

**2nd New Delhi International Rule of Law Convention 2025**  
**“Global Economic Governance and Principles of Rule of Law”**  
**With focus on Economic Governance and Cross Border Terrorism**

Date: 30 August 2025

Time: 2:00pm-3:30pm

Location: Stein Auditorium, India Habitat Centre (IHC), New Delhi

**Working Session-I: Anti Money Laundering Regulations and FATF  
Framework: Issues of Over-compliance and Financial Exclusion in  
Global South**

(Global South - Asia, China, Africa, Latin America)

Chair:

Mr. C.S. Vaidyanathan

Vice President, The Bar Association of India

Speakers:

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# **Speech on Anti Money Laundering Regulations and FATF Framework: Issues of Over-compliance and Financial Exclusion in Global South**

**by Mr Roden Tong,  
President of The Law Society of Hong Kong**

Good afternoon, distinguished guests and members of the legal community.

1. The Financial Action Task Force (FATF) describes financial exclusion as the inability of disadvantaged and vulnerable groups—such as low-income individuals, rural populations, and undocumented persons—to access a sufficient range of safe, convenient, and affordable financial services. These groups are often underserved or entirely excluded from the formal financial sector.
2. Individuals with low income and fewer assets often face limitations in accessing financial institutions; additionally, women, ethnic minorities, disabled individuals, and immigrants tend to experience exclusion from formal credit markets, leading them to depend on expensive finance providers like pawnbrokers or loan sharks.

3. Financial exclusion is a complex issue arising from various barriers, including high account fees, poverty levels, limited access to digital infrastructure, limited financial literacy, lack of trust, and insufficient or inappropriate financial products offered by providers.
4. Access to regulated financial services, such as bank accounts and credit facilities, is crucial for economic development and social inclusion, particularly as financial systems continue to evolve.
5. From an AML compliance standpoint, “de-risking” is one of the major drivers of financial exclusion in the banking sector. De-risking refers to scenarios when banks and financial institutions withdraw services from certain clients or sectors to avoid regulatory risk. This can make it difficult for individuals, non-profits, and even small businesses in the Global South to access basic banking services.
6. Without access to banking, these clients may also struggle to pay for or receive funds for legal services, limiting their ability to seek justice, defend their rights, or comply with legal obligations.

7. Legal professionals may find it harder to represent clients who are “de-risked” or excluded from the financial system, especially in cross-border matters, international transactions, or cases involving NGOs and vulnerable groups.
8. The FATF has started paying closer attention to this issue. It has emphasized the importance of using a “risk-based approach” (RBA) to client due diligence more broadly and appropriately.
9. FATF has acknowledged that when the “risk-based approach” is not applied correctly or proportionately, it can prevent people from accessing basic financial services. To support financial inclusion, FATF encourages the use of simplified customer checks for low-risk products, such as basic bank accounts with limited features. This makes it easier for people with fewer resources or lower financial literacy to access essential banking services without facing unnecessary barriers.
10. However, the FATF’s guidelines on the “risk-based approach” are open to interpretation, as they leave it up to individual countries and financial institutions to assess and apply the level of risk themselves.

11. This is not an easy task, especially for banks that fear regulatory penalties and fines. As such, AML overcompliance can continue to persist, further limiting access to essential financial services.
12. In the legal sector, we also face similar issues.
13. The FATF stringent requirements are imposed on lawyers, even though the profession has not been identified as a major conduit for money laundering. This disconnect raises serious questions about proportionality and the long-term implications for legal practice.
14. While AML measures are intended to prevent illicit activity, they often require lawyers to engage more deeply in clients' personal and financial matters—introducing a level of scrutiny that may affect the traditional dynamics of trust and confidentiality in legal relationships.
15. In Hong Kong, AML compliance presents challenges, particularly for small firms and sole practitioners. These groups often struggle with the complexity of regulations and the resources needed to meet compliance requirements.
16. In addition, the legal profession in Hong Kong is under increasing pressure to implement a formal AML supervisory

framework—an approach that alters the Law Society’s role as a self-regulatory body. This is a complex and sensitive task for the Law Society to balance.

17. While technological advancements such as Regulatory Technology (RegTech) have significantly streamlined compliance processes, their high cost remains a major barrier. Many local law firms simply cannot afford these solutions, which limits their ability to modernise AML practices. The legal sector continues to face challenges in adopting technology at scale due to financial and infrastructural constraints.
18. In contrast, the financial sector is in a much stronger position. With greater resources and regulatory pressure, financial institutions have been able to invest heavily in advanced compliance technologies, resulting in more robust and efficient AML frameworks.
19. Sharing the Hong Kong experience, I would like to begin by noting that while AML compliance remains important, it is no longer seen as a major barrier to accessing financial services by individuals or businesses. This shift has been driven largely by the rapid advancement of technology, which has opened up new channels for service delivery.

20. I am pleased to share that, as of last year, Hong Kong became the second most financially inclusive market globally, according to the 2024 Global Financial Inclusion Index.
21. Public sentiment reflects this progress—90% of the Hong Kong population now feels financially included, with nearly universal bank account ownership.
22. This achievement stems from strategic investments in digital infrastructure, balanced regulation, and regulatory support for a risk-based approach to compliance.
23. From digital banking and mobile payment platforms to AI-driven compliance tools and inclusive product design, innovation has become a key enabler—allowing a broader segment of the population to access financial services more easily and securely.
24. This is particularly important for individuals and businesses who face structural barriers to traditional banking—such as low-income individuals, Small and Medium-sized Enterprises (SMEs), and new start-ups—who may struggle to provide the

documentation typically required to open traditional bank accounts or have wider access to financial services.

25. The Hong Kong Monetary Authority (HKMA), which oversees banking regulation, has provided clear policy guidance to support this transformation. It consistently reminds banks to apply a “risk-based approach” to Customer Due Diligence, urging them to avoid unnecessary procedures and reject the use of a “one-size-fits-all” model when assessing account opening applications. This approach helps ensure that compliance does not become a barrier to financial access.
26. A good example of this is the Simple Bank Account (SBA) initiative, introduced by banks with the support of the HKMA. The SBAs offer basic banking accounts for companies, which allow banks to apply simplified CDD measures under a risk-based approach.
27. Since its launch in 2019, the SBA initiative has led to the opening of approximately 13,000 accounts, averaging around 3,000 new accounts per year. This demonstrates the effectiveness of tailored compliance in improving access to banking services for small or lower-risk entities.



28. One of the most transformative developments has been the rise of virtual banks. Hong Kong now has 8 digital-only institutions, licensed by the HKMA, that leverage advanced tools such as algorithmic Know Your Customer (KYC), AI-powered risk assessments, transaction monitoring, and biometric verification (encompassing facial recognition and liveness detection).
29. Through the use of electronic Know Your Customer (e-KYC) systems and a digital government platform such as iAM Smart, residents in Hong Kong—including those in remote areas—can now open bank accounts and conduct transactions without needing to visit a physical branch. These innovations have streamlined client onboarding and significantly reduced operational costs, making it more sustainable for financial institutions to serve a wider range of clients.
30. Another key driver of financial inclusion is Fintech.
31. Digital tools like mobile banking, e-wallets, and payment solutions have made financial services more accessible, especially for individuals living in excluded or rural parts.
32. Mobile payments, in particular, have become essential for fast, secure, and inclusive transactions. Today, small business owners and entrepreneurs can apply for loans, manage

payments, and access insurance directly through apps—without relying on traditional banking.

#### Conclusion:

33. Despite technological progress, financial inclusion faces key challenges—such as low financial literacy, access to technology for some jurisdictions, and a lack of trust in digital systems.
34. Addressing these issues requires continued investment in education and adaptive and proportionate regulations to ensure technology serves all segments of society.
35. Also, further clarity and guidance regarding AML/CFT requirements and the implementation of the “risk-based approach” for clients classified as high-risk is needed. In this regard, the FATF needs to collaborate and coordinate with countries and different sectors.
36. It is important to incorporate these principles into the FATF's mutual evaluation methodology, ensuring that the implementation of the “risk-based approach” in line with FATF standards does not exacerbate de-risking.

37. Lastly, the legal profession has a critical role in advocating for a balanced, “risk-based approach” to AML compliance that protects both the integrity of the financial system and the rights of clients.
38. Lawyers and bar associations can contribute to policy discussions, challenge overbroad regulations, and promote guidance that prevents financial exclusion and protects access to justice.