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FINANCIAL INCLUSION IN THE FRAMEWORK OF CRIMINAL PROCEEDS LEGALIZATION AND TERRORIST FINANCING COUNTERACTION SYSTEM

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Summary. *The concept of financial inclusion is characterized, its role in ensuring the integrity of the financial system is determined. The problems of its deepening in the conditions of functioning of criminal proceeds legalization and terrorist financing counteraction system are revealed. The feasibility of a risk-based approach to increase financial inclusion is proved. The international experience of implementing a risk-oriented approach in identifying and studying of clients as well as introducing basic financial products has been researched. The possible directions of its use in Ukraine are determined.*

Keywords: *financial inclusion, financial integrity, criminal proceeds legalization and terrorist financing counteraction system, risk-oriented approach, identification and study of clients, basic financial services.*

The article has shown that the need to attract more people to the formal financial system can't be overestimated. Financial inclusion enhances social stability and material well-being, channels domestic savings into productive investment that ultimately positively affect national security. But its level is insufficient in many countries of the world including Ukraine. The financial exclusion has a variety of reasons, which are both on the side of the people themselves and on the side of the financial system and state regulation.

The financial inclusion and financial integrity can't be opposed; they should be considered as interconnected and mutually determined goals of the economic policy of modern states. The exclusion of certain categories of population from regulated financial services negatively affects the effectiveness of the system of prevention and counteraction of the legalization of criminal proceeds and the financing of terrorism. This may be the result of an excessively

cautious, formal approach to Customer Due Diligence.

The risk-based approach allows harmonizing the interests of financially excluded individuals, financial intermediaries, and the state. The products and services offered to new, previously excluded customers are the simplest ones with limited functionality. Consequently, by their nature, they have lower risk of money laundering and terrorist financing than standard products and services, which makes possible the exemption from certain countermeasures in this case depending on the degree of these lower risks. The international experience of implementation the so-called «progressive» or «multi-level» approach to identification is analyzed in the article.

So, the use of risk-based approach for financial inclusion requires joint efforts of regulators and financial institutions to develop special low-risk, but technological products, and appropriate Due Diligence procedures for new customers.

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