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Heat versus Light: Fact-Checking the Debate over De-Risking

Mark Nance, North Carolina State University
Eleni Tsingou, Copenhagen Business School
Stephen J. Kay, Federal Reserve Bank of Atlanta

Summary:

In this article, we examine the evidence for claims about the connection between bank de-risking and anti–money laundering (AML) regulation. Specifically, we examine evidence for the claim that the cost of increased AML compliance and increasing bank fines have led to banks exiting entire sectors or geographical regions and that this de-risking is deeply damaging to economies. We draw on multiple sources of evidence, including financial flow data, discourse and social media analysis, an evidentiary history, elite interviews, and participant observation. In the end, we find that substantial evidence contradicts this simple explanation of de-risking. Current efforts to review and reform the AML regime are overdue, and we need a sustainable answer to the issue of financial exclusion. That said, the evidence we present here suggests that efforts to curb de-risking should not focus primarily on AML, nor should AML reform focus primarily on de-risking.

Key findings:

1. Beginning in the mid-2010s, banking experts, nonprofit organizations, and banking policy officials around the world raised the policy profile of "de-risking," which occurs when a financial institution avoids risk by not providing services to entire categories of customers rather than by managing that risk.

2. Observers made three key claims: that de-risking was happening, that it would prove costly to the targeted jurisdictions and sectors, and that it was being driven by overzealous anti–money laundering and counterterrorism financing (AML/CFT) regulation. The critique inspired recent efforts to review and reform the AML regime in both the United States and Europe.

3. Drawing on social media analyses, elite interviews, participant observation, and financial flow data, we find evidence that de-risking is happening. However, we also find considerable evidence that contradicts the common, simple story that locates the drivers of de-risking in the AML regime. Efforts to curb de-risking should not focus primarily on AML, nor should AML reform focus primarily on de-risking.

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Summary: In this article, we examine the evidence for claims about the connection between bank de-risking and anti–money laundering (AML) regulation. Specifically, we examine evidence for the claim that the cost of increased AML compliance and increasing bank fines have led to banks exiting entire sectors or geographical regions and that this de-risking is deeply damaging to economies. We draw on multiple sources of evidence, including financial flow data, discourse and social media analysis, an evidentiary history, elite interviews, and participant observation. In the end, we find that substantial evidence contradicts this simple explanation of de-risking. Current efforts to review and reform the AML regime are overdue, and we need a sustainable answer to the issue of financial exclusion. That said, the evidence we present here suggests that efforts to curb de-risking should not focus primarily on AML, nor should AML reform focus primarily on de-risking.

About the Authors:

Mark Nance is an associate professor of political science and director of the Master of International Studies program in North Carolina State University's School of Public & International Affairs.

Eleni Tsingou is a professor with special responsibilities in International Political Economy at the Copenhagen Business School.

Stephen J. Kay is director of the Atlanta Fed's Americas Center.

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Comments to the authors are welcome at mtnance@ncsu.edu*,* et.ioa@cbs.dk*, and* stephen.kay@atl.frb.org.

1. Introduction

In June 2014, *The Economist* published an article that proved to be remarkably prescient. Titled "Poor correspondents," the article announced the birth of a new trend that was to become a major topic of discussion in the months ahead. The authors reported that banks were "rapidly culling banking relationships and retreating wholesale from markets, countries and lines of business that might attract the ire of regulators or prosecutors….So widespread is the practice that there is now an accepted term for it: 'derisking.' "[1] Banks were said to be cutting correspondent banking relationships with entire sectors and regions that regulators viewed as especially risky. As was to become common, *The Economist* directly blamed "a series of prosecutions of big international banks in America for lapses in their controls relating to money-laundering, sanctions and the financing of terrorism." The article emphasized that HSBC had been handed a record-breaking $1.9 billion fine for AML violations two years earlier. Humanitarian groups also found themselves in the crosshairs, as banks were concerned that nonprofit organizations could be wittingly or unwittingly funneling money to terrorist groups, leaving banks vulnerable to prosecution. *The Economist* argued that widespread de-risking would deprive some countries of access to international finance and concluded with a warning: "That, in turn, is likely to exacerbate the conditions of poverty and exclusion that fuel the terrorism and crime these rules were designed to prevent."[2]

The Economist's critiques, and others like it, appear to have reached their intended audience. Seven years on, efforts are under way in both Europe and the United States to evaluate the costs and benefits of the anti–money laundering and countering the financing of terrorism (AML-CFT) regime. The European Banking Agency in 2020 issued two calls for comments, one on a proposed rationalization of AML regulation, the other on the drivers and impact of de-risking. In the United States, also in 2020, a law ostensibly designed to strengthen AML-CFT regulation—the Improving Laundering Laws and Increasing Comprehensive Information Tracking of Criminal Activity in Shell Holdings Act (aka, the "ILLICIT CASH Act")—begins with a discussion of the dangers of de-risking and calls for a study of how best to address the problem. In 2021, The Financial Action Task Force (FATF), the body responsible for AML-CFT standard-setting, discussed the regimes' "unintended consequences," with de-risking a key item. De-risking has moved the needle on AML reform more than longstanding, strong, credible critiques that the regime is largely ineffective.

Those reform efforts are important. At the same time, if de-risking is a primary motivation for AML reform, we should recognize the limits of our collective knowledge about the link between the two. Much of the discussion of de-risking in AML assumes that the latter drives the former and treats large administrative penalties as a new risk that has led to de-risking decisions by banks. In contrast, this article defines de-risking neutrally, as a bank's decision to avoid, rather than manage, risk for entire categories of customers (such as money service businesses or customers in a particular geographic location). Rather than assume any one primary cause, the article highlights the variety of underlying reasons that can lead a bank to make the decision to exit a relationship or deny services. In reality, the decision to de-risk is likely driven by a combination of factors, including increased competition for financial services through continued innovation in fintech and changing regulations, especially regarding capital requirements.

The starting point of our analysis is examining the evidence regarding the three core claims

[1] *The Economist*. June 14, 2014. "Poor correspondents."
[2] Ibid.

baked into the common narrative around de-risking and AML: that de-risking is happening, that AML is driving it, and that de-risking would be quite costly in a variety of ways. The evidence is clear that banks have cut financial ties to some regions and sectors. We find significant reason to doubt, however, that AML enforcement has caused de-risking or led to widespread, deep financial strain. Thus, efforts to curb de-risking should not focus primarily on AML. Nor should efforts to reform the AML regime focus primarily on de-risking. This would also free up policy space for dealing with the specific areas and actors affected by de-risking decisions and processes.

The following section establishes the terms of the debate over de-risking and AML. In section 3, we establish a timeline for the de-risking agenda: when it became a priority and why. We draw on participant observation and interviews, an analysis of publications and Google search data, discussions on social media, and reports and minutes from relevant organizations and agencies. In section 4, we look more specifically at the available evidence on the drivers and impacts of de-risking, including a review of the geographical patterns of de-risking, the role of bank fines, and the effects on nonprofit organizations (NPOs) and remittances. Section 5 presents a general discussion of the findings and lays out a research agenda as the international community debates AML regime reform.

2. The Terms of the Debate

The Economist article cited above echoes three central claims about de-risking: that de-risking is happening, that AML drives it, and that de-risking entails substantial costs to the jurisdictions affected. These three claims together form a common premise in the de-risking discourse.

For example, the U.S. House Financial Services Committee in 2018 defined de-risking as "the practice of financial institutions to terminate relationships and close the accounts of clients and merchants deemed as 'high risk,' unprofitable, or complex, in order to avoid legal liability and greater regulatory scrutiny."[3] The memo continues, "There are concerns that banking relationships with these so-called 'high risk' clients and activities have become cost-prohibitive for financial institutions, because of increased compliance expectations."

The Global Center on Cooperative Security writes that de-risking refers to "closing the accounts of clients perceived as high risk for money laundering or terrorist financing abuse, namely money service businesses, nonprofit organizations, correspondent banks, and foreign embassies."[4] Scott MacDonald, at the Center for Strategic and International Studies, writes, "Broadly defined, de-risking refers to the restriction of correspondent banking relationships or business services from major global banks to certain jurisdictions due to concerns over money laundering or potential involvement in the financing of terrorist activities."[5]

In other cases, analysis links de-risking and AML less directly. In one of the earliest and most influential studies of de-risking, the World Bank writes: "The 'risk' in 'de-risking' is usually used in reference to the concern that the customer or partner could pose a higher than average risk for money laundering or terrorism financing, or that processing transactions for them might entail a breach of

[3] Financial Services Committee majority staff memo. February 12, 2018.
[4] Durner, Tracey, and Liat Shetret. November 2015. Understanding bank de-risking and its effects on financial inclusion: An exploratory study, page 1.
[5] MacDonald, Scott B. October 2019. Is there a "new normal" for de-risking in the Caribbean? Center for Strategic and International Studies, page 2.

sanctions regulations." The next sentence is notable: "However, it is not always evident that the withdrawal from correspondent banking is driven by risk-related concerns—and therefore whether 'de-risking' is the most suitable term to describe it."[6]

Just as important as the drivers were the predicted effects. Authors argued that de-risking would cut off targeted jurisdictions and residents from needed financial services, leading to a spike in financial exclusion.[7] De-risking would lead to an increase in the cost of remittances, restricting the flow of a financial lifeline for many countries.[8] The targeting of NPOs would diminish their ability to provide much-needed services to their target populations.[9] If taken far enough, de-risking and the resulting financial exclusion would result in an increased role for cash and the black market.[10] This final claim was particularly dramatic, as it meant that efforts to curb money laundering might in fact be doing the opposite. In the summer of 2016, when the de-risking discussion was arguably at its peak (as we show below), the World Bank and the Association of Certified Anti–Money Laundering Specialists (ACAMS) hosted a two-day stakeholder workshop to discuss the problem. Their report on the findings and recommendations of that workshop reflect all of the discussions above.[11]

Not everyone accepted this connection, of course. FATF from the beginning has provided a direct counternarrative. FATF defines de-risking as "terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk in line with the FATF's risk-based approach." It then underscores the variety of possible drivers beyond AML: "De-risking can be the result of various drivers, such as concerns about profitability, prudential requirements, anxiety after the global financial crisis, and reputational risk. It is a misconception to characterize de-risking exclusively as an anti-money laundering issue." Only recently did FATF explicitly acknowledge that de-risking could be a consequence of the regime and in need of mitigation. [12]As we discuss below, this is part of a pattern whereby AML standard setters and regulators contest the narrative that AML causes de-risking, even as they accept that widespread denial of financial services poses important risks.

3. Documenting the Agenda's Emergence

In its broadest usage, de-risking means reducing the potential for losses associated with a given investment or financial relationship. In the early 2000s, for example, investment advisers were talking about de-risking pension investments through liability-driven investing. Development banks try to de-risk infrastructure projects in order to encourage investment.[13] Following the 2007–08 financial crisis, regulators pushed banks to de-risk their books by boosting assets and cutting liabilities. De-risking is

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[6] World Bank 2015, page 9.

[7] See, e.g., Tracey Durner and Liat Shetret's November 2015 exploratory study produced for the Global Center on Cooperative Security and Oxfam, Understanding bank de-risking and its effects on financial inclusion: An exploratory study.

[8] See, e.g., International Finance Corporation's "Mitigating the Effects of De-risking in Emerging markets to Preserve Remittance Flows," EMCompass, note 22 (November 2016).

[9] See, e.g., The Global NPO Coalition on FATF's statement on overregulation of NPOs at https://fatfplatform.org/issues/over-regulation-2/.

[10] https://www.acamstoday.org/de-risking-does-one-bad-apple-spoil-the-bunch/.

[11] World Bank and ACAMS. 2016. "Stakeholder Dialogue on De-risking: Findings and Recommendations."

[12] FATF, Mitigating the Unintended Consequences of the FATF Standards, 2021 https://www.fatf-gafi.org/publications/financialinclusionandnpoissues/documents/unintended-consequences-project.html.

[13] See, e.g., Jobst, Andreas A. March 2018. Credit risk dynamics of infrastructure investment: Considerations for financial regulators." World Bank Policy Research working paper no. 8373.

now also a popular way to discuss green investments.[14] How and when did the use of the expression de-risking bleed over into AML? Understanding the timing and source of the debate can help identify the drivers and effects of de-risking in an AML context.

Google Trends Data

We began with Google Trends, which provides data on search patterns using Google's search engine, including related topics.[15] If de-risking is becoming a major topic, we would expect people to search for that term more often. Drawing on *The Economist* article and our own experience in the conversation around AML, we searched for "de-risking" between 2004-2014. The search generates no topics that are obviously about illicit finance. The top five were, in descending order: pension, risk, strategy, employee benefits, and pension fund. From 2014-present, the related topics reflect a shift. "Financial Conduct Authority," the UK's top regulator, is in the top five. "Financial Action Task Force," "World Bank," and "Remittance" are sixth, ninth, and tenth, respectively. "The Caribbean" and "Money Laundering" are tenth and fifteenth. "Regulatory compliance" is sixteenth. These associations effectively track the diffusion of de-risking into the realm of AML.

Nexis Uni Data[16]

We begin to understand the issue's emergence by tracking its use in print and on-line media. A Nexis Uni search of "de-risking" returned more than 10,000 results. We filtered those results to exclude "pension," because de-risking pensions investment is a major topic, and to require "laundering," which generated 2,170 results. Of these results, 98 percent appear after January 1, 2013.[17] Furthermore, 96 percent come after January 1, 2014.[18] Steep increases are clear in 2014 and 2015, with the largest spike in 2016.

The earliest relevant reference is on May 30, 2013.[19] In an interview, Jennifer Shasky Calvery (then the director of Financial Crimes Enforcement Network, or FinCEN) contested interviewer Rob Blackwell's notion that FinCEN's rule on money service businesses (MSBs) "resulted in a chilling effect, with many banks dropping their relationships with MSBs." Shasky Calvery responds: "I don't think that was necessarily the rule itself that led to that. I'm not going to speculate on what might have, but I've never heard it that it was the rule that caused this, if indeed there was such widespread de-risking." She then says that the notion that a major enforcement against a money-laundering operation using virtual currencies would lead to widespread de-risking would be "unanticipated" but would surely then be "addressed in the national conversation" in "the weeks, months and years to come."[20] *The Economist*

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[14] E.g., United Nations Development Program. 2013. Derisking renewable energy investment: A framework to support policymakers in selecting public instruments to promote renewable energy investment in developing countries.

[15] Search last conducted September 30, 2020.

[16] Nexis Uni is a database that includes access to more than 15,000 sources: print and online journals; television and radio broadcasts; newswires and blogs; local, regional, national and international newspapers; legal sources for federal and state cases and statutes; and business information on U.S. and international companies and executives. Until 2019, Nexis Uni was known as LexisNexis Academic.

[17] Results include 2,130 references.

[18] Results include 2,089 references.

[19] Blackwell, Rob. (May 30, 2013). FinCEN chief: 'Digital Currencies are Exciting'. Payments Source. Many articles, for example, were read-outs from conference calls where participants mentioned the Money Laundering Control Act in a different context. https://advance-lexis-com.prox.lib.ncsu.edu/api/document?collection=news&id=urn:contentItem:58J2-BMD1-JCRW-50CJ-00000-00&context=1516831.

[20] Blackwell 2013.

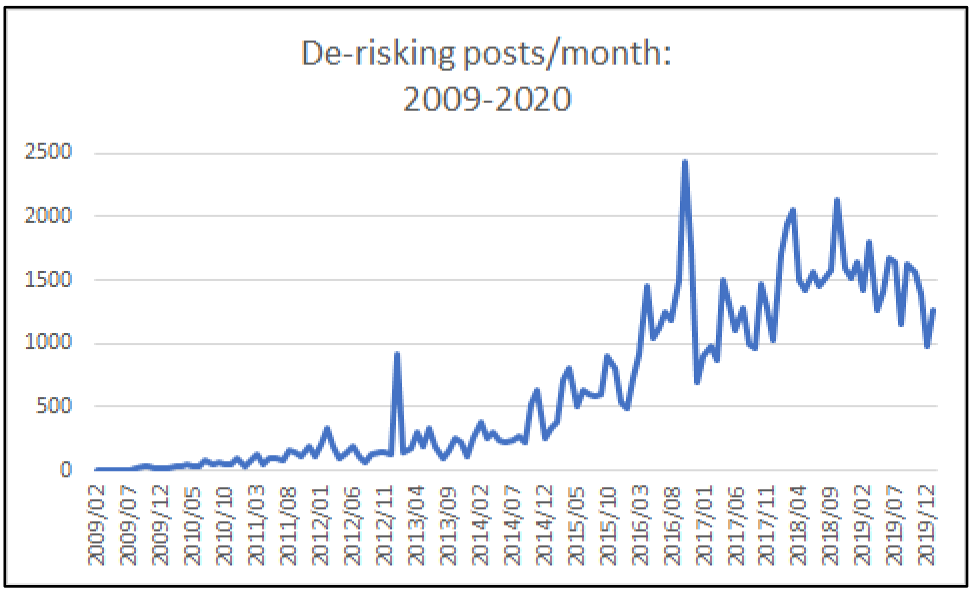
article was published one year later.

Social Media Data

Tsingou's research underscores the significant role that the compliance industry itself plays as a semiautonomous actor within the regime.[21] Twitter in particular has an active community around the hashtags "#compliance" and "#AML," so we turned to Twitter as a way to "hear" that conversation. We rely on Crimson Hexagon to systematically review Twitter.[22] In contrast to most other social media analyses, Crimson Hexagon draws on Twitter's complete record of tweets (or "the full firehose"), not just a sample, and so is a valuable data source.

We searched for posts including de-risking, excluding "pension," from 2009 until January 31, 2020.[23] We did not limit this search to posts that included "laundering." That search generated 85,314 results. Based on a reading of documents and on conversations with AML experts, we separated the timeline into two groups: 2008 to 2013, and 2014 to January 31, 2020. Of the search results we obtained, 91.8 percent of the returns came between 2014 and 2020. Figure 1 shows this trend over time.

Figure 1: Occurrences of "De-Risking" on Twitter, 2009–20



Source: Twitter data via Crimson Hexagon

[21] Tsingou, E. 2018. New governors on the block: The rise of anti-money laundering professionals. *Crime, Law and Social Change*, 69(2), 191–205.

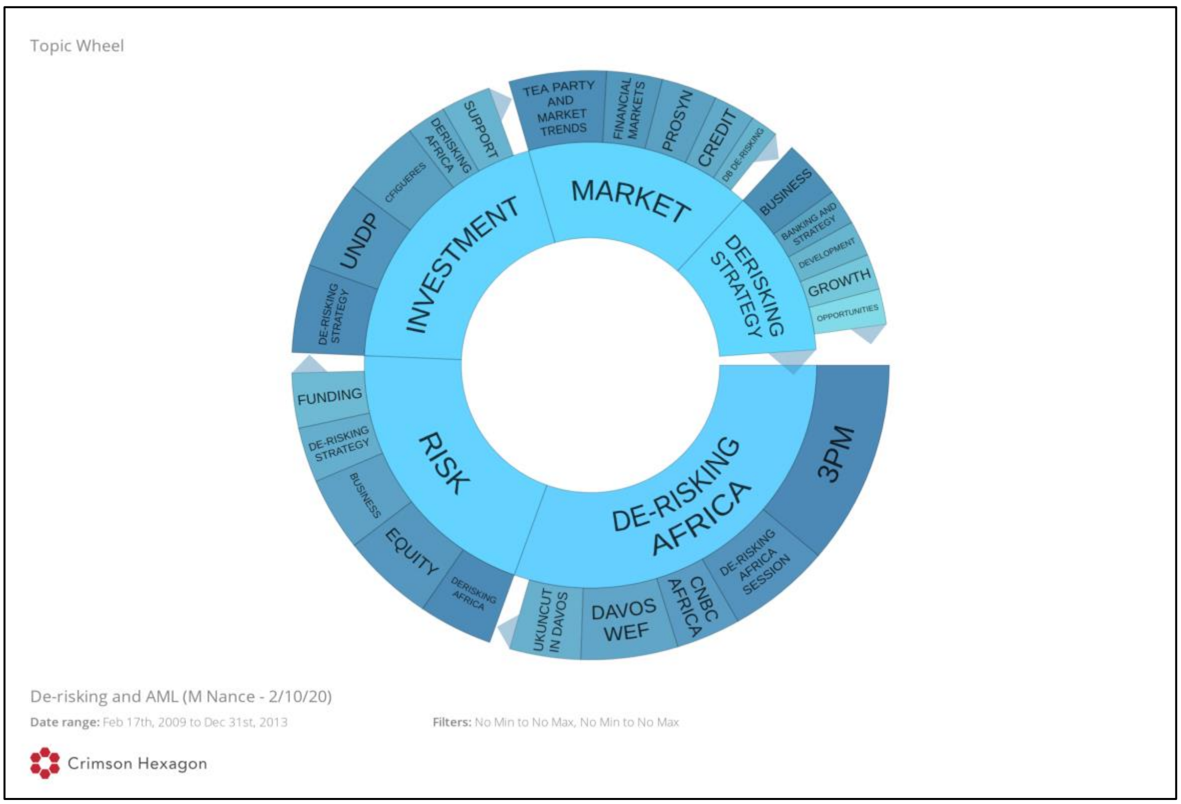
[22] Crimson Hexagon (now Brandwatch) is a social media analysis tool developed by political scientist Gary King. Pew Research, which uses the software to assess social media, and especially Twitter, notes that the software "examines all publicly available tweets and has access to Twitter's entire 'firehose.' " It is not a sample of tweets, however large, but a complete record of tweets. Retweets are included in the analysis. Pew Research wrote about their verification of Crimson Hexagon's algorithm at http://www.journalism.org/2015/04/01/methodology-crimson-hexagon/. The method behind the software is laid out at: Daniel Hopkins and Gary King. 2010. "a method of automated nonparametric content analysis for social science." *American Journal of Political Science*, 54, 1, pages 229–47. Copy at http://j.mp/2ovQqd5

[23] Search last conducted on February 10, 2020. We filtered "pension" from the results because posts about de-risking in pensions are much more common, which effectively masks any trend within AML.

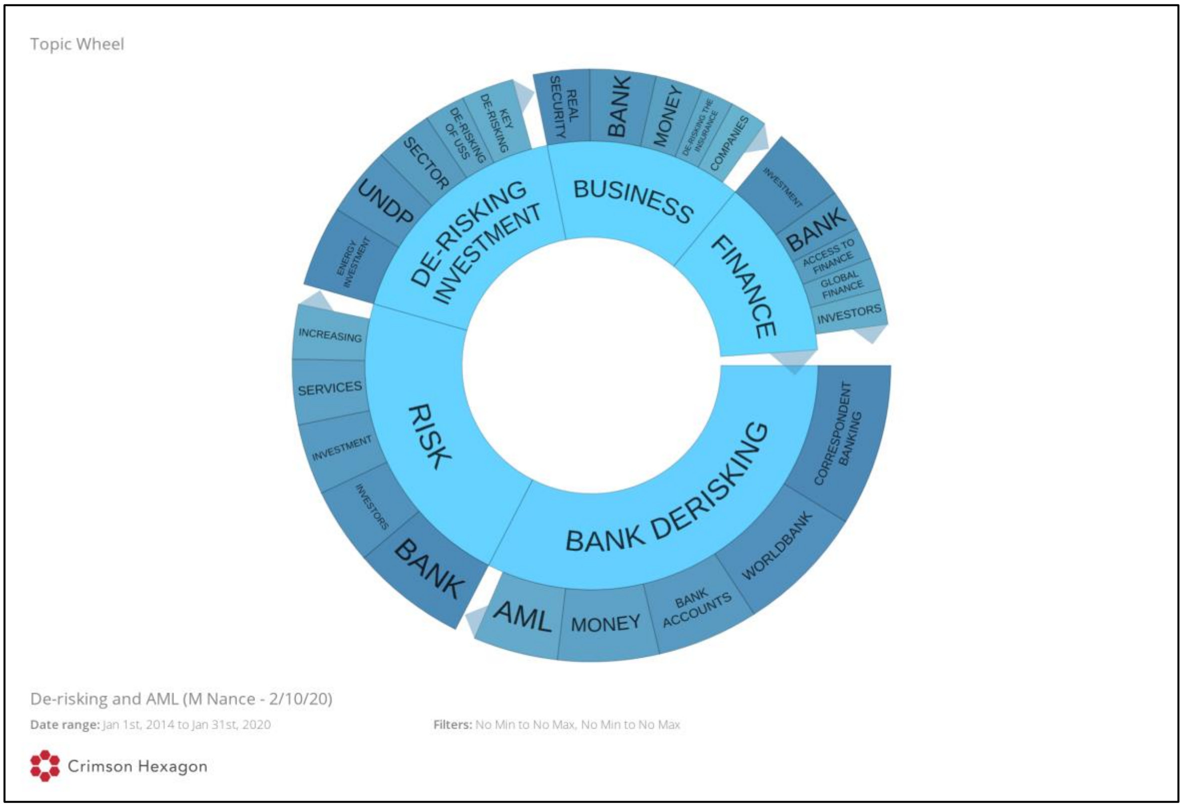
Not all of these references are about AML, of course. The spike in early 2013, for example, is a World Economic Forum panel entitled “De-risking Africa.” We use Crimson Hexagon’s theme wheels, which highlight words commonly used together, to better judge the substance of the tweets. We again used 2013–14 as the dividing line for de-risking.

Figure 2 depicts words associated with de-risking from 2009 to 2013 as topic wheels. Similar to Google Trends searches discussed above, none of the terms associated with de-risking posts are related specifically to AML. They are related to standard questions about sources of, and responses to, investment risk. Banks are a secondary reference to markets.[24] In contrast, figure 2 is the topic wheel for 2014–18. Investment de-risking is now distinct from bank de-risking, suggesting that the term has taken on a new meaning. Regulation, correspondent banking, and the World Bank appear. The association with AML, as opposed to the many other plausible drivers of de-risking, shows that the conversation generally made a connection between de-risking and AML. It also shows the prominent role that the parts of the World Bank, with its research on cross-border flows and correspondent banking, played in the discourse, even as other parts of the Bank employed the wider and more typical usage of the term. All of these changes reflect the emergence of de-risking as a major topic within AML.

Figure 2: Occurrences of Words Associated with“De-Risking,” 2009–13



[24] Again, we see signs of the high-level panel on “De-risking Africa” at the World Economic Forum in Davos. The panel was aired on CNBC Africa starting at 3 p.m. https://www.youtube.com/watch?v=1aJbpDUKTZA



Analysis: Implications of Social Media Patterns

The various platforms discussed above—Google searches for the term, analysis of publications on Nexis Uni, and more than 85,000 tweets on the topic—all point to 2014 as an inflection point. These charts and graphs reflect the birth of an idea. Prior to 2014, de-risking was not a topic associated with AML. By 2014, it clearly had become a major concern in AML banking circles. The peak number of references comes in late 2016, but their overall frequency increased until late 2018, at which point the frequency of references begins to decline. This timeline is important, as it helps us identify which evidence is relevant in considering the causes and effects of de-risking. It also underscores how quickly de-risking had an impact on the policy debate. Within four years of that peak, congressional hearings took place. Six years after the peak, de-risking was the justification for an overhaul to US AML regulations.

Finally, then–U.S. Comptroller of the Currency Thomas Curry first spoke publicly about de-risking in March 2014. In an interview conducted via email, Curry confirmed this general timeline.[25] When asked how de-risking came to his attention, he responded that "[p]rior to 2013 and thereafter," several banks were facing significant enforcement actions. "The prospect of possible criminal prosecution was a major motivation for banks. Some observers argued that the banking organizations simply curtailed or 'de-risked' account relationships with broad categories of customers or customers from certain geographic areas without conducting an individualized review of the relationship and the risks it may pose." As to who those "observers" were, he wrote that the term included "a wide range of interests. They include: financial institutions, trade groups, foreign governmental agencies, charities, advocates and financial and other media commentators."

[25] Interview conducted via email with Nance. May 7–10, 2018. Interview on file with the authors.

4. Considering Conflicting Evidence

Having reviewed the timeline of the narrative linking AML and de-risking, we now turn our attention to the evidence regarding its three key claims: that banks are making categorical decisions to exit or deny a relationship rather than managing risk, that AML is the driver, and that this de-risking is costly to those in impacted sectors or geographical regions.

Patterns of De-Risking

The most reliable data on this topic come from SWIFT, the messaging network used by financial institutions. Those data, however, are difficult to access. Fortunately, because of concerns over de-risking, the Committee on Payment and Market Infrastructures (CPMI) within the Bank of International Settlements now issues a yearly report on the global correspondent banking network using SWIFT data.[26] We begin with evidence from those reports, which analyze monthly payment message data for over 200 countries and jurisdictions from 2011 to 2019.

It is clear that the number of correspondent banking relationships (CBRs) globally is declining. A CBR is the agreement between two banks in different jurisdictions that allows a local bank to provide account and payment services for a bank abroad.[27] CBRs also facilitate cross-border payments, including remittances. The number of CBRs is the most commonly cited measure of de-risking. The CPMI report shows that CBRs are dropping globally. The number of active correspondents fell by 22 percent between January 2011 and December 2019, and the number of corridors fell by roughly 12 percent.

CBRs have declined in every region and in nearly every country but have not declined as much in advanced economies as they have in emerging market economies. Small island developing states and dependent territories have seen the largest decline. The report specifies seven different regions.[28] The total percentage change in the number of active correspondents from 2011–19 ranges from –13.6 percent (Northern America) to –34.2 percent (Americas, excluding Northern America). The five other regions saw changes in a much tighter range: between –22.8 percent and –25.9 percent. Changes in the average number of counterparty countries is a rough indicator of how perilous the situation is for a country. Those data yield two distinct groups. The largest changes in the average number of counterparty countries have been in the Americas (excluding North America), Europe (excluding Eastern Europe), and Oceania: –19.6 percent, –13.2 percent, and –29.2 percent, respectively. The changes were much smaller in Africa (–6.8 percent), Asia (–6.8 percent), Eastern Europe (–5 percent), and North America (–1.8 percent). In Oceania, it was –24.1 percent. The largest drops in the average number of direct counterparty countries were in Melanesia (–40.5 percent), Polynesia (–35.8 percent), and the Caribbean (–33.4 percent).[29]

[26] From the report: "The statistics cover monthly payment message data for more than 200 countries and jurisdictions from 2011 to 2019. The data set lays out a network of bilateral relationships (either bank-to-bank or country-to-country). From these payment messages, the following measures can be calculated: (i) a cross-border payment message from one country to another identifies a *corridor*; (ii) a cross-border payment message from one bank to another identifies a *correspondent banking relationship*; and (iii) the count of *active correspondents* measures, corridor by corridor, the number of banks abroad that have received messages sent by banks in a given country."

[27] Bank for International Settlements. https://www.bis.org/cpmi/paysysinfo/corr_bank_data.htm.

[28] The regions are Africa, the Americas (excluding North America), Asia, Eastern Europe, Europe (excluding Eastern Europe), Northern America, and Oceania.

[29] https://www.bis.org/cpmi/paysysinfo/corr_bank_data/corr_bank_data_commentary_2008.htm.

The report shows that financial activity overall has increased even as CBRs have decreased, although there is important variation across countries. From 2011 to 2019, the volume of payment messages has increased roughly 45 percent, and the total value of those payments increased by roughly 22 percent. Advanced economies saw the smallest increase in value and volume of payments: under 10 percent. Small island developing states and dependent territories saw a roughly 30 percent increase in volume and a 25 percent increase in value. Emerging market economies saw over a 50 percent increase in volume and a roughly 35 percent increase in value.

That said, 78 out of 228 jurisdictions—or just over one-third—saw a decrease in the total value of transactions from 2011 to 2019. That group is a wide-ranging one. The largest drops in value were in Cyprus (–82.1 percent) and Latvia (–77.7 percent). Nor were all jurisdictions that saw a decline on the typical lists of offshore financial centers (OFCs). Austria, Denmark, Finland, Norway, and the Baltic states saw declines. Macedonia, Mexico, Moldova, Monaco, and Morocco also saw declines. Jurisdictions commonly listed as OFCs are included, but not all OFCs saw a decline. The table below shows these numbers for the jurisdictions on Zorome's (2007) influential list of OFCs. Except for Ireland, all have seen a drop in the number of CBRs. Of those, two-thirds have seen an increase in transaction volume. Roughly half (10 out of 21) have seen an increase in transaction value.

Jurisdictions Zorome Named as Offshore Financial Centers	Percentage Drop in CBRs (Counterparties Abroad)	Percentage Change in Cumulative Transaction Volume	Percentage Change in Cumulative Transaction Value
Bahamas	−34.7	39.8	−32.7
Bahrain	−31.4	37.1	55.4
Barbados	−32.5	24.9	−30.2
Bermuda	−60.4	−3.8	−24.3
Cayman Islands	−25.4	42.4	−19.0
Hong Kong	−16.8	43.5	142.3
Cyprus	−33.9	−40.3	−82.1
Guernsey	−45.1	−10.3	−40.7
Ireland	11.0	82.6	530.8
Isle of Man	−68.2	92.5	−37.2
Jersey	−47.9	−17.1	−22.2
Latvia	−38.8	−58.8	−77.7
Luxembourg	−12.2	67.5	15.2
Malta	−19.5	−33.2	−22.7
Mauritius	-42.1	73.3	30.0
Netherlands Antilles	−29.5	−26.5	−32.2
Panama	−24.3	11.4	−9.0
Singapore	−12.4	51.3	25.3
Switzerland	−26.4	1.5	13.5
United Kingdom	−10.9	28.5	2.4
Uruguay	−42.4	10.7	70.8
Vanuatu	−57.8	44.8	65.4

Note: Figures depict changes between 2011 and 2019 in jurisdictions that Zorome (2007) identifies as offshore financial centers. Source: Data from BIS chart pack adapted from Rice, von Peter, and Boar (2020).[30]

Taken as a whole, data on CBRs do not reflect the more dramatic predictions of de-risking. The number of CBRs has dropped globally, but that decline has not necessarily meant a drop in the volume or value of transactions, which ultimately is the primary concern. There are regional variations. Polynesia, Micronesia, and the Caribbean have been the hardest hit in terms of the declining numbers of counterparties abroad. Even within those regions, variations occur. Small island states and dependent territories saw large increases in the volume (30 percent) and value (25 percent) of transactions. But the table above shows that all Caribbean islands on Zorome's OFC list saw a drop in total value of transactions, ranging from –19 percent to –32.7 percent. If anything, the data show that we need a much more granular understanding of the drivers and impact of financial institutions' decisions to provide or deny financial services to particular jurisdictions. Recent advances in tracking the true home and destination of cross-border flows would likely be a productive way to make sense of the dramatically different patterns in the chart above.[31]

The Role of Bank Fines

The data on CBRs above provide a view of the patterns of de-risking. The question of bank fines and AML enforcement speaks more directly to the drivers of de-risking. The key claim is that the fines, particularly in the United States, jumped an order of magnitude around 2012 or 2013, which made banks especially risk-averse to continuing or deepening financial relations in countries with "unreliable" AML systems. As with the discussion of CBRs, the discussion of bank fines and their role in de-risking leaves out important nuance.

We need better, more accessible data on bank fines. Data on bank fines and settlements are far from transparent. Major regulators in the United States all report on fines and settlements in different formats and on different schedules. There is, to our knowledge, no public database that tracks bank fines and settlements.[32] The Association of Certified Anti–Money Laundering Specialists reportedly gathers this information but does not make it public. Often organizations like ACAMS or the financial press will report out total fines in a given year, but those one-off headline reports do not allow for detailed analysis.[33]

The UK's Financial Conduct Authority (FCA) provides a better model, with an annual online list of fines levied, including total value and links to details of the individual cases. The FCA data hold a warning for making policy based on broad descriptive statistics like yearly changes in fines. For example, we can say that fines levied by the FCA have dropped by more than 50 percent from 2013 to 2019 (the years for which data are available): from £474 million to £192 million. That information omits substantial swings in the intervening years. It also misses that 2013 was an outlier, with major fines issued in two cases: nearly £100 million related to the LIBOR manipulation and nearly £138 million against JPMorgan Chase

[30] Rice, Tara, Goetz von Peter, and Codruta Boar. 2020. On the global retreat of correspondent banks. *BIS Quarterly Review*. March 2020.

[31] See, for example: Coppola, Antonio, Matteo Maggiori, Brent Neiman, and Jesse Schreger. April 2021. Redrawing the map of global capital flows: The role of cross-border financing and tax havens.

[32] There are some specific projects that do the tremendous work of gathering the data by hand. Notably, the two we know of come to different conclusions. See: An empirical analysis of the impact of fines on bank reputation in the US and UK (Tilley, Sharadha V., Brian Byrne, and Joseph Coughlan 2018) and All bark and no bite: The political economy of bank fines in Anglo-America (Macartney, Huw, and Paola Calcagno, 2019, *Review of International Political Economy* 26(4): 630–65).

[33] A business site, amlintelligence.com, has a fines and penalties database available to subscribers.

for the "London Whale" trades. Total fines in 2014 included those worth £1.1 billion against five global banks "for failing to take reasonable care to organise and control its affairs responsibly and effectively with adequate risk management systems in relation to G10 spot FX voice trading in London." In short, headline data about the overall fines placed on banks gloss over significant yearly variation, often driven by a few very large fines or the lack thereof. A lack of clear, public data on bank fines currently inhibit a more thorough debate over this important question.

Declines in CBRs predate the large bank fines that began in 2013 and 2014. Even if we accept those vague numbers at face value, there are problems with the narrative that increasing AML fines are driving de-risking. Returning to the data on CBRs cited above, the decline in CBRs goes back at least as far as 2011, before the major penalties noted above had been made public. The International Monetary Fund (IMF) traces the roots of de-risking to the 2007/8 financial crisis, which led to a re-evaluation of risk appetite, a focus by global banks on key markets, and increases in capital and liquidity requirements. While the reforms helped restore financial stability, the IMF notes that they also make correspondent banking a much less attractive business line.[34]

Large international banks blame AML; everyone else blames large international banks. An early, influential project headed by the World Bank reported survey responses from 24 large international banks, 170 local/regional banks, and banking authorities in 110 jurisdictions.[35] The groups pointed to different drivers of the decline in CBRs.

Among the authorities, the two most cited drivers were a lack of profitability (64 percent) and changing risk appetites (55 percent). Changes to regulatory or supervisory requirements in the correspondent's jurisdiction and concerns about money laundering and terrorism financing were tied for third at 48 percent. Structural changes to the correspondent bank or reorganization of business portfolio was more commonly named (27 percent) than a listing by FATF or other international body (23 percent). Local and regional banks, which are more often the targets of de-risking, ranked regulatory requirements and AML/CFT concerns as fourth and fifth most important concerns, respectively. They ranked profitability, overall risk appetite, and structural/business changes to the correspondent bank as more important drivers.

Large international banks saw it differently. They highlighted concerns about money laundering and terrorism financing risks (95 percent) and lack of AML/CFT compliance (85 percent). Put differently, when asked about the drivers of de-risking, 95 percent of large international banks named AML/CTF concerns, while only 48 percent of authorities did, and only 19 percent of local/regional banks. A 2018 World Bank report based on eight in-depth case studies concluded that the decline in CBRs was a combination of basic profitability of accounts and AML/CFT concerns.

Large bank fines stem from sustained patterns of violations and from sanctions violations, not from isolated AML mistakes. IMF research casts yet more doubt on the simple version of the AML/de-risking narrative. The organization notes that increasing fines have fueled concerns among banks, especially those related to AML-related customer due diligence requirements. Based on IMF calculations, however, fines related to AML-CFT account for only 16 percent of total misconduct costs. Most infractions related to customer due diligence requirements take place in the United States and are related to sanctions, not anti–money laundering. Out of the 24 fines more than $100 million, penalties

[34] International Monetary Fund. March 16, 2017. Recent trends in correspondent banking relationships—Further considerations.

[35] The World Bank. November 2015. Withdrawal from correspondent banking: Where, why, and what to do about it.

related to AML-CFT accounted for less than 20 percent of the total.[36] There are few calls, however, to roll back the very active sanctions regime in the United States.

The distinction between AML-CFT and sanctions points to another contextual reality that should be included both in banks' reactions to large fines and in judging whether AML-CFT enforcement has become too harsh. As the IMF summarizes it: "High-profile enforcement actions in the United States involving global banks have focused on cases where the violations were repeated, systematic, and egregious, representing a fundamental failure of the risk management systems of the banks in question."[37] In other words, $1 billion fines do not result from a missing suspicious activity report.

As noted above, the infamous $1.9 billion penalty paid by HSBC in 2012 arguably inspired some of the discussion of de-risking. It bears re-examining that fine in light of the contextual factors above, none of which are mentioned by *The Economist*. HSBC acknowledged that the transactions in question were worth "at least" $1.256 billion. Forfeiture of that amount made up the bulk of the penalty. HSBC's total holdings at the time of the penalty were worth $2.7 trillion, and the fine was 0.07 percent of those holdings.[38] Profits in 2012 were $15.33 billion and rose to $17.8 billion in 2013.[39] HSBC's market capitalization rose from roughly $140 billion at the time of the announcement to $231.88 billion six months later.[40] A $1.9 billion fine does not seem to have drastically affected the bank's profitability or tarnished its reputation. More importantly, the fine was not for "lapses" in AML systems. A report from a U.S. Senate investigation into the case shows that HSBC knowingly and willingly failed to maintain proper compliance systems.[41] It understaffed and sidelined its compliance department. It classified foreign affiliates as low risk despite U.S. law that clearly requires they be classified as high risk, and it failed to review transactions that were flagged as suspicious. It facilitated "U-turn transactions" to evade sanctions on Iran and allowed clients to open more than 2,000 bearer share accounts.[42]

The discussion of the increasing size of bank fines should not occur outside the context of the actions being penalized. As the IMF writes of the general trend, these fines may be shaping banks' risk appetite more generally, "even though high-profile enforcement actions have involved institutions demonstrating a sustained pattern of serious violations or intentional evasion of sanctions over a period of years."[43]

Cross-Border Flows and Remittances

Although the CPMI reporting of SWIFT data shows a decline in the number of CBRs globally, as indicated above, this decline has not prevented the volume of messages sent from rising. That does not show what might have happened had the number of CBRs not fallen, but it does show that substantial growth in the number of cross-border transactions happened even as the number of CBRs was falling. In parallel, there is a new focus on the ease and volumes of cross-border transaction volumes rather than

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[36] Erbenova et al., 2016. pages 23–6.
[37] IMF 2016, page 25.
[38] https://www.macrotrends.net/stocks/charts/HSBC/hsbc/total-assets.
[39] https://www.statista.com/statistics/224577/hsbcs-profit/.
[40] https://www.macrotrends.net/stocks/charts/HSBC/hsbc/market-cap.
[41] U.S. vulnerabilities to money laundering, drugs, and terrorist financing: HSBC case history. Majority and Minority Staff Report. Permanent Subcommittee on Investigations. Committee on Homeland Security and Governmental Affairs. July 17, 2012.
[42] Bearer share accounts are accounts for which ownership is granted by holding the physical stock certificate. The issuing company does not track ownership and transfers require only handing over the physical copy of the certificate. FATF identifies them as a means for obscuring the beneficial owner of an account, which facilitates money laundering.
[43] IMF 2017.

CBRs. The impetus here is the work of the Financial Stability Board, which has begun to address cross-border costs associated with delays, lack of transparency, and high charges.[44]

Related to this, there has been a vocal concern that de-risking would harm remittances. Remittances are one of the most important sources of development funding in the world, far outpacing official development assistance (ODA) and increasingly challenging or even surpassing foreign direct investment (FDI) as the largest sum of money. More than either FDI or ODA, remittances provide a steady stimulus to developing economies. If AML-CFT regulations ultimately restrict remittances, the resulting effect could far outweigh any benefits that extend from AML.

A 2017 World Bank Group report on remittances argues that de-risking is leading to higher remittance costs and blames that de-risking on AML: "In this context, de-risking includes closing the bank accounts of customers in countries or sectors deemed to pose a high risk of money-laundering or terrorist financing."[45] The report cites the World Bank's 2015 survey research in noting the falling number of CBRs in the developing world.

The price of sending remittances continues to drop and the volume of remittances continues to rise. As with the other claims analyzed in this paper, the link between de-risking and remittances is more complex than commentary would suggest. The report notes that exclusive contracts between national post office systems and single money transfer operators inhibit competition and keep prices higher than they likely otherwise would be. And although the rate of decline in the price of sending remittances has slowed, it continues to drop. The same report notes that the price of sending $200 (a standard indicator of remittance costs) dropped from roughly 9.5 percent in 2009 to 7.2 percent at the end of 2017. As de-risking affects regions differently, it is worth pointing out, however, that in Latin America and the Caribbean (the most severely affected region), the cost of remittances increased from 2018 to 2019: from 5.9 percent to 6.2 percent. Those costs remain below the global average. Finally, the picture is further complicated by the sustained rise in the volumes of remittances until 2019—and the much lower than predicted drop in remittances in the pandemic conditions of 2020.[46] These cross-border flows are an area that has been and will continue to be very affected by fintech and increased competition from digital providers.[47]

What does this say about de-risking and remittances? It does not necessarily mean that there was no effect, although it might indicate that. Nor does it disprove the counterfactual argument, again, that the flow of remittances would have grown still more quickly had de-risking not been in the way. But in the period 2016–20, remittances grew at a higher rate than in nearly any other period since 1990. There is no *a priori* reason to believe that those numbers should be higher still. At a minimum, if the data reviewed earlier in this article call into question the link between AML-CFT and de-risking, and if the data on remittances suggest that the declining number of CBRs has not led to rising costs for remittances, then the claim that AML-CFT is hampering the flow of remittances seems difficult to sustain.

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[44] Financial Stability Board. 2020. *Enhancing Cross-Border Payments*, stage 3 roadmap, October13.
[45] World Bank Group 2017, page 5.
[46] World Bank Group and the Global Knowledge Partnership on Migration and Development. 2020. Migration and Development Brief no. 33, October, https://www.knomad.org/sites/default/files/2020-11/Migration%20%26%20Development_Brief%2033.pdf.
[47] For an industry overview on recent developments in digital payments, see the 2020 annual report of the International Association of Money Transfer Networks.

The Impact on NPOs

A key concern of the de-risking agenda has been that AML regulation is hampering the work of NPOs by driving banks away from NPOs as clients. This concern ultimately reflects the beginning of what would become the debate over de-risking a decade later, but it starts with the 9/11 attacks in the United States in 2001. Following 9/11, FATF became a major player in the so-called "Global War on Terror."[48] Members added eight "special recommendations" to address counterterrorism financing in October 2001 and added a ninth in 2004. NPOs were singled out.[49] The eighth special recommendation read:

> Countries should review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. Non-profit organizations are particularly vulnerable, and countries should ensure that they cannot be misused:
>
> a. by terrorist organizations posing as legitimate entities;
>
> b. to exploit legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset-freezing measures; and
>
> c. to conceal or obscure the clandestine diversion of funds intended for legitimate purposes to terrorist organizations.

As Keatinge and Romaniuk note, the recommendation only calls for a review of laws, but the recommendation labeled NPOs as "particularly vulnerable," a claim made without any evidence to really support it. "Nonetheless," write Keatinge and Romaniuk, "the die was cast…[W]ithin a few short years NPOs found themselves subject to international soft law that reflected an empirically unfounded global consensus concerning their relative vulnerability."[50] Early results in FATF's mutual evaluations of states' compliance suggested that there was a trade-off between complying with FATF's recommendations and ensuring a robust civil society sector. Early academic work echoed these assertions, particularly with regard to Muslim charities, and often without evidence to back the claims.

Within a few years, NPOs organized themselves into a strong advocacy network to push back against this discourse and the resulting regulation and restrictions. In 2008, the Charity and Security Network (CSN) was formed to formally track the issue. CSN would become one of the most prominent voices in social media on the topic of de-risking. By 2010, the critiques were gaining prominence in reports from the World Bank and the United Nations. In 2011 the UN began a two-year dialogue on the topic with NPOs, FATF, and other relevant organizations.

Ultimately, the effort was remarkably successful. In 2012, incoming FATF president Bjørn Skogstad Aamo placed a high priority on institutionalizing the dialogue between FATF and NPOs. This eventually became the Global NPO coalition on FATF and there is now a regular, formal consultation with NPOs, as there has been for some time with private sector interests. Most directly, in 2016, FATF revised its eighth special recommendation, replacing language about the particular vulnerability of NPOs in general with language that stresses the need for proportionality and a more individualized approach based on the specific risks an NPO faces. This case represents the only time FATF has issued a revision to a recommendation outside the normal comprehensive revision process.

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[48] For a more in-depth discussion of FATF and counterterrorism, see Biersteker, T. J., Eckert, S. E., and Romaniuk, P. (2007). International initiatives to combat the financing of terrorism. In T. J. Biersteker & S. E. Eckert (eds.), Countering the financing of terrorism (pages 234–59). New York: Routledge.
[49] For a complete telling of this history, see Keatinge and Romaniuk (2018).
[50] Pages 268–9.

Nevertheless, NPOs have been at the heart of the debate over de-risking. As already noted, critics of the AML regime argue that the effects of this label linger and that NPOs face financial challenges that stem from it. In a 2018 workshop hosted by the Federal Reserve Bank of Atlanta's Americas Center, compliance officials from a large international bank complained that bank examiners in the United States continue to ask banks specifically for a list of the NPOs they service. The signal, he argued, was clear: NPOs are especially risky.

Research supports the notion that NPOs face difficulty in accessing efficient financial services. In 2016, CSN oversaw a nationally representative sample of U.S.-based NPOs. They found that two-thirds of NPOs that have an international account report facing obstacles in access financial services, although only 15 percent encounter the problem regularly.[51] Another 31 percent report that they encounter them occasionally. The most common challenges are delayed wire transfers (almost 37 percent) and increased fees (33 percent). Twenty-six percent reported having to deal with unusual additional information, provide different information consistently, or provide the same information repeatedly. Thirty-three percent report increased fees for services. NPOs whose mission was peacebuilding were the most likely to face account closings. Human rights and democracy building groups were most likely to name increased fees as a problem, and small NPOs are more likely to face banking obstacles than large NPOs. It bears emphasizing that all of these dynamics hit even harder when the NPO in question focuses on women's rights. Women's groups may be more likely to show up on private sector lists. They often have shorter-term funding and less funding overall, making them still less profitable than other NPOs.[52]

Again, however, we see that the reports raise more questions than they answer when it comes to the tie between AML and de-risking. According to the report above, NPOs saw fund transfer delays regardless of the destination. In fact, Europe was the most commonly cited wire transfer destination that generated delays, greater than sub-Saharan Africa and double the rates seen in the Middle East and North Africa. As the authors write: "Surprisingly, regions that might be expected to be particularly affected for geopolitical reasons do not dominate the regional breakdown: the Middle East and North Africa account for 10% of all country mentions; South Asia (including Afghanistan and Pakistan among others) for 8%; and Russia and other former members of the Soviet Union (outside of the Baltics) for a mere 2%."[53] Nor is it clear that the problem is getting worse, even if it is not getting better. Only 14 percent of respondents thought it was getting worse, while 69 percent felt the problem had remained the same. Once again, we lack longer-term evidence that could shed light on the drivers of the problem.

5. Analysis and Conclusion

The central finding of this review is simple. The de-risking debate has a data problem that should make policymakers think twice before using it to set the agenda for a long-overdue AML reform process. Likewise, those seeking solutions to diminished financial relations between wealthy country banks and certain sectors or regions should consider factors that drive that problem beyond just AML.

The situation was severe in some places, and we need to better understand those specific cases and craft specific policy responses to them. Those cases are outliers, however, and should not by themselves drive AML reform. The data above suggest that the direst forecasts of de-risking's effects have been avoided. Some of this avoidance no doubt stems from banks having largely finished their adjustments. In other cases, policy changes and interventions have made a difference.

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[51] Eckert, Sue E., Kay Guinane, and Andrea Hall. February 2017. Financial access for U.S. nonprofits.
[52] Duke Law International Human Rights Clinic and Women Peacemakers Program, Tightening the purse strings: What countering terrorism financing costs gender equality and security (2017).
[53] Page 43.

Those muted outcomes serve to remind that banks and regulators alike retain significant agency in ameliorating the financial exclusion that stems from de-risking—or even promoting financial inclusion. When facing decisions about whether to offer or deny financial services, banks have options beyond de-risking. Banks that have substantial market power, especially, can shift fees toward their counterparties. Banks can work with existing or potential correspondent banks to clarify the information needed and streamline the process for sharing that information, including by developing new technologies.[54] Although compliance officials commonly view cryptocurrencies with suspicion, observers have noted the potential for blockchain technology to redefine digital identification procedures.[55] Such redefining should lead to enhanced transparency and facilitate information sharing. Likewise, some companies or groups of companies (including utilities) are building new models for know-your-customer processes, which also could lower the costs of customer due diligence.[56] Advocates for NPOs have suggested a utility specifically for NPOs. Finally, especially those banks that benefit from being formally or informally labeled as structurally important could approach the provision of financial services to low-profit accounts as a cost that accompanies that privileged status.[57]

Likewise, regulators and the public sector in general have a responsibility to ensure that their own rules are not self-defeating. As with banks, there are signs of progress on this front. For example, in a recent statement FATF executive secretary David Lewis publicly identified financial exclusion as a side-effect of AML.[58] Regulators, perhaps responding to prods by FATF, have begun doing their work to clarify that de-risking should not be the outcome of AML/CFT supervision. Recent consultations on de-risking are likely to lead to clarifications of expectations related to information and CBRs, such as the recent one in Denmark.[59] Many of the responses to de-risking have suggested a larger role for the public sector in ensuring or even guaranteeing access to financial services, if necessary, by providing or underwriting those services itself. The story of FATF and NPOs is another case of regulators (or standard setters) doing their work. Where authorities could clearly see the error of their ways, they have tried to remedy it. This dynamic is a relatively unambiguous point about a public policy issue: although NPOs cannot de-risk their beneficiaries, and banks have no obvious business incentive to bank them, the authorities (sometimes the same authorities funding these NPOs) have intervened, eventually.

Regulators also will play an important role as they respond to significant changes in the market already under way. Further concentration in the financial services sector is a trend to watch carefully, as it means decisions to end financial services by one institution has a larger impact. In terms of financial governance, regulators should be aware of how rules will shape the changing infrastructure of cross-border flows, a discussion that has already begun among banks and regulators. Related to this, the continued disintermediation of banks through fintech innovations also holds the potential to change the

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[54] Examples of such initiatives were discussed by U.S. banking institutions at a March 24, 2021, seminar organized by ACAMS on the theme of Couples therapy: Making correspondent banking relationships work.

[55] Campbell-Verduyn, Malcolm and Hütten, Moritz. 2021. The formal, financial and fraught route to global digital identity governance, frontiers in blockchain 4.

[56] Case-Ruchala, Devin and Mark Nance. "FATF blacklists don't work the way you think they do." Paper presented at the second annual Conference on Empirical Studies of Anti-Money Laundering. Caribbean Central Bank. January 2021.

[57] The governor of the Reserve Bank of New Zealand, Adrian Orr, recently made this argument publicly. See: https://www.interest.co.nz/opinion/110090/adrian-orr.

[58] http://www.fatf-gafi.org/publications/fatfgeneral/documents/chatham-house-march-2021.html.

[59] https://www.finanstilsynet.dk/Nyheder-og-Presse/Pressemeddelelser/2021/Ny_vejledning_om_betalingslovens_63_hvidvaskloven.

course of this conversation. Put differently, many of the issues raised in the debate over de-risking will be shaped by the interactions of innovations in fintech, on one hand, and regtech (or the use of technology to manage the financial industry's regulatory processes) on the other. If properly calibrated, fintech and regtech have the potential to bolster the business case for managing risk, rather than avoiding it.

If the data we have reviewed in this article have a theme, it might be differentiation. There is not just one singular de-risking problem. Rather, different regions and different sectors face different challenges in ensuring access to financial services. Western Europe, Latin America, and the Caribbean face problems of declining CBRs. Few would expect one solution to apply to all those regions. The same is true of nonprofit organizations, money service businesses, and embassies, all of which have faced restricted access to financial services. It seems unrealistic to expect that reforming AML-CFT regulations would address those problems equally or adequately. In theory, the risk-based approach supposedly endorsed by FATF and its members, including the EU, UK, and the United States, is designed for exactly this flexible, more finely grained approach. There are few to no indications, however, that suggest the risk-based approach is working as advocates hoped.

Nothing in this analysis should be misconstrued as arguing that the denial of financial services is not a serious problem. Financial exclusion, whatever its causes, should interest anyone concerned with economic and social justice, development, and financial integrity, to name just a few related issues. Focusing on AML as the source of de-risking and financial exclusion, however, risks allowing ourselves to be distracted from uncovering and addressing the real drivers.

Perhaps the best summary statement is provided by the Bank for International Settlements: "An overarching theme is that in the aftermath of Great Financial Crisis, global banks have reassessed their business strategies against the backdrop of lower bank profitability, dampened risk appetite and tighter regulation and supervision."[60] All of those elements affect access to financial services. If that is true, then the public and private sectors will both play roles in shaping financial access after the dust settles, which might entail a recalibration of public/private roles and responsibilities, especially within the AML regime. The public sector will pick up the financial inclusion debate 2.0 (or perhaps 3.0?). The private sector will come up with the digital solutions that will reduce costs. Some of those fintech innovations will pertain to alternative payment systems. Others in the regtech space will help reduce the costs of compliance. Whatever responses are developed, however, should be in response to the best possible understanding of the problem at hand.

Political and regulatory reform is slow. The reform we see under way now arguably reflects the de-risking discussion at its peak, which lacked nuance. Policy responses need a more granular approach to distinguishing between de-risking and structural factors that affect financial inclusion and uneven access to the financial system.

[60] Rice, Tara, Goetz von Peter, and Codruta Boar. 2020. On the global retreat of correspondent banks. *BIS Quarterly Review*. March, page 41.