

Transcript
Elisa De Anda Madrazo

Robin: Illicit finance is a multi-trillion dollar problem, and because the financial system is only as strong as its weakest link, the global community came together to build standards enforced by the Financial Action Task Force to keep dirty money out. If the implementation of those standards also locks out a migrant worker sending a remittance or a nonprofit operating in a conflict zone or maybe a small island state seeking to access correspondent banking, then clearly [00:01:00] something has gone awry.

So today we have with us a very special guest to discuss this dilemma and we're going to be asking can we have a financial system that truly upholds both integrity and inclusion as equal goals?

Aban: And to answer that question, we are thrilled to have with us Elisa de Anda Madrazo. Elisa is the current president of the Financial Action Task Force (FATF). Her two-year term as president started in July, 2024 and runs at the end of June, 2026. Welcome to the podcast, Elisa.

Elisa: Thank you very much, Aban and Robin for having me. It's a pleasure to join you.

Aban: Elisa, I think I would like to start by taking you back two years to when you assume this presidency. You are only the second woman to lead Fat U since it started in 1987 and the first from an emerging economy.

What did that moment mean to you personally when you [00:02:00] first stepped into this role?

Elisa: Thank you, Aban. So I've been working with the Financial Action Task Force for over a decade, and having the opportunity and the privilege to serve the members really felt like the opportunity of a lifetime to serve a mission that I'm deeply committed to.

Aban: It's interesting you say that because, um, I think your background in terms of growing up, um, in Mexico and starting to build your career in that country. I would imagine that also shaped your understanding about what happens to people when they're outside the financial system, and that must have shaped some of the priorities that you brought to the presidency.

Do you think that's true?

Elisa: Of course, context, history, the way you understand the world shapes the way you think about it and the way you wanna improve it. And in my previous experience, I got to see how financial inclusion really changed the life of people in many ways. I have seen the need [00:03:00] for financial inclusion and yet how difficult it is to make this balance between financial integrity and financial inclusion.

But I am sure and the FETF has been, uh, working on this very publicly, that there are two sides of the same coin. And to the extent that we have financial inclusion, we have better financial integrity and safer economies. The consequences of exclusion are, for example, to move people or push people into informal channels, to obscure the way humanitarian aid can flow into a country.

It also disrupts trade, which is very much needed for economies. It increases, as I said, the cost of remittances and reduces the access for better development. So from many angles that are also under the mandate of the FETF, financial inclusion is key. The best way in which authorities can have eyes on the transactions, and they detect when there are suspicious [00:04:00] activities in the system.

Robin: Earlier on in your career, in your public sector career, you were attached to the embassy in Washington - I think as part of the Mexican financial intelligence unit. Could you tell us a little more about what you learned from that experience? Um, how the international financial system works and perhaps especially how it sees or manages risks?

Elisa: What I really learned from it was the challenge of international corporation. How fast criminals are moving, they really move at the speed of light. Yet authorities, we sometimes operate at the speed of law, which is slower. More processes, more bureaucracy. So the challenge I think, um, that I learned and that we have also been working in the FATF is making sure that the authorities have the tools for a fast, and effective international corporation.

Robin: Thank you. From, [00:05:00] from Washington, to Mexico to Paris, which is the home of course of the Financial TAction task Force. You've mentioned you've been involved in that body for over a decade. What was really your first experience, um, of the FATF that stays with you

Elisa: There's been several experiences that I recall as being crucial during my time in the FAT. I will say that probably the first assessment that I participated in, which was, uh, the Malaysian assessment. I remember coming into that room and it was my first plenary and I was just so impressed by the depth of the analysis, how the assessors knew the country so well, how they could explain through all the interviews they had with the authorities, with the private sector.

The roadmap that they were suggesting for Malaysia to improve in that, in that time, which was in [00:06:00] 2015, I remember the questions of the delegations, the involvement that was at the table, and what was really clear from that point was the technical nature of the FATF. At no point did I see the delegates coming with a position representing, you know, the views of the government on, on an official diplomatic way that we are so accustomed international organizations. It was really experts, technical experts at the table, understanding how the system worked and how effective it was, and learning from it and recognizing its strengths and also looking into which areas had to improve and coming as a to the table as an international lawyer in diplomatic settings - it was very refreshing, honestly.

Robin: You were elected, I think very, um, quite early on in your time in FATF to the role of vice president, I think around 2020 or so, and you had three years under two different [00:07:00] FATF presidents - Marcus Player and Raja Kumar. During that time, what, what did you, um, see that you really wanted to build on and emulate, but also was there anything that you thought if you had the opportunity, you would want to do differently?

Elisa: We had COVID during those years, and it was during those years that cyber enabled crimes exploded and it was during those years that many new generations in particularly elderly, and the youth had access for the first time to a smartphone or a tablet. And with that, criminals had access also to them. So suddenly the typologies that the criminals were using to conduct their crimes changed as fast. And I think that that brought an awareness of, uh, the need to keep up with the technologies. And a lot of the, our work on digitalization, on the use of new technologies on private and public partnerships to [00:08:00] exchange information came from that experience.

So that, that was very, very meaningful during those years of vice presidents. Also, to work with two different presidents gives you the opportunity to see different flavors in leadership and, and that wasn't an opportunity for me to learn from two people that I admire and that, that were good colleagues and mentors in many ways, but also to see how the FHGF, as I said, it's a technical body, can really get the best of people depending on their experience.

So, for example, Marcus Player came from a policy perspective. Uh, Mr. Raja Kumar came more from a police perspective and experience. I have more of an FIU DNA and I think that really helps your

organization because the leaders come with different experience and, and it absorbs the best from that experience and will bring different things to the table.

So all in all, I think my time in the vice presidency really prepared me well for the position that I have now.
[00:09:00]

Robin: And picking up on that 2024 you take over the presidency, you have the opportunity to use the agenda setting power of the presidency to lay out some presidential priorities and use that opportunity to position financial inclusion as one of your priorities.

I think it's actually the first priority, um, in the list. And of course. Financial inclusion had been discussed in certain aspects of the FATFs work before that, but I think never been quite this center stage topic, um, that it became. Do you think you were taking something of a risk, um, to utilize your, your capital to position financial inclusion in this way?

Elisa: So financial inclusion was indeed a presidential priority from the Mexican presidency. It was also a priority of the FATF at large. And I say this because the FATF [00:10:00] acknowledged that there were some effects of the misapplication of the standards that we needed to attend and we could not ignore. And we needed to do our part to make sure that those didn't happen.

And so this work was under the label of unintended consequences, and I was leading that work from the vice presidency. We, we looked into many things. You know, financial inclusion and financial integrity go hand in hand. The protection of human rights and financial integrity go hand in hand. The support to humanitarian aid and financial integrity go hand in hand.

And, and from that perspective, the FATF had this work that started between 2020 and 2021, and that carried on. And by the time I came to the presidency. We were ready to update our standards, but the work didn't start there. Not was it, uh, the beginning nor the end. And I'll, I will go into that. So, when I started the presidency, the momentum, it was [00:11:00] right to set financial inclusion as a top priority because we had all done all the work of stock taking, of talking to the private sector of understanding what we needed to improve from our side, the FATF.

So we went to update the standards, and what we did is to make sure that we clearly signal to the members of the global network that there needed to be symmetry between the situations where we asked for a high risk and therefore enhance due diligence and no risk, and therefore simplify due diligence measures.

So before there was an asymmetry, there was no real. Encouragement or use of simplified due diligence measures. And that meant that the bar kept going up and up and up and up and that excluded segments of population out of the system or businesses. So the, the recommendation was updated during the first year of the Mexican presidency.

We also issued guidance with [00:12:00] best practices and cases of the use of the simplified due diligence measures. When I say that it's not the beginning of the end is because now we need to make sure that those standards are rightly implemented and that we're working on currently in terms of enforcing and supporting the risk-based approach.

We're doing a lot on risk-based supervision, so that work has started now, but it won't finish at the end of the Mexican presidency. It needs to continue. So leadership is not only about, you know, putting your priorities and then that's over. It's recognizing. Where things are, where the members are willing to go, seize that opportunity, but also making sure that that job doesn't finish with you.

Aban: I think what Elisa, you said is going to be music to the ears of AFI members in terms of symmetry and proportionality, because I think that's a position that, uh, AFI members have long argued for. I guess my question is, how does this message resonate with the regulators? Because when they're [00:13:00] evaluated, it's more focused on A-M-L-C-F-T compliance rather than financial inclusion indicators.

Do you think, uh, the message has been received and we will see behavior change in how financial regulators and the private sector operates, or that journey is just starting?

Elisa: In the three reports that the FATF has already published, you start to see a clear review by the assessors of this aspect. And let me break it by parts for the audience.

The first one is the FATF recognized with these updates to our methodology that financial exclusion and unregulated markets are a risk for financial crime. So signaling to the jurisdiction, signaling to the assessors that to the extent that the on regulated market is bigger, there's higher risk of financial crime.

The second one is that with the changes to recommendation, one [00:14:00] that I referenced, the countries are expected to encourage. It's not an option. They're expected to encourage the use of simplified due diligence measures when the risk is lower. So that entails that the jurisdiction and the private sector have to assess not only those areas where they have higher risks, but also those where their risk is lower. And when you talk about financial services, these are usually products or specific services that are designed to mitigate those risks. And therefore you can have simplified due these measures. And we have seen countries increasingly using these measures. A good examples come from AFI members, for example, El Salvador, that that did an initiative with specific accounts that have specific lower thresholds in terms of balance and transactions.

The third aspect is that we are currently working on the risk phase approach, and in particular, as I said, on risk-based [00:15:00] supervision. And what we're really trying to understand is the importance of the communication and the trust. Between the private sector and the government, the authorities, because there cannot be a real risk-based approach if there is not a point of understanding of what those risks are.

So it, it really starts from the first step of having a common understanding and communications on what the risks are.

Robin: It's really interesting and I, I think linked to that, one of the critiques of the risk-based approach in a financial inclusion context, um, to this point has been that yes, it provides a set of permissions, simplified due diligence can be used in certain circumstances, but maybe without sufficient attention to incentives so that a, a supervisor or compliance officer, if they have two options, both permissible under the standard, they might tend to default towards the more conservative [00:16:00] one because incentives may not be really there to push proportionality. Do you see the changes that have been introduced or maybe being looked at now for the next phase, sort of shifting the needle in in that regard on incentives?

Elisa: I do see that things are changing when we look at the assessments. I hear assessors and jurisdictions paying much more attention to this. I see that jurisdictions that in the past had not considered the use of simplified due dealing as measures - precisely Robin, because they were always inclined to the safe part of the court, if you wanna put it that way - interested now in the best practices asking countries how is it playing, trying their own models. We start to see more and more recognitions for those countries that have done it as a good practice. And I was very happy to read the report by AFI that showed that actually financial inclusion in their analysis showed to increase financial integrity.

So [00:17:00] it's, as I said at the beginning, two sides of the same coin that are mutually reinforcing and it's a win-win. It's something that I think it will continue and we just need to make sure we do it. Um, we do it smartly and in a coordinated way.

Aban: I think one of the things which is quite noticeable in your presidency is this, uh, bringing different and new voices to the table and the conversation.

So for example, the guest initiative, which has brought countries like Kenya, Jamaica, and Nigeria to the working group discussions at Fatter, and then the February 20, 26 plenary, which agreed to strengthen the voice of the fat of style regional bodies. I think, um, we would like to hear from you, why do we see this approach to bringing diverse, uh, voices, especially from emerging and developing economies?

And also, have you already started to notice changes in terms of outcomes and impact?

Elisa: There was the acknowledgement of the [00:18:00] FATF that in the FATF where we set the standards, there was underrepresentation of specific regions. Under the Mexican presidency, I put forward to the members the initiative of having guest jurisdictions.

And I have to say that it was endorsed by consensus. All the members were in agreement, uh, with it. And what that meant is that for the first time we had jurisdictions from the Caribbean and also additional jurisdictions from Africa sitting at the table under their own flag, with the same right to the, to the microphone as other members participating in our debate. And this brings benefits on many angles on the policy because they have different realities, different challenges that they can share and put forward when we develop the policy. Also on the assessments, the way they can bring to us and share with us the perspectives on how they do the peer reviews in their own countries, we follow, uh, the same methodology, but of course there's different best [00:19:00] practices and, and we learn from those.

So that has been extremely interesting. I can say that these jurisdictions have been very vocal. They have really used the opportunity to make themselves heard at the table with very strong contributions, and they have enriched our work. So there's different initiatives that, that were, um, approved. And as I said this, while so many initiatives have been from the Mexican presidency, most of it is the members that are driving it.

And I want an FATF that it's more open, more inclusive, and more transparent.

Aban: I think, um, my own view here is that currently, if you look at the world outside the, this podcast room, there's almost this crisis of trust, especially when we look at, uh, institutions of global governance. Do you think that this inclusion of different perspectives and giving a seat at the table also will play a role in addressing some of these broader [00:20:00] challenges and reinforce, um, trust and credibility of, uh, FATF as the, the leading voice in this area?

Elisa: I think transparency increases trust, and I think transparency clarifies what the expectations can be of an organization. To the extent that you're not transparent, there can be a misinterpretation of what you can do and the expectations they can ask for you. Um, you're right to say that these are difficult times for international governance on many fronts, and there's a reshaping of of how it, it works in many organizations, but I, I'm very proud of the FATF because it might be our technical body, it might be the conviction that the members have in our mission.

It might be that criminals continue to grow and the challenge keeps us together in, in facing it.

Robin: We think of issues, uh, Elisa that are perhaps, um, [00:21:00] particularly resonant for developing countries, and I think speaks to the participation in greater voice as well. Um, one of those issues is the, the phenomenon known as de-risking, which is the essentially wholesale, um, exiting of relationships rather than case by case.

Um, risk assessment. I think that's how the Fat F has defined it. This issue's been with us, um, a very long time. Now there's guidance being put out, um, by fat many years ago. Um, but we still see it, um, persisting. I know that you, you've invested quite a lot of personal time on this issue, speaking to affected jurisdictions, speaking to private sectors, speaking to correspondent banks.

Do you think that this is just a, a very intractable problem or do you have optimism there that we are finding some real solutions though?

Elisa: Derisking. It's a multifactoral phenomenon. It has many causes that have been explored, including [00:22:00] profitability, liability, and and reputation that some institutions look after the costs. The fact that some institutions don't wanna try to mitigate the costs, the risks, so they just do risk, which means terminate the relations. And there's also the A-M-L-C-F-T aspects. Within this ecosystem of factors, what the FATF has done is to make sure that A-M-L-C-F-T does not become the cost derisk sectors or countries, and I say countries because there is specific jurisdictions that have been cut up indeed of the system.

For example, in the Pacific that are deeply affected, the Caribbean has been another region that has suffered deeply from de-risking. But there's also sectors, some, some specific areas of business or individuals such as refugees in many occasions do not find the services because the financial institutions do not wanna mitigate those risks.

So the FATF [00:23:00] has been working in terms of, uh, providing guidance. Working with the jurisdictions to make sure that those risks are not avoided or de-risk, but mitigated and providing support on how to do it under the understanding that it's a hard balance. It is indeed hard for some institutions to do this.

The FATF has been very clear, but it's an opportunity for me to repeat it, that the fact that a country is included in the great list does not mean that the FATF is asking for enhanced measures with that jurisdiction or asking that jurisdiction to be cut off of the system. That is not the intent of the great listing.

The intent of the great listing is to be a collaborative process where we can support the jurisdiction to strengthen their system, not to cut them off of the system. And this is very important.

Aban: I think this conversation can go on for much longer, but we are running out of time, but we can't let you go Elisa, before we reflect a little bit.[00:24:00]

On the home stretch of your presidency, how do you want to be remembered as status president?

Elisa: It is a good question, and it's a question that I asked myself before starting the presidency, and it's actually a question that one of my mentors back in Mexico asked me. And for me it's about values. You know, because initiatives are in a way small and no one will remember recommendation X or Y.

I think the values stay and those are the ones that carry on. So I would like the Mexican presidency to be remembered as an inclusive one on many ways inclusive with all the members of the FATF. Every member has the same voice, and I've made every effort to make sure that all of them are involved and

that I listen to all of them and support all inclusive in the sense that we have made many initiatives to support gender equality, but also diversity in many other ways.

Inclusive with the global network, not only with words, but with actions. [00:25:00] I visited most of the FATFs and also inclusive with ideas being open, uh, to receive feedback and to make sure that we take that from a responsibility part and also respond to it. Also, I would like it to be remembered as a transparent presidency.

I made every effort I can. To conduct myself in the most transparent way so that members can trust what I say, what I do. And the last one is, I would like this president to be remembered as a productive one in times of difficult challenges that the FATF continued to serve the mission. So those are the three values that I would like to be remembered.

Robin: I think that's a fantastic place to close the discussion. Elisa de Anda Madrazo, President of the Financial Action Task Force, thank you so much, um, for joining us on Inside Financial Inclusion. We [00:26:00] covered a lot of ground today from the very real human costs of financial exclusion through to the architecture of the global standards, and we're looking forward to continuing this conversation beyond the microphone as well.

Thank you so much.

Elisa: Thank you, Aban, and thank you Robin, and thank you for the audience.