

Migrant Money Notes 8:
**Improving Anti-Money Laundering
and Combating the Financing of
Terrorism** Regulatory Frameworks
to Increase Remittance Flows in the
Intergovernmental Authority on
Development (IGAD) Region

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This publication is available on the Migrant Money website (<http://migrantmoney.uncdf.org>).

Acronyms and abbreviations

AML	anti-money laundering
AML/CFT	anti-money laundering/combating the financing of terrorism
CDD	customer due diligence
e-KYC	electronic know your customer
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FATF	Financial Action Task Force
ID	identification
IGAD	Intergovernmental Authority on Development
KYC	know your customer
MENAFATF	Middle East and North Africa Financial Action Task Force
RBA	risk-based approach
RSP	remittance service provider
UNCDF	United Nations Capital Development Fund

UNCDF Migrant Money Notes 8

Improving Anti-Money Laundering and Combatting the Financing of Terrorism Regulatory Frameworks to Increase Remittance Flows in the Intergovernmental Authority on Development (IGAD) Region.

Introduction

This brief note is intended to be used by regulators and public authorities to improve policies, regulatory frameworks, and market and collaboration practices to enhance the flow of remittances in the IGAD region. Remittances are a vital source of income for the IGAD region, and providing women and men migrants with affordable and convenient remittance services is critical to maximizing the region's remittance growth potential. However, migrants' reliance on informal remittances and their increasing vulnerability to sources of money laundering and the financing of terrorism, such as corruption, human trafficking, and organized crime, poses a major challenge to this strategy.¹ Our previous [blog](#) in this series looked at the general policy frameworks concerning informality, the high cost of remittances within the IGAD region, and how the regional harmonization of remittance policies could help alleviate these challenges. This brief note looks at the key area of AML/CFT regulatory frameworks and may help supply-side stakeholders, especially remittance service providers or RSPs, streamline their customers' onboarding rules.

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¹ FATF, (2022). *ML/TF Risks Arising from Migrant Smuggling*. FATF, Paris, France. Website: <https://www.fatf-gafi.org/publications/methodsandtrends/documents/migrant-smuggling.html>

REGIONAL OUTLOOK

Country Name	Membership to FATF-Style Regional Bodies	FATF Category as of 31 Dec 2022
Djibouti	MENAFATE	Not on the FATF AML Deficient List
Ethiopia	ESAAMLG	Not on the FATF AML Deficient List
Kenya	ESAAMLG	Not on the FATF AML Deficient List
Somalia	MENAFATE	Not on the FATF AML Deficient List
South Sudan	ESAAMLG	It is on the FATF AML Deficient List Increased monitoring (grey list)
Sudan	MENAFATE	Not on the FATF Deficient List
Uganda	ESAAMLG	It is on the FATF AML Deficient List Increased monitoring (grey list)

Jurisdiction (click on the country name to go to the report on www.fatf-gafi.org)	Djibouti	Ethiopia	Kenya	Somalia	South Sudan	Sudan	Uganda
Report Type	No current ME	MER+FURs	MER	No current ME	No current ME	MER+FURs	MER+FURs
Report Date	No current ME	Aug/22	Sep/22	No current ME	No current ME	Apr/16	Dec/20
Assessment	No current ME	ESAAMLG/WB	ESAAMLG	No current ME	No current ME	MENAFATF	ESAAMLG
Technical Compliance: Ratings which reflect the extent to which a country has implemented the technical requirements of the FATF Recommendations as of 2 December 2022							
AML/CFT Policies and Coordination							
R.1 - Assessing Risks and Applying a Risk-Based Approach	No current ME	C	PC	No current ME	No current ME	PC	PC
R.2 - National cooperation and coordination	No current ME	LC	NC	No current ME	No current ME	PC	PC
Money Laundering and Confiscation							
R.3 - Money laundering offence	No current ME	LC	C	No current ME	No current ME	PC	C
R.4 - Confiscation and provisional measures	No current ME	LC	PC	No current ME	No current ME	LC	LC
Terrorist Financing and Financing of Proliferation							
R.5 - Terrorist financing offence	No current ME	LC	PC	No current ME	No current ME	PC	C
R.6 - Targeted financial sanctions related to terrorism & terrorist financing	No current ME	LC	NC	No current ME	No current ME	NC	C
R.7 - Targeted financial sanctions related to proliferation	No current ME	LC	NC	No current ME	No current ME	PC	NC
R.8 - Non-profit organisations	No current ME	LC	NC	No current ME	No current ME	NC	NC
Preventive Measures							
R.9 - Financial institution secrecy laws	No current ME	C	PC	No current ME	No current ME	PC	C
R.10 - Customer due diligence	No current ME	LC	PC	No current ME	No current ME	LC	LC
R.11 - Record keeping	No current ME	C	PC	No current ME	No current ME	NC	C
R.12 - Politically exposed persons	No current ME	C	PC	No current ME	No current ME	NC	PC
R.13 - Correspondent banking	No current ME	C	PC	No current ME	No current ME	NC	C
R.14 - Money or value transfer services	No current ME	C	NC	No current ME	No current ME	LC	PC
R.15 - New technologies	No current ME	PC	NC	No current ME	No current ME	PC	PC
R.16 - Wire transfers	No current ME	C	NC	No current ME	No current ME	NC	C
R.17 - Reliance on third parties	No current ME	C	PC	No current ME	No current ME	PC	C
R.18 - Internal controls and foreign branches and subsidiaries	No current ME	LC	PC	No current ME	No current ME	LC	C
R.19 - Higher-risk countries	No current ME	LC	PC	No current ME	No current ME	NC	PC
R.20 - Reporting of suspicious transactions	No current ME	C	NC	No current ME	No current ME	PC	C
R.21 - Tipping-off and confidentiality	No current ME	LC	PC	No current ME	No current ME	NC	C
R.22 - DNFBPs: Customer due diligence	No current ME	LC	NC	No current ME	No current ME	NC	PC
R.23 - DNFBPs: Other measures	No current ME	LC	NC	No current ME	No current ME	PC	LC

Jurisdiction (click on the country name to go to the report on www.fatf-gafi.org)	<u>Djibouti</u>	<u>Ethiopia</u>	<u>Kenya</u>	<u>Somalia</u>	<u>South Sudan</u>	<u>Sudan</u>	<u>Uganda</u>
Transparency and Beneficial Ownership of Legal Persons and Arrangements							
R.24 - Transparency and beneficial ownership of legal persons	No current ME	LC	NC	No current ME	No current ME	PC	NC
R.25 - Transparency and beneficial ownership of legal arrangements	No current ME	NA	NC	No current ME	No current ME	NC	NC
Powers and Responsibilities of Competent Authorities and Other Institutional Measures							
R.26 - Regulation and supervision of financial institutions	No current ME	LC	NC	No current ME	No current ME	PC	NC
R.27 - Powers of supervisors	No current ME	C	NC	No current ME	No current ME	PC	PC
R.28 - Regulation and supervision of DNFBPs	No current ME	LC	PC	No current ME	No current ME	PC	NC
R.29 - Financial intelligence units	No current ME	LC	PC	No current ME	No current ME	PC	C
R.30 - Responsibilities of law enforcement and investigative authorities	No current ME	LC	PC	No current ME	No current ME	PC	PC
R.31 - Powers of law enforcement and investigative authorities	No current ME	LC	PC	No current ME	No current ME	PC	LC
R.32 - Cash couriers	No current ME	PC	PC	No current ME	No current ME	PC	C
R.33 - Statistics	No current ME	LC	PC	No current ME	No current ME	NC	NC
R.34 - Guidance and feedback	No current ME	LC	PC	No current ME	No current ME		PC
R.35 - Sanctions	No current ME	LC	PC	No current ME	No current ME	PC	LC
International Cooperation							
R.36 - International instruments	No current ME	C	PC	No current ME	No current ME	PC	C
R.37 - Mutual legal assistance	No current ME	LC	LC	No current ME	No current ME	PC	PC
R.38 - Mutual legal assistance: freezing and confiscation	No current ME	LC	C	No current ME	No current ME	PC	PC
R.39 - Extradition	No current ME	LC	PC	No current ME	No current ME	PC	NC
R.40 - Other forms of international cooperation	No current ME	PC	PC	No current ME	No current ME	NC	PC

Legend	
MER	Mutual Evaluation Report
ME	Mutual Evaluation
FUR	Follow-Up Report
C	Compliant
LC	Largely compliant - There are only minor shortcomings.
PC	Partially compliant - There are moderate shortcomings.
NC	Non-compliant - There are major shortcomings.
NA	Not applicable - A requirement does not apply, due to the structural, legal or institutional features of the country.
R	FATF Recommendation

Sources for more information:

[FATF Methodology](#)
[FATF Recommendations](#)

AML/CFT REGULATORY FRAMEWORKS IN THE REGION

AML/CFT regulatory frameworks have been in place across the IGAD region since the [FATF recommendations](#) and their rigorous implementation by most countries. Djibouti issued an [AML/CFT instruction](#) in 2017 that is now being implemented. Ethiopia has a framework for AML/CFT, and the country's central bank has issued a [directive](#) on enhanced KYC and CDD practices to ensure accurate customer identification, suitable assessments, transaction monitoring, and the evaluation of any additional risks. Kenya's [AML/CFT law](#) was enacted in 2009 and has since been updated and amended. The Central Bank of Kenya also issued [guidance](#) on money-laundering/terrorism-financing risk assessments and money-laundering risk assessments for mobile payments in 2018. Somalia also issued an [AML/CFT law](#) in 2016, and efforts are still ongoing to implement it. South Sudan² introduced an AML/CFT law in 2012 and equivalent [regulations](#) in 2017, and the country is [committed](#) to improving the efficacy of its AML/CFT protocol. Sudan adopted its Money Laundering and Finance of Terrorism (Combating) [Act in 2014](#), and [efforts](#) to build on its progress are ongoing. Uganda³ issued its [AML/CFT law](#) in 2013 and amended it in 2017. In 2020, Uganda developed a five-year plan to bolster AML/CFT measures and amended the law in 2022. The country is committed to improving its AML/CFT regime, and progress is ongoing.

Most regulatory frameworks cover vital AML/CFT aspects, including cross-border cash transportation, bearer negotiable instruments, and financial transaction transparency. The frameworks also specify rules, procedures, and conditions for conducting CDD and/or KYC processes for all financial services. However, despite risk variations and country-specific environments, the FATF principles are frequently interpreted or applied differently, resulting in inconsistent supervisory practices. Divergent approaches to CDD include different documentation requirements and interpretations of the risk-based approach, with certain Member States allowing streamlined CDD in a constrained and prescribed number of circumstances. For instance, some Member States collect the beneficiary's name, address, account number, original government-issued IDs, reference number, work permits, tax identification numbers, and the personal information of the remittance sender.

Moreover, Member States use different address formats, and RSPs disagree on what constitutes a legitimate address. Similarly, while some Member States require a payee's full name without any initials, others accept names with initials included. Factors such as these result in further complications and incompatible IT systems. Additional challenges exist in interpreting and implementing data protection and privacy regulations, sometimes producing conflicts with AML regulations. Another divergent practice is the prohibition of cash deposits from migrants to third-party accounts, including local transfers made by 'walk-in' customers or those without accounts. This is a customer barrier because, in such cases, the migrant's purpose may be to send money rather than open an account with the RSP.

Aside from the FATF rules, each government in the region has national security objectives or a foreign policy agenda regarding CDD. At the same time, each Member State wishes to

² In October 2022, South Sudan was placed by the FATF under [jurisdictions subject to increased Monitoring](#) (i.e., "grey list").

³ In October 2022, Uganda was placed by the FATF under [jurisdictions subject to increased Monitoring](#) (i.e., "grey list").

maintain its correspondent banking relationships while avoiding de-risking⁴ at the expense of restricting relationships with partner Member States perceived as high-risk jurisdictions. There have been instances where some remittance service providers in the region receive notices of termination of correspondent banking relationships from international banks without explanations. In this regard, big remittance service providers—particularly banks in the region—sometimes avoid dealing with customers, both individuals and small remittance service providers that are perceived as high risk because of fear of being de-risked and low profitability. The low profitability may result from the requirements of investing additional resources for implementing AML/CFT compliance measures and systems for high-risk customers, and the possibility of heavy fines in case of AML/CFT screening failures. Additionally, a lack of clarity regarding regulatory expectations, and regulatory burdens, including compliance with sanctions regimes, sometimes lead big banks from dealing with smaller players in the market and customers perceived as high risk. All these factors contribute to limited access to remittance services leading to poor competition and, hence, high cost of the services. This is likely to exclude users of remittance services from the regulated channels, increasing their vulnerability to sources of money laundering and the financing of terrorism, such as corruption, human trafficking, and organized crime.

In most Member States, acceptable IDs are valid and original government-issued documents, including national identity cards, refugee cards, birth certificates, passports, driving licenses, and employment cards, regardless of the sum involved. These pieces of identification must be copied for remittance service providers' records. In practice, however, while a utility bill may confirm a migrant's address, there is no consistent guidance on which government-issued IDs are required, and some RSPs provide requirements based on their internal policies. Moreover, checking documentary addresses hinders access to remittance services, especially for women and men migrants on the move and who lack the required documentary proof of address. The AML/CFT regulatory frameworks do not treat low-risk money remitters and/or small-value remittances differently.

Many women and men migrants encounter additional obstacles because of the internal policies and practices of RSPs, such as asking customers to provide employment documents, work permits and tax identification numbers, which may not be legally required. Asking customers to present additional documents for KYC could be a disincentive, especially for self-employed individuals in the informal sectors and women, who comprise over half of the region's informal traders.⁵

All these factors, primarily caused by the inconsistent interpretation and disjointed implementation of the FATF recommendations on AML/CFT regulations, complicate remittance flows in the region, resulting in the four main challenges facing remittances, namely high costs, limited speed, difficult access, and opaque transactions. The high cost of remittances is the primary consequence of divergent AML/CFT policy frameworks and practices.⁶

⁴ According to the definition used by the [Financial Action Task Force \(FATF\)](#), 'de-risking' is the practice of financial institutions terminating or restricting business relationships indiscriminately with broad categories of clients rather than analysing and managing the risk of clients in a targeted manner, i.e., without careful consideration of their risks and the ability of the financial institutions to mitigate those risks.

⁵ <https://igad.int/the-igad-region/>

⁶ FATF, (2021). Cross-Border-Payments. FATF, Paris, France. Website: <https://www.fatf-gafi.org/publications/fatfrecommendations/documents/cross-border-payments.html>

Lack of focused cooperation and collaboration wastes resources and makes it harder for RSPs to provide access to more efficient services at low costs. Negligible collaboration and harmonization and the inability to rely on compliance processes performed by other RSPs in a regional context mean that incidences of duplication are higher, especially regarding CDD, and the interoperability of payment infrastructures becomes even more difficult.

As technology improves and broadens its scope, the IGAD Member States are adopting and strengthening regulations for licensing and supervising the activities of electronic money issuers, including mobile wallets. However, existing AML/CFT frameworks lack standardized and transparent licensing requirements for international mobile money transfers (incoming and outgoing) and criteria for obtaining licenses to connect new corridors. Additionally, these regulations lack risk-based transaction limits, and mobile wallet balance and transaction limits fluctuate between international and domestic transactions.

BETTER-ALIGNED POLICY MEASURES AROUND AML/CFT FRAMEWORKS CAN INCREASE REMITTANCE FLOWS IN THE REGION

There is little question that regional regulators could proactively take steps to digitize remittances and incentivize more migrant women and men to use formal remittance channels. One approach could be to strengthen AML/CFT regulatory frameworks while also reinforcing the remittance landscape in the IGAD Member States by introducing a risk-based approach (RBA) for onboarding customers and agents, customer due diligence (CDD) guidelines, improving ID requirements and regional cooperation, harmonizing remittance policies within the region and the objectives of several key multinational AML/CFT standards. This could help mitigate risks more evenly among RSPs and their specific customer types, reducing strict identification requirements and making it easier for women and men migrants to choose formal remittance channels over informal ones.

Electronic know-your-customer and identification requirements

The e-KYC involves electronically checking customer credentials. It lets the customer instantly prove their identity and address to the service provider, eliminating time-consuming in-person verification. However, care must be taken to ensure that women and men migrants are not denied access to digital payment services due to a lack of e-KYC. Currently, the IGAD Member States do not have specific guidelines for e-KYC that could support the digital footprint of the underbanked and enable them to access a broader range of financial services. That said, e-KYC can help women and men migrants and their families open bank accounts in their countries of origin from the destination countries. E-KYC systems can leverage the experience of international best practices that have adopted digital identity systems while tailoring that experience to the region's context to increase customer-centricity and innovation. This should also include a review of existing payment infrastructures to assess its ability to integrate digital identity systems and develop a plan to remedy any infrastructure gaps the review may identify. MyKad in Malaysia and Aadhaar e-KYC in India provide excellent examples.

Although some IGAD Member States lack unique IDs with adequate security features, enabling RSPs to establish a financial ID (a unique customer ID system that generates codes to identify customers based on specified aspects and characteristics) could help them comprehensively monitor customers' financial transactions to manage customer-associated risks more efficiently.

Risk-based approach (RBA) for customer onboarding

Further improvement to the AML regulations is needed to provide more proportionate RBA and flexible KYC/CDD requirements based on the types of RSPs and customers and values of cross-border transactions. Proportional CDD should make it easier for RSPs to detect suspicious transactions and enable the regulator to focus resources where the risks are highest. RBAs could enable regulators to identify high-risk RSPs that may be vulnerable to money laundering, terrorism and proliferation financing to issue guidelines for addressing the risks identified. The requirements for low-risk RSPs could be eased to enhance their capacity to serve low-risk clients. Equally, RBAs can help regulators review and simplify account-opening procedures to make them more user-friendly and less prohibitive, benefiting new customers and lower-risk RSPs. Some requirements for identifying, assessing, monitoring, managing, and reducing proliferation financing risks could be waived for certain RSPs or small-value transactions if it can be demonstrated that they pose a low risk of proliferation financing.

For example, regarding small value remittances below a specific amount, a risk-based approach could simplify customer identity criteria by restricting the KYC requirements to any of the three from the list below. Weights could be assigned to each criterion depending on the inherent risk of a jurisdiction:

- a. Customer's physical presence at the transaction point
- b. Filling and signing a form collecting personal data with the terms and conditions of service
- c. Government-issued document with photo identification
- d. Recent photograph or real-time electronic photograph of the customer
- e. Proof of bank account with the customer's name
- f. Biometric information
- g. Mobile phone with a registered SIM card
- h. Tax identification number
- i. Introduction letter from employer or local administrative authorities
- j. Work permit
- k. Letter from a camp director/UNHCR for refugees
- l. Third-party KYC provisions

Based on an assessment, accounts can be classified into the following risk levels: high, moderate, and low. Daily and monthly transaction limits and the highest account balances could be determined and monitored based on the risk involved due to differences in KYC information quality. Rather than terminating relationships with entire categories of high-risk customers, regulatory frameworks supporting AML/CFT compliance could be simplified to

enable financial institutions to finalize CDD efficiently and safely without disrupting normal business operations through a few steps from the above list. M-shwari and M-pawa, digital savings and credit products in Kenya and Tanzania, are good examples of this, as they are pegged to restricted transaction limits and require copies of IDs to be provided whenever these limits are exceeded.

RSPs can be required to develop, implement, and maintain anti-money laundering programmes judiciously designed to help them avoid being used to support money laundering activities. Simplified guidelines by the regulators on how RSPs could do this should be developed, and technical assistance should be provided where needed. The programme must be proportionate to the risks posed by the RSPs' location, size, nature, and volume of financial services. Furthermore, the programme must include policies, procedures, and controls that are carefully crafted to ensure compliance with AML/CFT policy and regulatory frameworks.

Agent onboarding

Most remittance operations are carried out through a network of local and regional subsidiaries and agents. Guidelines on agent onboarding for RSPs are required, with clear provisions on providing access to domestic and cross-border non-bank RSPs, subsidiaries, and agents. This is crucial for reducing anxieties and increasing trust at country and regional levels, reducing the de-risking possibility. The guidelines would require RSPs to have policies, procedures, and controls proportionate to the risk of money laundering posed by their relationship with their domestic and cross-border subsidiaries and agents. The guidelines would establish healthy relationships between RSPs and their domestic and cross-border subsidiaries and agents to facilitate smooth remittance flows. In some situations, the risk with cross-border subsidiaries and agents may be higher than with domestic subsidiaries and agents, depending on the Member State, because foreign subsidiaries and agents are not subject to domestic policies and regulatory frameworks. The extent to which cross-border subsidiaries and agents are subject to anti-money laundering regulations, as well as the quality of those regulations, varies according to their location.

For RSPs that use subsidiaries and agents, the guidelines may require risk-based policies, procedures, and controls designed to identify and mitigate money laundering and terrorist financing risks. The aim is to ensure that RSPs' products and services are not utilized to support money laundering or terrorist financing through these relationships and that RSPs can detect the use of these products and services for money laundering or terrorist financing by the RSP or agent.

Relevant risk factors that RSPs may consider during agent onboarding include the following:

- a. The subsidiary or agent's location and jurisdiction of organization, chartering or licensing and, in case of a cross-border subsidiary or agent, the extent to which the jurisdiction is internationally recognized as presenting a greater risk for money laundering or is considered to have more robust anti-money laundering standards.
- b. Upon reasonable inquiry, the ownership or shareholders of the subsidiary or agent, i.e., whether the owners are known.
- c. The extent to which the subsidiary or agent is subject to anti-money laundering requirements and whether it has established such controls.

- d. Any information, known or readily available to RSPs, about the subsidiary or agent's anti-money laundering records, including public information in industry guides, periodicals, or major publications.
- e. The nature of the subsidiary or agent business and the markets it serves, i.e., the extent to which the agent's business and the markets present an increased risk for money laundering or terrorist financing.
- f. The types and purpose of services to be provided to, and anticipated activity with, the subsidiary or agent.
- g. The nature and duration of the RSP's relationship with the subsidiary or agent.

RSPs should also create risk-based monitoring and evaluation procedures for transactions from, to, or through the country conducted via foreign subsidiaries and agents to identify and report suspected money laundering or terrorist financing. Such procedures should also focus on identifying material changes in the subsidiary or agent risk profile, including changes in ownership, business, or regulatory scrutiny. Reviewing transactions should enable RSPs to identify and report suspicious occurrences such as instances of unusual wire activity, bulk sales or purchases of sequentially numbered instruments, multiple purchases or sales that seem to be unstructured, and illegible or missing customer information. Furthermore, RSPs should establish procedures to ensure that their subsidiaries and agents effectively implement anti-money laundering programmes and to detect clear breakdowns in implementing the programme by the subsidiary or agent. Conduct by subsidiaries and agents that appears to aim at evading RSPs' checks and controls may indicate complicity in irregular activities; this activity must be scrutinized and reported as inappropriate, and corrective action must be taken.

RSPs should have procedures in place for responding to subsidiaries and agents that pose a high risk of money laundering or the financing of terrorism. Such procedures should include provisions for the subsidiary or agent to take corrective action or for the RSP to terminate the relationship with any subsidiary or agent that poses an unacceptable risk of money laundering or terrorist financing or that has demonstrated systemic, wilful, or repeated lapses in compliance with the RSP's own anti-money laundering procedures and requirements.

Cooperation and collaboration

Regulators from the Member States could designate a trusted local correspondent bank to support vetting potential customers, i.e., checking the customer's identity on behalf of a cross-border RSP in a country where the RSP does not have a presence. This calls for more collaboration between the relevant regulators within and across borders, and greater harmonization of KYC rules and common rules on defining high-risk jurisdictions.

Harmonizing CDD rules within and across borders are critical. A crucial step in raising RSPs' awareness of the risks associated with money laundering, the financing of terrorism, and its proliferation is the introduction of harmonized guidelines for outreach and education on risks covered by AML/CFT regulatory frameworks. This will also help to prevent jurisdictional and institutional divergent interpretations and inconsistent applications of the FATF Standards.

Given the presence of new fintechs, applying KYC requirements could be harmonized at the regional level, particularly for contacting the RSP from which the remittance was sent to obtain missing information in payment messages and minimum standards for “address” and its components.

Relevant government ministries, departments, and agencies (regulators) in the region could sign a collaboration framework for a shared CDD/KYC information repository platform to enable RSPs to access CDD profiles and information and use the platform to conduct customer due diligence. The MoU could stipulate minimum features for an ID to be acceptable in all the IGAD Member States.

In addition, IGAD Member States could review AML/CFT regulatory frameworks and/or develop necessary guidelines to address CDD and KYC bottlenecks from regulatory and administrative perspectives to maximize the benefits of remittances. In accordance with the IGAD agreement, which seeks to establish joint development strategies to harmonize the region’s macroeconomic policies and programmes, it is important to pool experience and knowledge on the AML/CFT area as one of the macroeconomic policies, with the following goals in mind:

- a. Improving information-sharing through harmonization of data protection and privacy policies that sometimes present barriers to information-sharing due to clashes with anti-money laundering regulations. Developing a harmonized framework that ensures RSPs can process personal data in accordance with applicable data privacy standards aligned with the anti-money laundering regulations would be a key milestone.
- b. Harmonizing and standardizing data points and/or fields to obtain identifying-customer information only once. This would also benefit from having compatible IT systems in place, which would improve interoperability.
- c. Developing digital identification systems that could also support expanding remittance services to many women and men migrants. Maintaining a regional repository for KYC and beneficiary ownership information from Member States’ registries may be part of this.
- d. Making the policy and regulatory frameworks more principles-focused and less prescriptive. This is part of the risk-based approach for implementing the FATF Recommendations to instil more flexibility for RSPs in demonstrating that they know their customers and reducing the need for collecting additional documentation from less risky customers. This would include consistent expectations on the information required for senders and recipients across the Member States in the wake of emerging technology.
- e. Developing best practices at a regional level to ensure more consistent application of sanction-screening formats, content interpretation, and requirements across the Member States. This would support widespread interoperability between systems, reduce screening costs, and increase precision and transparency.
- f. Putting in place a framework for information exchange and an ongoing dialogue between the public and private sectors for the creation and uniform interpretation and implementation of the AML/CFT requirements to avoid less effective risk management or potential de-risking practices.

These intentions are also consistent with the IGAD Regional Migration Policy Framework (IGAD-RMPF) and Migration Action Plan (MAP), which aim to leverage the benefits of migration for regional development through a collaborative strategy that harmonizes laws, standards, procedures, information, statistics-sharing, document production, and resource efficiency.

Furthermore, the IGAD countries' intentions could represent a step forward in aligning with the objectives of several key multinational frameworks and agreements, including the following:

1. The Global Compact for Safe, Orderly, and Regular Migration seeks, in part, to achieve more efficient, safer, and cheaper remittance transfers and foster the financial inclusion of migrants.
2. Sustainable Development Goal (SDG) target 10.c that aims to reduce the transaction costs of migrant remittances to less than 3 percent.
3. The African Union's migration policy recommendations on strategies to reduce the cost of remittances, strengthen collaboration, improve the quality of data, and boost the use of technology, such as mobile money for cross-border remittances.
4. The agreement to establish the African Continental Free Trade Area (AfCFTA) that aims to eliminate or reduce tariff and non-tariff trade barriers among African countries.

Regional coordination of these efforts is a bold step that the United Nations Capital Development Fund (UNCDF) stands ready to support in partnership with the IGAD Secretariat.

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