopted Standards revisions, for example on the concepts of proportionality, encouragement of simplified measures, tailoring measures to identified risks, etc., in Section 2.3 of Chapter 2 sufficiently comprehensive?**

The Standards and guidance states that countries should identify areas of lower risk (par 85) but footnote 93 indicates that countries are not obliged to assess certain areas as lower risk. The guidance should clarify this point and, especially under what circumstances, if any, a country may validly find that no lower risk areas are present.

**4. Would further guidance and examples on tailoring measures to address financial inclusion needs in non-lower risk situations be required? If so, please provide relevant inputs and examples.**

“Tailored” seems to imply that risk control measures should not go beyond what is reasonably required to mitigate the higher risks that were identified. The proposed tailored measures seem to indicate that some or all the other risk-based control measures may not be tailored and hence may be over-designed. It would be important to clarify what the difference between tailored and non-tailored risk measures are and whether FATF endorses both.

**5. Does the guidance in Section 3.2.2 and Section 3.2.3 of Chapter 3 provide sufficient clarity on the roles of supervisors and regulated entities in implementing the risk-based approach to promote financial inclusion?**

Australian financial supervisors generally do not review institutional risk assessments to identify overly conservative approaches. It would be helpful to clarify what FATF expects of supervisors when they review risk assessments, profiles and risk measures and what they are expected to do when they do not agree with the processes and documents as reviewed.

**6. General comments**

We believe the guidance will be strengthened by:

- Explicitly discussing the inclusion impact of overdesigned responses to rule-based Standards of the FATF, for example, the limited use of the de minimis exception of Recommendation 16 and the limited use of exemptions of low-risk institutions from proliferation financing risk management obligations.

- Explicitly incorporating proliferation financing risk management into the current guidance as insensitive implementation in preparation for mutual evaluation in the new round risks creating additional financial inclusion barriers.

Thank you for the opportunity to comment.

The Financial Integrity Hub (FIH) relies on a network of experts across business, government and higher education. It promotes an interdisciplinary understanding of financial crime by bringing together perspectives from the fields of law, policy, security, intelligence, business, technology and psychology.

The FIH offers a range of services and collaborative opportunities. These include professional education, hosting events to promote knowledge sharing, publishing key insights and updates, and working with partners on their business challenges.

If your organisation would benefit from being part of a cross-sector network and having a greater understanding of the complex issues surrounding financial crime, please contact us to discuss opportunities for collaboration: [fih@mq.edu.au](mailto:fih@mq.edu.au).

For more information, visit:

[mq.edu.au/research/research-centres-groups-and-facilities/groups/financial-integrity-hub](https://mq.edu.au/research/research-centres-groups-and-facilities/groups/financial-integrity-hub).





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