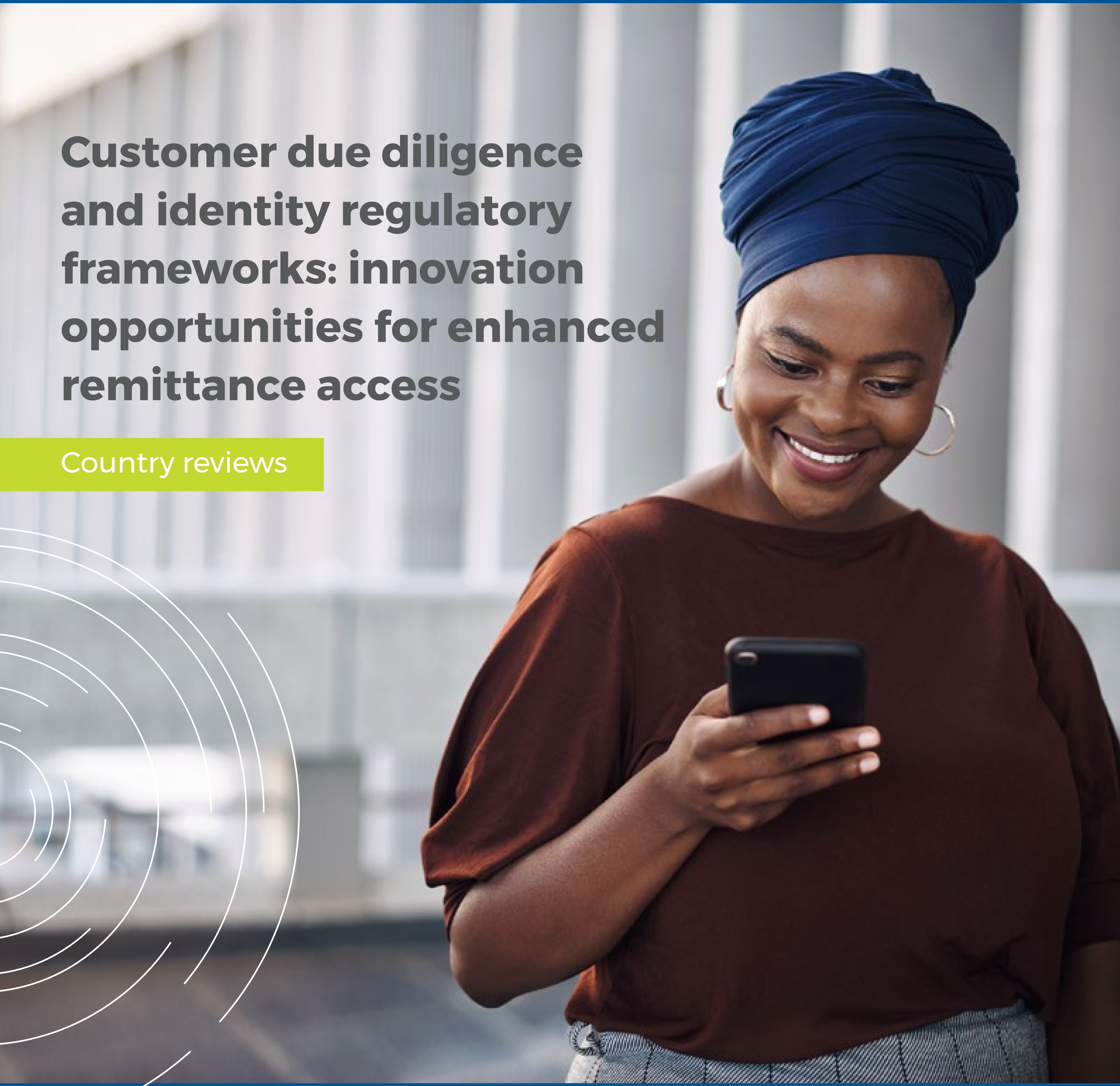
IFAD
Investing in rural people

Financing Facility for Remittances

cenfri



Customer due diligence and identity regulatory frameworks: innovation opportunities for enhanced remittance access

Country reviews

In implementation of

PRIME AFRICA

Authors

Barry Cooper, Masiiwa Rusare, Matthew Ferreira, Fabrice Gatwabuyege, Lezanne Anderson, Vera Neugebauer, Njabulo Ndaba, Liebe Burger

Cenfri

Tel. +27 21 913 9510
Email: info@cenfri.org
The Vineyards Office Estate
Farm 1, Block A
99 Jip de Jager Drive
Bellville, 7530 – South Africa
www.cenfri.org

IFAD

Financing Facility for Remittances
Tel. +39-0654591
Email: remittances@ifad.org
Via Paolo di Dono, 44
00142 Roma,
Italy
www.ifad.org

The authors would like to thank all stakeholders who took part in qualitative interviews for their contributions to this assessment.

ISBN 978-92-9266-319-3

May 2023

Table of contents

List of tables

Acronyms

AACB	Association of African Central Banks (Senegal)
AFI	Alliance for Financial Inclusion
AML/CFT	Anti-money laundering and combatting the financing of terrorism
ANRT	National Agency for Telecommunications Regulation (Morocco)
ATM	automated teller machine
BAM	Bank Al Maghrib, Central Bank of Morocco
BCEAO	Banque Centrale des États de l'Afrique de l'Ouest / Central Bank of West African States (Senegal)
BoG	Bank of Ghana
BoU	Bank of Uganda
BVN	Bank verification number
CBK	Central Bank of Kenya
CDD	Customer due diligence
Centif	Cellule Nationale de Traitement des Informations Financières/ National Financial Information Processing Unit (Burkina Faso)
CNIE	Morocco's electronic national identity card (Carte Nationale d'Identité Electronique)
CoDi	Corbro Directo/Digital Collection (Mexico)
CRB	Credit Reference Bureau (Kenya)
CRD	Civil Registration Department (Kenya)
DIS	Department of Immigration services (Kenya)
DMA	Developing Markets Associates (United Kingdom)
DNFBP	Designated Non-Financial Businesses and Professions
DPF	Development Policy financing
EDD	Enhanced due diligence
EMI	E-money issuers
EU	European Union
FATF	Financial Action Task Force
FDP	Forcibly displaced persons
FFR	Financing Facility for Remittances
FIC	Financial Intelligence Centre (South Africa)
fintech	Financial technology
FSP	Financial service provider
GAMBIS	Gambia Biometric Identification System
GCDD	Guidelines on Customer Due Diligence (The Gambia)
GDP	Gross domestic product
GDPR	General Data Protection Regulation (European Union)
GFIU	Gambian Financial Intelligence Unit
Ghana NIC	Ghana National Insurance Commission
GPS	Global Positioning System
ID	Identity document
IFAD	International Fund for Agricultural Development
IFFs	Illicit financial flows
IMF	International Monetary Fund
IPRS	Integrated Population Registration Services (Kenya)
KRA	Kenyan Revenue Authority
KYC	Know-your-customer
MEA	Ministry of External Affairs (The Gambia)

MENA FATF	Middle East and North Africa Financial Action Task Force for Combating Money Laundering and Terrorist Financing
ML/FT	money laundering/financing of terrorism
MER	Mutual Evaluation Report
MNO	Mobile network operator
MTO	Money transfer operator
NDPAS	National Digital Property Addressing System (Ghana)
NFC	Near-field communication
NFIS	National Financial Inclusion Strategy
NHIS	National Health Insurance Scheme (Ghana)
NIA	National Identity Authority (Morocco)
NIC	National Identity Card
NID	National Identity Document
NIIMS	National Integrated Identity Management System (Kenya)
NIN	National Identity Number (Kenya)
NIRA	National Identification and Registration Authority (Uganda)
NPR	National Population Registry (Morocco)
NPS	National Payments System (Kenya)
NRB	National Registration Bureau (Kenya)
NTSA	National Transport and Safety Authority (Kenya)
PF	Proliferation financing
PIN	Personal identification number
POCAML	Proceeds of Crime and Anti-Money Laundering (Kenya)
PRIME Africa	Platform for Remittances, Investment and Migrants' Entrepreneurship in Africa
QR	Quick response
RAS	Refugee Affairs Secretariat (Kenya)
RBA	Risk-based approach
Regtech	Regulatory technology
RMCP	Risk management and compliance programme
RSP	Remittance service provider
RTP	Requires to pay
SABRIC	South African Banking Risk Identification Centre
SADC	Southern African Development Community
SDD	Simplified due diligence
SDGs	Sustainable Development Goals
SEC	Securities and Exchange Commission (Ghana)
SIM	Subscriber identification module
SSA	Sub-Saharan Africa
SSN	Social safety net
SSNIT	Social Security and National Insurance Trust (Ghana)
STR	Suspicious transaction report
Suptech	Supervisory technology
TFS	Targeted financial sanctions
TIN	Taxpayer identification number (The Gambia)
UCC	Uganda Communications Commission
UIN	Unique identity number
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
WAEMU	West African Economic and Monetary Union

Glossary of key definitions

Agent
An entity that captures or distributes remittance transfers on behalf of a remittance service provider. "Capturing" means receiving the money and instructions from the sender. "Disbursing" means giving the money to the receiver (CPMI-WB).

Anti-money laundering and combating the financing of terrorism (AML/CFT) policies
Money laundering is the process of concealing the illicit origin of the monetary proceeds of crimes. Terrorist financing is the collection or the provision of funds for terrorist purposes. An effective anti-money laundering/counter-financing of terrorism framework must therefore address both risk issues: it must prevent, detect and punish illegal funds entering the financial system and the funding of terrorist individuals, organizations and/or activities (IMF).

API (application programming interface)
A software intermediary that allows two applications to communicate with each other (Mulesoft, n.d.).

Assurance
Chance of false positives or false negatives.

Asylum seeker
A person who has left their country and is seeking protection from persecution and serious human rights violations in another country, but who has not yet been legally recognized as a refugee and is waiting to receive a decision on their asylum claim (Amnesty International, 2022).

Attestation
Official verification of something as true or authentic. This is often done in writing to certify the statements (Investopedia, 2021).

Authenticate
The process of recognizing a user's identity (Economic Times, n.d.).

Authorized Dealers in foreign exchange with limited authority (ADLAs)
ADLAs are institutions that have been licensed by the Financial Surveillance Department to deal in certain designated foreign exchange transactions, including travel-related transactions (South African Reserve Bank, 2022).

Beneficial owner
Those persons who exercise ultimate effective control over a legal person or arrangement (SARB, 2022).

Biometric
This involves utilizing an individual's unique physical attributes such as their fingerprints, iris, voice or facial features (i.e. something a person is) to establish their identity.

CDD
The customer due diligence process provides an accountable institution with the information required to know who they are doing business with, to know who benefits from the business it does with its clients, to understand the nature of the business it does with its clients and to determine when the business with clients should be considered suspicious or unusual. This is one of the mechanisms at accountable institutions' disposal to mitigate the risk of exploitation for money laundering or terrorist financing purposes (Financial Intelligence Centre, 2017).

Compliance
Organization's adherence to laws, regulations, guidelines and specifications relevant to its business processes (Tech Target, 2022).

Data protection
Process of safeguarding important information from corruption, compromise or loss (Tech Target, 2021).

De-risking
The phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients in order to avoid rather than manage risk in line with the FATF's risk-based approach (FATF).

Digital financial service
A broad range of financial services accessed and delivered through digital channels (AFI, 2022).

Digital identity
Online or networked identity adopted or claimed in cyberspace by an individual, organization or electronic device (Techopedia, 2012).

Domestic remittances
Money sent to family members or friends within a country (Technoserve, 2016).

E-KYC (electronic know your customer)
The remote, paperless process that minimizes the costs and traditional bureaucracy necessary in traditional KYC processes (Electronic Identification, 2022).

Electronic money
Electronic money (e-money) is broadly defined as an electronic store of monetary value on a technical device that may be widely used for making payments to entities other than the e-money issuer. The device acts as a prepaid bearer instrument that does not necessarily involve bank accounts in transactions. E-money products can be hardware-based or software-based, depending on the technology used to store the monetary value (ECB).

E-money institution
Stores the monetary value in a central accounting system (the enterprise's server), or on an electronic carrier like a chip (DNB, 2022).

Enhanced CDD
Carrying out extra checks on a customer's identification, collecting additional information and doing additional verification (AUSTRAC, 2021).

FATF grey list
Also referred to as jurisdictions under increased monitoring. This means that the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to increased monitoring (FATF, 2022).

Financial crime
Offences such as money laundering, terrorist financing, fraud, bribery and corruption, market abuse and insider trading (PwC, 2021).

Financial exclusion
Individuals and populations without access to common financial services (FINCA, 2020).

Financial inclusion
The effective access to basic financial services, such as payments, savings (including current accounts), credit and insurance provided by regulated financial institutions to all working-age adults. Effective access is defined as a "convenient and responsible service delivery, at a cost affordable to the customer and sustainable for the provider, enabling previously financially excluded customers to use financial services rather than existing alternative, unregulated options" (GPFI, CGAP, 2011).

Financial institution
An institution that focuses on dealing with financial transactions, such as investments, loans and deposits (Investopedia, 2022).

Financial integrity
A financial system that operates in a clean, transparent and accountable way (Transparency International Knowledge Hub, 2022).

Fintech
Fintech refers to technology-enabled innovation in financial services (BIS).

Foreign direct investment
The category of international investment associated with a resident entity in one economy and/or a direct investor having control of, or significant influence on, the management of an enterprise resident in another economy (IMF).

Formal financial services
Transactions formally recognized by the government and often (not necessarily) regulated (Center for Financial Inclusion, 2018).

Fraud
Intentional act of deception involving financial transactions for purpose of personal gain (BNM, n.d.).

FSP
Organizations that provide banking, loans, money transfers, and financial options to customers (IGI Global, n.d.).

Gender
Gender refers to the roles, behaviours, activities, attributes and opportunities that any society considers appropriate for girls and boys, and women and men. Gender interacts with, but is different from, the binary categories of biological sex (UN).

Government issued ID
Document issued by a government containing personal and biometric information that allows its holder to prove their identity (US Birth Certificates, n.d.).

ID proxy
A mobile number ID proxy uses an individual's mobile number instead of the individual's bank account number as an identifier (Cenfri, 2019).

Identity
Set of attributes that can be used to uniquely identify a person (World Bank, 2018).

Identity proofing
The process by which institutions verify customers' identities before the enterprise issues them accounts and credentials (Gartner, 2020).

Illicit financial flows
Illegal movements of money or capital from one country to another that are illegally earned, transferred, and/or utilized (Global Financial Integrity, 2014).

International money transfer operators
Financial companies engaged in cross-border transfer of funds using either their internal system or access to another cross-border banking network (Apexx Global, 2020).

Know-your-customer (KYC)
A business principle within the Financial Intelligence Centre Act, 2001 (FICA) that encourages relevant companies to establish and verify the identity of their customers/clients before or during the time they do business (Lexis Nexis, 2018).

Livelihood
The money a person needs to pay for food, a place to live, etc. and the way of earning this money (Cambridge dictionary, 2022).

Migrant worker
A person who is, was or will be engaged in a remunerated activity in a country of which he or she is not a national (UN, OHCHR, 1990).

Mobile money
A service is considered a mobile money service if it meets the following criteria:

- A mobile money service includes transferring money and making and receiving payments using the mobile phone.
- The service must be available to the unbanked (e.g. people who do not have access to a formal account at a financial institution).
- The service must offer a network of physical transactional points, which can include agents, outside of bank branches and ATMs, that make the service widely accessible to everyone.
- Mobile banking or payment services (e.g. Apple Pay and Google Wallet) that offer the mobile phone as just another channel to access a traditional banking product are not included (GSMA).

Mobile network operators
Telecommunications service provider organization that provides wireless voice and data communication for its subscribed mobile users (European Commission, 2020).

Mutual evaluation report
Assessment of a country's measures to combat money laundering and the financing of terrorism and proliferation of weapons of mass destruction (FATF, n.d.).

Non-bank financial institutions
A financial institution that is not defined as a "bank" (e.g. a financial institution other than a BIS credit institution in Europe or a depository institution in the United States) (BIS).

Non-face-to-face business relationships or 1transaction
Any transaction or relationship where the customer is not physically present (Law Insider, n.d.).

Non-face-to-face customer
A customer with whom the money transfer business has not had direct interaction at the time of opening a customer record (Law Insider, n.d.).

Occasional customer/walk-in customer
Customer who carriers out one-off transactions (also known as occasional transactions) (Law Insider, n.d.).

Onboarded
Process where a client joins a financial institution or bank, and includes aspects such as KYC and due diligence identity checks (User Guiding, 2022).

Payment service provider (PSP)
An entity that provides payment services, including remittances. Payment service providers include banks and other deposit-taking institutions, as well as specialized entities such as money transfer operators and e-money issuers (CPMI-WB).

Proliferation financing
The act of providing funds or financial services that are used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations (FATF, 2010).

Proof of (residential) address
Evidence that a person has an actual physical address that matches their stated address. This document usually has the client's name and address listed, e.g. a monthly bill (Trulioo, 2022).

Record keeping
Logging, storing and disposing of important financial information within an organization (Business Queensland, 2022).

Refugee
Someone who is unable or unwilling to return to their country of origin owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion (United Nations, 1951).

Regtech
Regulatory technology refers to applications of innovative technologies that support compliance with regulatory and reporting requirements by regulated financial institutions (BIS).

Regulatory sandbox
Regulatory approach, typically summarized in writing and published, which allows live, time-bound testing of innovations under a regulator's oversight (UNSGSA, 2020).

Remittances
A cross-border, person-to-person payment of relatively low value. In practice, the transfers are typically recurrent payments by migrant workers (e.g. who send money to their families in their home country every month). The term "remittance transfer" is used for simplicity (i.e. it is assumed the transfer is international) (CPMI-WB).

Remittance corridor
Specifies the remittance flow between an originating country (or region) and a receiving country (or region).

Remote onboarding/remote account opening
Verify and approve customers without them physically visiting the organization's branches or offices (Jumio, 2022).

Risk assessment
Assessing the processes underlying an institution's operations against a library of potential threats and vulnerabilities and considering their potential impact (Choudhury, 2020).

Risk mitigation
A strategy to prepare for and lessen the effects of threats faced by a business (Tech Target, 2021).

Risk-based approach
Countries, competent authorities, and banks identifying, assessing, and understanding the money laundering and terrorist financing risk to which they are exposed, and taking the appropriate mitigation measures in accordance to the level of risk (FATF, 2014).

Remittance Service Provider (RSP)
A regulated entity, operating as a business, that provides a remittance service for a price to end users, either directly or through agents (CPMI-WB).

Rules-based approach
This approach to regulation prescribes in detail, gives a set of rules, or prescribes how to behave (Etude, 2019).

Rural
Includes all people, housing, and territory that are not within an urban area (HRSA, 2022).

Sustainable Development Goals (SDGs)
A set of 17 "Global Goals" and 169 targets. Spearheaded by the United Nations through a deliberative process involving its 193 Member States, as well as global civil society, the SDGs are contained in paragraph 54 of United Nations Resolution A/RES/70/1 of 25 September 2015 (UN).

Simplified CDD
The lowest level of due diligence that can be completed on a customer (Compliance Assist, 2022).

Sub-agent
A person appointed by an agent to perform some duty, or the whole of the business relating to their agency (Legal Dictionary, n.d.).

Suptech
Supervisory technology is the use of innovative technology by supervisory agencies to support supervision (BIS).

Suspicious transactions reports
Document that financial institutions must file with their financial intelligence unit (FIU) whenever there is a suspected case of money laundering or fraud (CipherTrace, 2020).

Tiered KYC
Used to implement flexible account opening requirements for low-value and low-risk accounts that are subject to caps and restrictions as the amount of transactions increase (CBN, 2012).

Two-factor authentication
A form of multifactor authentication. A security system that requires two distinct forms of identification in order to access something (Investopedia, 2022).

Urban
Relating to or concerned with a city or densely populated area (Merriam Webster, 2022).

Verification
A process that compares the identity that a person claims to have with the supporting data they possess (Innovatrics, 2022).

Virtual asset
Digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes (FATF, n.d.).

Wire transfers
Electronic transfer of funds via a network that is administered by banks and transfer service agencies around the world (Investopedia, 2022).

1 Introduction

This study has been developed by the Centre for Financial Regulation and Inclusion (Cenfri) under the Remittance Access Initiative (RAI), co-financed by the Financing Facility for Remittances (FFR) of the International Fund for Agriculture Development (IFAD) and the European Union (EU) as part of the Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa (PRIME Africa) initiative. The RAI initiative was borne out of an IFAD-funded seven-country study (covering Ghana, Kenya, Morocco, Senegal, South Africa, The Gambia and Uganda) undertaken in 2020. A key finding of these diagnostics was that know-your-customer (KYC) and customer due diligence (CDD) procedures are a key impediment in enabling remittance access by low-income and rural households. In order to address this access challenge, the RAI was conceived and focuses on working with remittance service providers (RSPs) and regulators in the seven countries to innovate on KYC and CDD processes to enable remittance access to low-income and rural households.

The starting point of this work was to undertake a thorough regulatory assessment in the seven countries carried out between February and December 2021, to explore and surface opportunities for KYC and CDD innovations. Without an enabling regulatory environment, any form of innovation is impeded, and remittance service providers become overly conservative. This regulatory assessment involved conducting desktop research, official document reviews and consultations with regulators in the seven countries to get their input as well as to sense and validate the arising insights. So far, this regulatory assessment work has reminded both regulators and RSPs of the following:

- Opportunities exist to strengthen alignment of current KYC and CDD processes with existing laws and regulation as well as Financial Action Task Force (FATF) standards;
- Opportunities exist to help capacitate RSPs on innovation opportunities they otherwise were not aware of; and
- Opportunities exist to enhance engagement and dialogue between RSPs and regulators on key regulatory issues requiring enhanced alignment.

Taking the above into consideration, this document is organized as follows;

- **Section 2** provides the background to regulatory assessment and issues;
- **Section 3** unpacks the concept of identity and how it relates to KYC and CDD processes and financial inclusion; and
- **Section 4** provides assessments of the seven countries, each of which contains an overview of how the concept of identity is defined in those jurisdictions, an analysis of their KYC and CDD compliance requirements and potential opportunities that may exist to innovate on identity within these frameworks in order to reduce barriers to remittances.

2 Background

Remittances play an important role in development and sustaining livelihoods. Remittances can be understood as transfers, in the form of cash or goods, that migrants send back to their family or friends in their country of origin (IMF, 2017). Similarly, Hougaard (2008), defines remittances as non-reciprocal transfers of money from an individual or household in one place to another individual or household in another place.[1] Remittances play an important role in sustaining livelihoods and developing economies. Many people rely on remittances from a friend or relative to sustain their lives, particularly those living in rural areas. According to IFAD's MobileRemit Africa report, cross-border remittances received into Africa from African migrants around the world totalled US$94 billion in 2021, equivalent to around 3 per cent of the continent's gross domestic product (GDP) (IFAD, 2022). This was well above the US$35 billion that was received in official development assistance in the same year (OECD, 2022). In developing countries, an estimated 40 per cent of remittances that are received are destined for people living in rural areas (Kuwonu, 2017). Given how important remittances are to livelihoods, it is crucial to ensure access to affordable remittance corridors for individuals. This forms part of the United Nations Sustainable Development Goals (SDGs), with SDG 10.c targeting to "reduce to less than 3% the transaction costs of migrant remittances and to eliminate remittance corridors with costs higher than 5%" by 2030 (UN, 2015).

Know-your-customer and customer due diligence components of regulation identified as barriers to remittance flows. Given its role in the economy and society, it is important to develop and maintain active, affordable corridors to remittances. However, as noted by Cooper et al. (2018a) in their study on the barriers to remittances in sub-Saharan Africa (SSA), KYC and CDD component of anti-money laundering and combatting the financing of terrorism (AML/CFT) regulations, which require RSPs and banks to identify

1 Remittances can be domestic, meaning that the sender and receiver of the remittances are within the same country (but still in disparate locations), or international, meaning that the sender transfers money from one country to a recipient in another country (Hougaard, 2008).

their customers before doing business with them and also throughout the business process to manage money laundering and terror-financing (ML-TF) risks, remains one of the key barriers to remittances flows across Africa. KYC refers to a commercial compliance concept, whereby institutions seek to manage compliance risk through the collection of specific documents from individuals before they can open accounts with them (Cooper et al., 2020a). This concept has elements of CDD. While it can be effective at managing compliance risk, Cooper et al. (2020a) have noted that it does not align to the objectives and purposes of the FATF recommendations.[2] CDD, however, is a more systematic risk management concept and is more defined in relation to elements such as developing customer risk profiles and ongoing monitoring. Customer identification and verification are part of CDD and the requirement to undertake CDD comes from the FATF, under recommendation 10. The FATF does not prescribe any specific identifiers to be used for CDD when compared to the KYC process. What the FATF does require, however, is that whichever process is used, a risk-based approach (RBA) be utilized when identifying and verifying prospective clients.[3]

Documentation requirements are a hindrance to accessing remittance services. Research by Cooper et al. (2018a) found that inflexible and slow progress in the implementation of an RBA to AML/CFT compliance is currently a barrier to remittances. This is because many individuals are not able to provide the set of identity documents that are typically required by institutions for KYC and CDD purposes. This is a challenge across the developing world, especially in sub-Saharan Africa, with data from the World Bank's Global Findex Database 2021 showing that 27 per cent of adults in the region are without an account at a formal financial institution, citing a lack of necessary documentation (such as an ID) as one of the reasons (World Bank, 2022a). Even for those who have an ID, gaining access to formal financial services can be a challenge. A World Bank (2019a) study found that 20 per cent of ID holders in sub-Saharan Africa still cannot open a bank account due to some other type of documentation requirement, such as the need to provide proof of address. These KYC and CDD requirements were confirmed to be a key impediment to remittance access by low-income, rural households and women in recent diagnostic studies by IFAD[4] conducted through Developing Markets Associates

[2] The FATF is the international standard setter and the global authority for anti-money laundering and combating the financing of terrorism. The FATF recommendations set out a comprehensive and consistent framework of measures that countries should implement in order to combat ML-TF risks, as well as the financing of proliferation of weapons of mass destruction. See: http://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html.

[3] The 2012 FATF Recommendations on the risk-based approach are intended to assist countries and their competent authorities, as well as the practitioners in the money transfer sector and in the banking sector that have or are considering providers as customers, to apply the risk-based approach associated to money or value transfer services. The risk-based approach, the cornerstone of the FATF Standards, requires that measures to combat ML-TF be commensurate with the risks. Such measures should not necessarily result into the categorization of all providers as inherently high-risk. The overall risks and threats are influenced by the extent and quality of the regulatory and supervisory frameworks as well as the implementation of risk-based controls and mitigating measures by each provider (FATF, 2012).

[4] IFAD is an international financial institution and a specialized United Nations agency based in Rome. IFAD has invested in rural people for 40 years, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. IFAD's multi-donor Financing Facility for Remittances (FFR) has aimed to maximize the impact of remittances on development, and to promote migrants' engagement in their countries of origin since 2006.

(DMA) Global, which assessed the state of remittance access in nine African countries: Cabo Verde, Ethiopia, Ghana, Kenya, Morocco, Senegal, South Africa, The Gambia and Uganda.

KYC and CDD barriers pose a threat to making further progress on financial inclusion, particularly for women and rural populations. Financial exclusion in Africa remains high, particularly for women and rural individuals, often due to the above-mentioned KYC barriers. For instance, in the gender gap in account ownership stood at 13 percentage points for sub-Saharan Africa in 2021, with 61 per cent of males having an account compared to 49 per cent of females according to the World Bank's 2021 Global Findex Database[5] (World Bank, 2022a). There are also considerable differences when it comes to access to formal financial services between urban and rural segments of the population in sub-Saharan Africa. Looking at the seven case study countries (where data is available), there is a 19.6-percentage point gap in urban versus rural account ownership in Ghana (76.1 per cent of the urban population have an account compared to 56.3 per cent of the rural population), the fourth highest in SSA, according to data from the 2021 Global Findex Database (World Bank, 2022a). The World Bank database also shows that in Senegal, Kenya and Uganda there is a 15.4, 14.5 and 21.1 percentage point gap respectively when it comes to urban versus rural account ownership (World Bank, 2022a). As such, there is a need to identify and implement opportunities to innovate on KYC and CDD to help address these divides.

Improving alignment with FATF recommendations will help enhance financial inclusion and financial integrity. As mentioned by Cenfri and the Alliance for Financial Inclusion (AFI) in their toolkit for aligning financial inclusion and financial integrity, implementation of the AML/CFT standards set by the FATF should result in enhanced access and development opportunities, if implemented correctly, as opposed to financial exclusion (AFI & Cenfri, 2020). Given this, it is therefore important to improve the way RSPs and financial institutions in Africa innovate and implement KYC and CDD requirements so that they align with the FATF recommendations in order to enhance financial integrity as well as financial inclusion.

The project aims to work with RSPs to help them innovate on their KYC and CDD controls. The aim of this project is to work with two RSPs in each of the following seven countries (The Gambia, Ghana, Kenya, Morocco, Senegal, South Africa and Uganda), and help them innovate on their KYC and CDD controls so that they are aligned with local regulatory frameworks and the FATF standards in order to enhance remittance access to rural and low-income beneficiaries. This research all forms part of IFAD's Platform for Remittances, Investment and Migrants' Entrepreneurship in Africa (PRIME Africa) initiative, which aims to enhance remittance access opportunities for low-income, rural households, and particularly women, to support livelihoods, thereby enhancing financial inclusion and sustainable development. It further builds on diagnostic studies conducted by IFAD through DMA Global in the seven countries as

[5] This includes owners of formal accounts which can be at a bank or other regulated institutions such as a credit union. Microfinance institution or mobile money service provider

discussed above, in order to identify opportunities for innovation on KYC and CDD compliance in those countries to unlock barriers to remittances.

Understanding the country context is the key first step. This research note aims to provide the basis for the above-mentioned intervention by assessing the state of identity systems and KYC and CDD regulatory frameworks in Ghana, Kenya, South Africa, The Gambia and Uganda. This is done in order to explore and understand the scope for innovation on KYC and CDD in line with current regulatory frameworks and FATF requirements. Understanding how best to innovate under the legal requirements also depends on assessing the state of identity technology and the scope to innovate using that technology. Innovating on KYC and CDD frameworks in alignment to FATF guidance on identity proofing, as far as local legislation allows, creates financial access opportunities for excluded and rural groups through the use of more robust and accessible identity proofing modalities, which can replace existing compliance barriers to accessing formal financial services.

3

Identity and financial inclusion

This section seeks to explore the concept of identity and how it relates to KYC and CDD processes and financial inclusion. This will be done by providing an overview of how identity is defined and understood, as well as how the concept of identity relates to KYC and CDD and the FATF requirements. Having this understanding in place will help to inform the rest of the research note, which will delve into identifying opportunities to innovate on KYC and CDD requirements in each country, in order to address barriers to remittances across countries in Africa.

3.1 The role of identity in KYC and CDD

Identity understood as a unique set of attributes. According to the World Bank, identity can be broadly defined as a set of attributes that can be used to uniquely identify a person (World Bank, 2018b). The attributes alone do not have to be unique, but when used in combination, the set of these attributes has to be unique. For example, a particular name of a person may not be unique but when this is combined with another attribute such as a biometric and a date of birth, it increases the probability of the person being uniquely identified (AFI, 2019) The FATF uses a similar definition of identity by referring to an "official identity" as "the specification of a unique natural person that: (a) is based on characteristics (attributes or identifiers) of the person that establish a person's uniqueness in the population or particular context(s), and (b), is recognized by the state for regulatory and other official purposes" (FATF, 2020a). The FATF's definition of an identity also includes one that can be used for official purposes but is not necessarily a requirement for commercial transactions unless required by law or where an official identity does not exist, does not exist for all or exists in a functional way. This differs from other broader concepts of personal and social identity that can be utilized for unofficial purposes such as unregulated commercial interactions that take place in person or over the internet (FATF, 2020a).

Being able to reliably identify and verify prospective clients is crucial in fight against financial crimes. Identity is, first and foremost, important in the fight against financial crimes. Effective identification of individuals in the financial system is essential for understanding criminal networks and prosecuting them. As a result, identifying a customer and verifying their identity is a central component of the FATF recommendations that countries are compelled to implement. This requirement currently falls under recommendation 10 and has been in place for a number of years across multiple iterations of the recommendations. The financial industry has since interpreted these recommendations as "KYC" requirements, which as previously mentioned, is more of a compliance rather than a risk mitigation concept used to describe CDD.

Focus on traditional, analogue and paper-based identity is hindering effective implementation of recommendation 10. The FATF's recommendation 10 specifically requires financial institutions to use "reliable, independent source documents, data or information" when identifying and verifying a customer's identity (FATF, 2020b). It further provides examples of key identity sources that can be used for such identification, such as national identity cards. However, financial service providers (FSPs) and regulators have taken this to mean customers need to have a specific set of documents for CDD, even though it does not impose any explicit requirements to use physical documents. This is compounded by the fact that countries typically have narrow definitions of identity that have not kept abreast with technological developments in recent years. Traditional ways of defining identity normally revolve around state-issued paper-based documents such as an ID card or book, a national passport or driver's licence – as well as other paper-based identifiers such as utility bills. As a result, these physical documents form the exclusive basis of CDD requirements in countries across SSA. According to the World Bank (2019a), an estimated 83 per cent of commercial banks within sub-Saharan Africa require a government-issued ID to open an account.

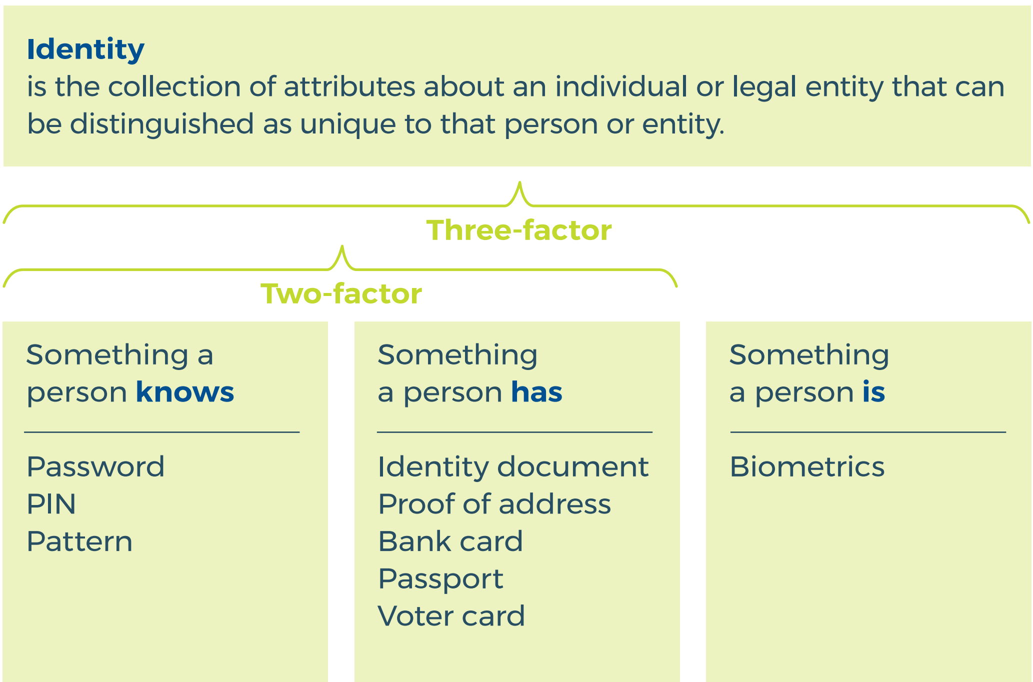
Disproportionate impact on women and rural people. The challenge with the above approach is that many people do not have access to such physical documents or are not able to physically present such documents due to transport and movement challenges. This is resulting in unnecessary exclusion of people, especially lower-risk individuals, due to their inability to prove their identity. The challenge is worse for women and rural people, who are even less likely to own such documents. For example, a study by AFI (2019) showed that women are less likely to possess proof of address documents because they are not allowed to own property in their culture of laws. Outside of regulatory issues, women face additional cultural and societal challenges that restrict their participation in economic activity (UNCTAD, 2021). Discussion of these is beyond scope of the current document.

3.2 New ways of understanding identity

Alignment with FATF recommendations with a view to enhancing financial integrity and financial inclusion requires a change in the way identity is defined and understood. Identifying people using different mechanisms that are potentially more appropriate and accessible can significantly reduce unnecessary exclusion and open up opportunities for those who struggle to prove their identity in traditional ways.

Growing use of alternative non-traditional identity systems benefits financial inclusion. Identity is starting to become delinked from physical, state-issued documents with the growing use of innovative, alternative approaches to identification being utilized. These alternative approaches are increasingly more effective and robust when compared to state-issued documents and registries in developing countries and also in some developed countries. To understand this, it is first important to explore the concept of identity in more detail. **FIGURE 1** provides an illustration of identity, showing that an *identity* is comprised of a number of different *identifiers*. Identifiers can also broadly be grouped into something a person has, something they are, and something they know. For example, a password, a PIN, an identity document, and biometrics are all identifiers that can form a person's "identity" when combined uniquely. As shown in **FIGURE 1**, an identity with more than one factor is a multi-factor identity. More factors improve the assurances[6] associated with that identity.

FIGURE 1: COMPONENTS OF IDENTITY



Source: Cooper et al. (2018b).

6 Assurances refers to the chance of false positives or false negatives. An identity system with a higher level of assurance is more likely to accurately and uniquely identity a person without error. In the context of a risk-based approach, higher risk customers should be identified using systems that have higher assurance levels.

Countries are increasingly using a combination of different identifiers and factors to identify individuals, as opposed to just using paper-based documentation. Some examples are shown below:

- **Biometrics.** This involves utilizing an individual's unique physical attributes such as their fingerprints, iris, voice, or facial features (i.e. something a person is) to establish their identity. Utilizing biometrics allows for more robust customer identification and verification when compared to paper-based identity verification methods, which are susceptible to fraud. Examples of how biometrics can be used include Ghana's national ID card platform (Ghana card), which captures biometrics and biographic information about individuals and stores this information on a chip within the card that is machine-readable (digitalized). This allows for digital methods of verification, including comparisons of the biometrics captured on the card versus the biometrics of the cardholder. Nigeria has a financial sector digital ID called the Bank Verification Number (BVN), which was developed for the purpose of robust CDD and identity management in the financial sector. It is a centralized repository containing identity information of all citizens in the financial system. It includes fingerprint and other biometric data, and each citizen has a unique BVN number. This number (and accompanying biometrics) can be used to open multiple financial service accounts completely remotely (with different providers) without redoing CDD and KYC (AFI, 2019).
- **GPS and location data.** GPS and location data can be used to verify proof of life as well as an individual's address (AFI, 2019). For example, in Brazil, banks use GPS data captured by customer's cell phones to consensually track their location and monitor the types of transactions they are making and where (AFI, 2019). This helps the bank to understand the ML risk that the consumer presents and whether or not current mitigation protocols are aligned to that risk. In Ghana, GPS data linked to a smartphone is being used in conjunction with facial images to create temporary identities that can serve as both proof of life and address (AFI, 2019). A geocoding system known as "what3words" is also being used in Ghana to provide every location in the country with a unique address consisting of three dictionary words.[7] This therefore provides individuals living in unaddressed areas, who would otherwise have no access to a traditional proof of address document, with an easy to remember (i.e. something a person knows) and verifiable address.
- **Email address.** This method uses an individual's email address as the main identifier (Cooper et al., 2019) In order for an individual to use their email address as their main identifier, they need to register it with a financial institution, government agency and/or an online platform that can facilitate payments (Cooper et al., 2019). An example of this is Australia's PayID, which allows individuals to register their bank account to an identifier proxy called a PayID, which can be, for example, be an email address. This PayID can then be used instead of a bank account number

7 See: https://what3words.com/about.

when receiving or making payments (Cooper et al., 2019). This provides another example of using something a person knows as an identity.

- **Near-field communication (NFC).** This is a wireless technology that allows for a device to collect data from a nearby device or tag that contains an NFC chip. For an NFC transaction or payment to be conducted, a physical NFC tag on a card or adhered to a mobile phone or an NFC chip integrated in a phone, is used to transfer payment instructions from the individual's account or mobile. MTN's Mobile Money (MoMoPay), for example, provides its customers in select countries with an NFC tag, which is linked to a mobile money wallet. Once a payment is initiated through close contact of the NFC tag and the MTN point of interaction the payment is validated via a customer's personal PIN before it is processed. This is an example of using something a person has (an NFC tag) and something a person knows (a PIN) for identification.
- **Mobile phone number and SIM card.** This approach uses an individual's phone number as an identifier. In some jurisdictions the mobile number and mobile money account number are the same, creating convenience for customers to transact. For example, Eswatini has an interoperable KYC process for SIM and mobile money. As such, an individual only has to go through the KYC process once. For instance, when registering for a SIM card, they also have the option to open a mobile money account, and vice versa. MoMo Pay is another example and allows users to store, send and receive money using their mobile phones. Each individual using this service has a unique account number, which is the same as their phone number. The benefit of using a mobile number as an identifier is that in most developing countries there is high penetration of mobile phones, which makes it highly accessible when compared to paper-based identity.
- **Quick Response (QR) code.** A QR code is a two-dimensional, scannable, tokenized image proxy. This code is readable with an imaging device such as a Point of Interaction (POI) device, webcam, or smartphone camera. An individual can be provided with a unique QR code, which contains their identity information, by their government, bank, online platform, or mobile wallet provider (AFI, 2019). An example is Mexico's Cobro Directo payment platform, which generates QR codes to send generated request-to-pay (RTP) via a mobile app or through a web browser. This code can therefore be used to identify a person when making payments and is an example of using something a person has for identification.
- **Non-state-based identity credentials.** Non-state-based identity credentials are those issued by private organizations to provide individuals without IDs with recognized identification documentation. For example, the United Nations High Commissioner for Refugees (UNHCR) can provide a registration and ID system in a country, which usually involves the issuance of ID cards and other credentials such as certificates clarifying a person's status, to refugees and asylum seekers (World Bank, 2018b). This has been utilized in Uganda, where UNHCR worked with the country's government to implement a refugee registration and ID system. This resulted in the issuance of refugee ID cards and certificates that are widely recognized and can be used to gain access to all services that a

non-national is entitled to, including formal financial services (World Bank, 2018b).

3.3 Identifying opportunities to innovate

For the purpose of this project, it is important to understand the various identity options that exist, so that opportunities to innovate are highlighted. However, it should also be noted that the extent to which the above can be utilized (and how) is dependent on the local regulatory environment, including data protection laws and infrastructure. For example, if biometrics are not recognized as a legal method for verification, or if regulation is specific in terms of how KYC and CDD need to be performed, then it becomes difficult to leverage these alternative forms of identification. In order to use alternative mechanisms for identification, it is crucial that countries have robust data protection and consumer protection frameworks in order to safeguard an individual's identity information from being misused and to promote trust in these identity systems. These frameworks could be developed in line with international standards on data protection, such as the European Union's General Data Protection Regulation (GPDR).[8] Taking these factors into account, the rest of this paper focuses on assessing KYC and CDD frameworks in Ghana, Kenya, South Africa, The Gambia and Uganda and the potential to innovate within these regulations.

[8] GDPR is a regulation that requires businesses to protect the personal data of EU citizens from misuse and exploitation for transactions that occur within EU member states. Available at: https://gdpr.eu/.

4 Country assessments: concept of identity, KYC and CDD and innovation regulation analysis

With an understanding of the concept of identity and how it relates to KYC and CDD, and financial inclusion in place, this chapter delves into these issues at a country level. This will be done by way of country assessments for Ghana, Kenya, Morocco, Senegal, South Africa, The Gambia and Uganda, each of which will discuss the following for each jurisdiction:

- How identity is defined;
- Existing KYC and CDD regulatory requirements;
- Regulation around KYC and CDD innovation; and
- What opportunities exist to innovate on KYC and CDD within existing frameworks.

This is intended to help RSPs to understand current KYC and CDD regulations in their respective countries and identity what innovations could be employed to help unlock barriers to remittances and enhance access to beneficiaries. Below is a summary of the cross-country key themes from the regulatory assessment.

4.1 Discussion on commonalities, differences and opportunities in identity in regulatory frameworks across the seven countries

A. KEY COMMONALTIES

The majority of AML/CFT frameworks across the seven countries have been issued or revised fairly recently, as of this publication. For example, Ghana issued a new AML ACT in 2020, Morocco introduced Promulgating Law No. 12-18 in 2021, Kenya amended its main AML/CFT act in 2019, Senegal's AML/CFT Law No.2018-03 was issued in 2018 and Uganda amended its AML Act in 2017. Of the seven countries, The Gambia's AML/CFT framework is the oldest, having been introduced in 2012. One commonality was that countries are seeking to move towards a risk-based approach as required by the FATF, although in the case of The Gambia, for example, a risk-based approach is advised but not compulsory per AML/CFT guidance. Despite this requirement for a risk-based approach, most countries are still struggling to put it into practice as will be discussed in more detail further in this report.

A strong preference for official government issued IDs across the seven countries than other forms of IDs. Across the frameworks of the seven countries, there was a strong preference for the use of "official" government issued IDs to facilitate access to formal remittance services, mainly in the form of a national ID card or passport. For example, while Ghana's AML Act 2020 does not prescribe specific identifiers to be used to establish evidence of identity, the Bank of Ghana issued a directive to make the national ID card (otherwise known as the GhanaCard) the sole form of identification permitted to undertake transactions at all licensed and regulated financial institutions effective 1 July 2022. This directive does not seem to be in alignment to AML/CFT guidance (issued by the Bank of Ghana and the Financial Intelligence Unit in 2019) allowing for institutions to serve segments of the Ghanaian population who lack any form of government-issued ID. In Uganda, the central bank issued a directive in 2019 making the National Identity Card (NIC) the primary identifier for KYC purposes for all institutions under its supervision, including commercial banks, credit institutions and microfinance deposit taking institutions, to be collected from Ugandan citizens. In addition to the NIC, citizens can also provide their driving licence. A passport is allowed for non-citizens, while a refugee card is allowed for refugees. In Morocco, the Carte Nationale d'Identité Électronique (CNIE) is the main identifier used. That said, in Kenya, Uganda and South Africa, refugee documents such as a refugee ID card are listed as additional identifiers that can be accepted for facilitating access to formal financial services, including remittance receiving.

KYC and CDD requirements tend to focus on the collection of traditional documents that may not be available to most low-income and rural households (such as proof of address). Most of the assessed AML/CFT frameworks mention of allowance for the use of reliable, independent data or information for customer identification and verification. That said, KYC and CDD requirements found in the frameworks revealed that regulated institutions still focus on the collection of traditional documents to identify and verify their customers. This is largely due the stipulation in accompanying laws of the documents that should be collected, and regulations and/or guidelines issued by regulators, resulting in institutions adopting a conservative approach to KYC and CDD. This creates barriers to accessing financial services, including remittances.

B. KEY DIFFERENCES

Countries differ in how they define and operationalize the concept of identity. In spite of the above commonalities, there are key differences regarding how countries define and operationalize the concept of identity. For example, in Ghana AML/CFT frameworks all define the concept of identity as "a set of attributes such as name(s) used, date of birth and the residential address including the code and digital address at which the customer can be located." Though very specific and restrictive, it still creates an opportunity for digital means that can help eliminate the need for proof of residence documents as part of the identification process. In South Africa, Guidance Note 7 does not prescribe identifiers, meaning that institutions have the flexibility to choose the type of information with which they will establish client identities. Once again this allows for innovation on alternative forms of ID. For countries where the concept of identity is not well defined, such as Morocco, Senegal, The Gambia and Uganda, this can open up opportunity for innovation as there is no hard coding of rules around what can and cannot be used to establish an identity (i.e. paper-based or non-paper-based digital forms of establishing identity).

Implementation of a risk-based approach (RBA) is mixed, with some countries making progress, but it remains a common challenge. The application of a risk-based approach is comprehensively mentioned throughout the laws, regulations and guideline frameworks of the seven countries, in alignment to FATF recommendations. The challenge, however, remains that the structure and implementation of laws and regulations is largely rules and compliance orientated, as reflected in the hardcoding of acceptable physical documents. This leads to institutions (such as RSPs) adopting a conservative approach to KYC and CDD. That said, some countries are making progress towards a risk-based approach. For example, South Africa published Guidance Note 7 in 2017, which is a progressive shift from the rules-based approach by focusing more on outcomes (i.e. the risks to be mitigated) than inputs (e.g. documents to be presented). Uganda's AML Amendment Act, 2017 does not make any specific provisions regarding which documents, in addition to the national ID, need to be collected (e.g. proof of address).

C. KEY OPPORTUNITIES

Opportunities exist for use of alternative identifiers to enhance remittance access to low-income and rural households Cenfri's regulatory analysis and RSP engagements have confirmed that opportunities exist for the use of alternative identifiers to help address identity challenges and facilitate access to remittance services within existing regulatory frameworks in some countries. For example:

- In Kenya, regulatory analysis revealed opportunities for RSPs to innovate on remote onboarding, remote identity proofing, eliminating the need for repeated presentation of customers IDs for transactions, among others (as outlined in the Prudential Guidelines on AML/CFT).
- In Uganda, innovation opportunities per existing regulation include scope for remote identity proofing without requiring customers to come into a branch with physical documents, use of collaborative digital KYC and identity systems for verification, as well as flexible KYC and CDD opportunities for forcibly displaced persons.
- In The Gambia, existing regulation allows RSPs to leverage biometrics-based identifiers for simplified KYC and CDD and use of identity proxies. In Ghana, the potential exists for mobile numbers to be used as proxy IDs.
- In the case of South Africa, Guidance Note 7 allows for the use of more robust identifiers, including proxy IDs in the CDD process.
- There is potential in Senegal for simplified due diligence to reduce/remove inappropriate documentation barriers for clients identified as low-risk individuals and receiving remittances for specific purposes.
- In Morocco, the regulatory framework allows for the use of alternative means of ID to enable excluded customers who do not have conventional national ID cards to receive remittances through the use of a document issued by an authorized Moroccan authority or recognized foreign authority, with the client's photograph. In addition, there is scope for simplified due diligence as long as RSPs adjust identity requirements in line with risk level of their clients.

Allowance for remote onboarding exists in some country frameworks. In addition to the potential for the use of alternative identifiers, some laws explicitly allow for remote identity proofing, which can be used to provide formal financial services to those in hard-to-reach areas. For example, Uganda's AML Amendment Act (2017) and Kenya's Prudential Guidelines on AML–CFT (2013) allow for non-face-to-face business relationships, with this provision being leveraged by some institutions to offer remote identity proofing for lower-value accounts. In addition, South Africa's Guidance Note 7 makes allowance for risk-based remote onboarding. The AML/CFT frameworks of Morocco and The Gambia also include provisions for remote onboarding.

Regulatory sandboxes are being implemented. In order to promote innovation within the financial services sector, some regulators have established regulatory sandboxes, which open up the door for RSPs to test new innovative measures and technologies around KYC and CDD to help enhance access to formal remittance services. For instance, the Bank of Uganda recently published the National Payment Systems (Sandbox) Regulations (2021) and the Bank of Ghana launched a Sandbox Pilot, with the latter specifically targeting remittance products and e-KYC among others.

4.2 Ghana

COUNTRY CONTEXT

Regionally outperforming economy with large youth population. Ghana has one of the fastest growing economies in sub-Saharan Africa, registering real GDP growth of 6.5 per cent in 2019, more than double the sub-Saharan African average of 2.3 per cent, with a nominal GDP of US$67 billion, according to World Bank data (World Bank, 2021). The country has a population of around 30 million with approximately 57 per cent of the population under the age of 25 (CIA, 2021). The population is 49 per cent female and roughly 43 per cent live in rural areas (World Bank, 2021).

Ghana a net receiver of remittances and a considerable sending market in West Africa. Ghana is a net receiver of remittances, having received US$4.5 billion in cross-border remittances in 2021, equivalent to 5.9 per cent of GDP (World Bank, 2022b). The main sending corridors for remittances into Ghana are the United States (28 per cent), Nigeria (19 per cent) and the United Kingdom (14 per cent) (DMA Global, 2020a). Remittances play an important role in the livelihoods of an estimated 600,000 families in the country (DMA Global, 2020a). Ghana is also a considerable sending market in West Africa, having sent an estimated US$667 million in 2019, overwhelmingly to Nigeria followed by neighbouring Togo and Burkina Faso according to World Bank Data (World Bank, 2020c).

Financial inclusion rising but access to documentation remains a challenge to further expansion. Data from the World Bank's Global Findex Database 2021 shows that the percentage of adults (those aged 15 years and above) in Ghana with access to an account (at a bank or another type of financial institution or those with a mobile money account) has increased significantly from 29 per cent in 2011 to 68 per cent in 2021 (World Bank, 2022a). Seventy-four per cent (74 per cent) of adult men compared to 63 per cent of adult women reported having an account in 2021 (World Bank, 2022a). In rural areas, 57 per cent of adults reported having an account (World Bank, 2022a). The government aims at increasing national financial inclusion levels to 85 per cent of adults by 2023 as part of its National Financial Inclusion Strategy. Yet, 16 per cent of adults in the country cite lack of necessary documents as a reason for not having an account (World Bank, 2022a).[9] This highlights the need for innovation around KYC and CDD, which will not only help break down barriers for those who are currently excluded from accessing formal financial services but will also enhance access for those who are already formally financially included.

New AML/CFT Act 2020 addresses deficiencies identified in old AML Act 2008. In 2021, it was announced that Ghana had been removed from the FATF's list of jurisdictions under increased monitoring or "grey list" having taken steps to develop and strengthen its AML/CFT regime. These steps include the promulgation of the new Anti-Money Laundering Act, 2020 (Act 1044) to address deficiencies identified by the FATF in its old Anti Money Laundering

[9] A valid ID is required to open an RSP account. Banks also require proof of residential address.

Act, 2008 (Act 749). The deficiencies that have been addressed by the new Act include revisions to governance and administrative structure of the Financial Intelligence Centre (FIC), widening the scope of the offence of money laundering, addressing the emergence of innovative technologies through the inclusion of the concept of a virtual asset service provider and more stringent sanctions for money laundering offences (Ghanaweb, 2021; N. Dowuona & Company, 2021).

IDENTITY AND KYC AND CDD IN THE COUNTRY

CONCEPT OF IDENTITY AND IDENTITY ECOSYSTEM

Concept of identity defined in AML/CFT Guideline. The concept of identity in the financial sector is defined in the AML/CFT Guideline for Banks and Non-Bank Financial Institutions issued by the Bank of Ghana (BoG) and the Financial Intelligence Centre (FIC). Under Section 2.5 of the Guideline, it defines identity as "a set of attributes such as name(s) used, date of birth and the residential address including the code and digital address at which the customer can be located," which can be used to "uniquely identify a natural or legal persons." This provides a clear set of information that financial service providers are required to collect from their customers and allows for an innovative approach to be used for establishing a person's address using digital means.

Seven major ID systems used in Ghana. There are seven major identification (ID) systems used in Ghana, which are: birth certificates; voter ID cards, national health insurance cards, driving licences, passports, national ID cards (Ghana Card) and SIM cards (Africa Digital Rights' Hub LBG, 2020). **TABLE 1** shows the extent of their coverage and how they can be used. The Ghana card, voter ID card, passport, national health insurance card and driving licences are biometric based, which can play a vital role in providing secure and convenient verification of customers for onboarding at financial institutions.

Challenges regarding Ghana card issues. According to Ghana's National Identification Authority (NIA), 15.8 million Ghana Cards had been issued as of August 2022, representing 51 per cent of the eligible population (MyJoyOnline, 2022). There have been challenges to the issuance of the GhanaCard, including congestion at registration centres leading to delays in getting people registered, as well as backlogs in receiving the card for those who have already registered for it (Biometric Update, 2022; Quartz Africa, 2022).

TABLE 1: GHANA IDENTITY ECOSYSTEM

Credential	Issuing and governing authority	Extent of coverage	Use cases	Biometrics	Potential proxy IDs
Birth certificate	Births and Deaths Registry	Approximately 70% of births registered	Required to gain access to other ID systems	None	Birth registration number
Voter ID	The Electoral Commission	17 million eligible and registered Ghanaians (18+ years) at the end of the limited voter registration in July 2019	Voting, financial and other services	Fingerprints, photograph	Voter ID card number
National health insurance card	National Health Insurance Authority	Total active membership represents about 38% of the population of Ghana	Healthcare services	Fingerprints, photograph	Membership identification card number
Driving licence	Driver and Vehicle Licensing Authority	No data available	Driving vehicles, financial and other services	Fingerprints, photograph	Driving licence number, phone number
Passport	Ministry of Foreign Affairs and Regional Integration	No data available	Travel, financial and other private and public services	Fingerprints, photograph	Passport number
Ghana Card[10]	National Identification Authority	15.8 million issued as at end of August 2022	Application for and issuance of a passport, driving licence, opening of individual or personal bank accounts, registration of voters, registration of SIM cards; applications for public or government services	Fingerprints, photograph	Ghana card number
SIM card	Issued by mobile network operators and governed by the Ministry of Communication through the National Communications Authority (NCA)	17 million unique mobile subscribers	Telecommunications, mobile banking, digital credit services	None	Phone number

Sources: Africa Digital Rights' Hub LBG (2020), GSMA (2020a), MyJoyOnline (2022).

[10] Ghana's national ID card (or Ghana card as it is commonly known) was launched in 2017 to become the country's primary national ID, serving as a proof of identity, citizenship and residence identifier. The card enables identification of individuals based on biometric information, specifically fingerprints. Each card is valid for 10 years and contains the name, sex, date of birth, height, personal ID number, expiration date, and biometrics in a machine-readable 2D-barcode. The cards also carry the holder's signature (World Bank, 2017). This card is intended to bring an end to the issuance of multiple ID cards by different government agencies by serving as the central data repository for authenticating personal credentials (GSMA, 2020).

REGULATORY REQUIREMENTS FOR KYC AND CDD

TABLE 2 displays the AML/CFT laws, regulations and guidelines which have been reviewed for the Ghana country assessment. The content of the following paragraphs is based on this analysis.

TABLE 2: REVIEWED REGULATORY DOCUMENTS

Name of document	Issuing authority	Year of issuance
Guidelines for Inward Remittance Services by Payment Service Providers	Bank of Ghana	2021
Anti-Money Laundering Act, 2020	Bank of Ghana	2020
Anti-Money Laundering/Combatting The Financing of Terrorism and The Proliferation of Weapons of Mass Destruction Guideline for Banks and Non-Bank Financial Institutions in Ghana	Bank of Ghana and Financial Intelligence Centre	2018
Anti-Money Laundering/Combating the Financing of Terrorism & The Proliferation of Weapons of Mass Destruction Guidelines for Market Operators	Securities and Exchange Commission and Financial Intelligence Centre	2019
Guidelines for E-money Issuers in Ghana	Bank of Ghana	2015
Payment Systems and Services Act, 2019	Bank of Ghana	2019

Ghana card set to replace identifiers outlined in legislation and guidelines as sole form of identity for financial sector transactions. While Ghana's AML Act 2020 does not prescribe specific identifiers to be used to establish evidence of identity, the AML/CFT Guideline for bank and non-bank financial institutions, the Payment Systems and Services Act 2019 and the Guidelines for E-money Issuers provide a list of types of identification that are acceptable for CDD purposes for financial sector transactions.[11] These allowed identifiers are outlined in **TABLE 3**. These identifiers are however set to be replaced by the national ID card (otherwise known as the GhanaCard), which will become the sole form of identification permitted to undertake transactions at all Bank of Ghana licensed and regulated financial institutions effective 1 July 2022, under a recently issued notice by the Bank of Ghana (Bank of Ghana, 2022a). This notice has since been followed up with supervisory guidance note to provide further clarity on the use of the GhanaCard for financial transactions (Bank of Ghana, 2022b). When it comes to the verification of identify, Section 1.5 of Ghana's AML/CFT Guideline for Bank and Non-Bank Financial Institutions stipulates that regulated entities should "identify their customers (whether permanent or occasional; natural or legal persons; or legal arrangements) and verify the customers' identities using reliable, independently sourced documents, data or information." They further state that regulated entities "can apply the CDD procedures on a risk-based approach."

[11] See Section 2.25 of the AML–CFT Guideline for Bank and Non-Bank Financial Institutions, Section 35 of Ghana's Payment Systems and Services Act 2019, and Chapter 3 Section 15 of the Guidelines for E-money Issuers.

The AML/CFT Guideline allows for regulated entities to be more accommodating in their KYC and customer due diligence practices to serve individuals without any form of government issued ID. Section 2.54 of the AML/CFT Guideline for Banks and Non-Bank Financial Institutions allows regulated entities to be more accommodating in their KYC and customer due diligence practices in order to provide formal financial services to "socially and financially disadvantaged" segments of the Ghanaian population who lack any form of government-issued ID (or the GhanaCard primarily from 1 July 2022). This provision allows bank and non-bank financial institutions (including RSPs) to accept a letter or statement as proof of identity for individuals who do not have any form of government-issued ID. This possibility is under the condition that the aforementioned individual is accompanied by a person who can confirm their identity as outlined in the letter or statement and who can present a valid form of government-issued ID.

Tiered KYC in place for mobile money accounts. Chapter 3, Section 15 of Ghana's Guidelines for E-Money Issuers requires electronic money issuers (EMIs) to utilize a three-tiered KYC account structure when it comes to customer identification when opening various types of electronic money (e-money) accounts. Under this approach, customer identification requirements differ based on the assessed risk level of that individual. For example, minimum KYC accounts (the lowest tier) allows EMIs to collect a type of photo ID that can reliably identify a customer at onboarding, precluding the need for proof of address, whereas enhanced KYC accounts (the highest tier) requires individuals to submit at least one form of proof of address in addition to an acceptable ID.

TABLE 3: DOCUMENTS TO BE USED AS EVIDENCE OF IDENTITY AND ADDRESS

AML/CFT guidelines		Payment Systems and Services Act 2019	Guidelines for E-Money Issuers in Ghana
Evidence of identity	**Evidence of address**	**Types of identification acceptable for CDD purposes**	
• Valid passport • Resident permit issued by the Ghana Immigration Service • Driving licence • National identity card • Tax clearance certificate • Birth certificate • Voters ID • Social Security and National Insurance Trust (SSNIT) Biometric Card	• Record of home visit • Confirmation from the electoral register that a person of that name lives at that address • Recent utility bill (e.g. water, electricity and telephone bills, etc.) • State/local government rates documents • Bank statement or passbook containing current address • Solicitor's letter confirming recent house purchase or search report from the Lands Commission; • Tenancy Agreement • Search reports on prospective customers place of employment and residence signed by a senior officer of the financial institution	• National identification card • Voter identification card • Driving licence • National Health Insurance Scheme Identification Card • Passport • Biometrics • Any other type of identification determined by the Bank of Ghana	• National ID • Voter ID • Driving licence • National Health Insurance Scheme (NHIS) ID, • SSNIT ID • Passport

Sources: BoG (2015), BoG/FIC (2018); BoG (2019), SEC/FIC (2019); NIC/FIC (2019).

Certified copies of documents allowed for non-face-to-face identification. Non face-to-face onboarding is discussed in Ghana's AML/CFT guidelines, which allow for the use of "copies certified by a lawyer, notary public/ court of competent jurisdiction banker, accountant, senior public servant or person of appropriate seniority in the private sector," to be used as documentary evidence of a customer's identity.[12] Section 2.31 of the AML/CFT Guidelines for Banks and Non-Bank Financial Institutions and Section 2.6.8 of the AML/CFT Guidelines for Insurance Companies also mention that "the absence of face-to-face contact may indicate a higher money laundering and terrorism financing [ML/TF] risk situation," with this being complemented by a statement that confirms that the risk of non-face-to-face contact can be counter-balanced "through the adoption of alternative identification mechanisms, which can provide adequate risk mitigation measures."

Records to be kept for a minimum of six years. What record is kept, how and for how long impacts the type of identity that can be acceptable. Section 23(1) of Ghana's AML/CFT Act requires regulated institutions to keep records of "the identity of the person or the agent of the person, transaction made through the accountable institutions and suspicious transactions reports made to the Centre."[13] Section 24 (1) of the AML–ACFT Act requires these records be kept for "(a) not less than six years after the date on which a relationship is terminated in case of a business relationship, or (b) not less than six years after the date a transaction is concluded." This is in line with FATF recommendations on CDD for record keeping. These records are allowed to be "kept on a computer system or an electronic device capable of being used to store information," according to Section 23(3) of the AML/CFT Act. These record keeping requirements indicate that institutions are able to utilize soft copies (in electronic form) for record keeping purposes and that individuals are not required to share physical documents with them.

REGULATION ON INNOVATION

Launch of regulatory sandbox bodes well for innovation in KYC and CDD. In February 2021, the Bank of Ghana announced the launch of a regulatory and innovation sandbox for financial sector innovators (Bank of Ghana, 2021). This sandbox will be open to banks, specialized deposit-taking institutions, payment service providers, as well as entities and persons that have innovations that meet the following requirements (Bank of Ghana, 2021):

- Prove to be developing new digital business models not currently covered explicitly or implicitly under any regulation;
- Be developing new and immature digital financial service technology; and
- Be developing innovative digital financial services products that have the potential of addressing a persistent financial inclusion challenge.

[12] This can be found under Section 2.31 of the AML–CFT Guidelines for Banks and Non-Bank Financial Institutions, Section 2.5.3 of the AML–CFT Guidelines for Insurance Companies and Intermediaries and Section 2.13 of the AML–CFT Compliance Manual for Market Operators.

[13] The Centre refers to Ghana's Financial Intelligence Centre.

The Bank of Ghana stipulates that preference will be given to products and services "leveraging blockchain technology, remittance products, crowdfunding products and services, e-KYC platforms, regulatory technology (regtech), supervisory technology (suptech) digital banking, products and services targeting women financial inclusion" (Bank of Ghana, 2021). This sandbox approach bodes well for encouraging innovation around KYC and CDD, which could help break down barriers to remittance access. This could open opportunities for RSPs to innovate on new remittance products, which could address access challenges and utilize new e-KYC platforms for customer identification and verification.

SCOPE FOR KYC AND CDD INNOVATION

There is flexibility for RSPs to serve individuals without any form of government issued identity. Provisions set out in Section 2.54 of Ghana's AML/CFT Guideline for Bank and Non-Bank Financial institutions means the regulated entities (including RSPs) can develop their own internal policies and procedures to adjust their KYC and CDD practices to accommodate and serve individuals without a valid form of government issued ID. As a result, bank and non-bank financial institutions are able to provide financial services (including remittances) to a larger customer base by serving individuals who ordinarily would have been turned away due to the fact that they lack an ID, thus providing opportunities to enhance and grow their business.

AML/CFT frameworks accommodating of KYC and CDD innovative solutions for identification purposes. Ghana's AML/CFT frameworks do not explicitly rule out the use of innovative non-traditional identifier solutions as a means for customer identification and verification as guidelines allow for use of reliable data or information to be used when identifying and verifying the identity of an individual. In addition, the guidelines also state that as "as an alternative or supplementary to documentary evidence of identity and address, the applicant's identity, address and other available information may be checked electronically by accessing other databases or sources. Each source may be used separately as an alternative to one or more documentary checks."[14] This suggests opportunities to innovate on identity within the current regulatory frameworks to simplify KYC and CDD processes to the benefit of those without traditional identifiers. This could include the elimination or reduced use of documents such as proof of residential address or use of technology such as digital IDs and/or ID proxies. Below is an overview of some of the promising KYC and CDD innovations in Ghana.

Uptake of biometrics-based national ID card can provide individuals with a robust form of legal identity. The Ghana Card enables identification of individuals based on biometric information, specifically fingerprints. Once onboarded and with biometrics captured, this opens up the possibility of individuals being able to open accounts at financial institutions (or remotely) using their biometric identity without the need for paper-based forms of

[14] This can be found under Section 2.28 of the guidelines for bank and non-bank financial institutions, Section 2.6.5 of the guidelines for insurers and Section 2.23 of the guidelines for capital market operators.

identification, including proof of address. This card also has online verification and authentication capabilities which can enable service providers, such as financial institutions to accurately verify the identity of their customers.[15] As of the end of 2019, 5.9 million Ghanaians had been registered for the GhanaCard (Ghana Web, 2020). As outlined previously, the use of biometrics by institutions for CDD purposes is already allowed as stipulated in the Payment Systems and Services Act 2019.

Digital address system can help eliminate the need for proof of residence document but access problems could be a barrier. The National Digital Property Addressing System (NDPAS), also referred to as the Ghana Post GPS was launched in 2017 to provide every property in the country with a unique digital address (Amar InfoTech, 2018).The digital addresses are nine characters long, consisting of a postal code combined with a four-digit unique location code.[16] The use of this system has resulted in 16.1 billion addresses being generated for the whole of the country (Atinka, 2017). This system is accessible via a smartphone application, tablet or computer, allowing individuals to register their home and/or business addresses. One of its functions is that it can be utilized to open a bank account. This unique digital address therefore provides the opportunity to eliminate the need for a paper-based form of proof of address. Ghana's digital financial services policy speaks to how linking this digital addressing system with the GhanaCard could allow for remote account opening (Ghana Ministry of Finance, 2020). That said, while coverage of the system is high, access could be a challenge with approximately only 50 per cent of the Ghanaian population having access to smartphone devices (GSMA, 2020b).This could mean that significant numbers of low-income and rural individuals may not have access to the requisite digital technologies to benefit from this system when it comes to accessing formal financial services.

Potential for mobile numbers to be used as a proxy ID. In Ghana, KYC requirements are in place for SIM card registrations, meaning that individuals have to provide a valid identity document and address information in order to register for or activate a SIM card (GSMA, 2020c). This means that a SIM card can be linked to an identity, which opens up the possibility to use an individual's phone number as an identifier. This however can only be achieved once the ongoing re-registration of SIM cards is completed as deficiencies including the sale and use of pre-registered SIM cards and issues of fraudulent registration have been found (Ghana Ministry of Communications, 2019; Mobile Money Africa, 2019). Once these databases are re-checked and verified, a mobile number registered with a financial institution and linked to an individual's account number could be used to facilitate payments, such as sending remittances (Cooper et al., 2019).

OTHER REGULATORY CONSIDERATIONS

Presence of a data protection framework can help enhance trust and usage of innovative identity solutions. Ghana has a data protection framework in place in the form of its Data Protection Act of 2012 (Act 843). This

[15] Available at: https://www.nia.gov.gh/verification.html.

[16] Available at: https://www.ghanapostgps.com/.

act outlines rules governing the collection, use, disclosure and care for your personal data. It stipulates that consent is required in the collection, usage and disclosure of personal data. It also established the Data Protection Commission Ghana, an independent statutory body mandated to ensure and enforce compliance of the legislation. The act is in alignment to GDPR with regards to data protection principles on consent, data minimization (i.e. collecting only as much data as is necessary), accuracy and quality of information, data storage limitations, integrity and confidentiality. This legislation can help safeguard individuals' personal information against data breaches and misuse. This can help build trust and usage of non-traditional identifiers such as digital IDs by Ghanaians.

4.3 Kenya

COUNTRY CONTEXT

Kenya is one the fastest growing economies in Africa. Kenya is the largest and most advanced economy in East Africa and represents a significant share of intra-regional trade. The country is deeply integrated in the region, attracts a large share of foreign direct investment and is an important destination for migrants (Cooper et al., 2020c). The Kenyan economy has been strongly hit by the COVID-19 crisis and experienced a contraction in GDP growth by 0.4 per cent in the first half of 2020, compared to a growth rate of 5.4 per cent in 2019 (World Bank, 2020c).

Kenya has a young, largely rural population and hosts a large number of refugees and asylum seekers. Kenya's population is 52.6 million, of which 39 per cent are below the age of 15, of whom 72 per cent reside in rural areas (World Bank, 2019c; World Bank, 2019d; World Bank, 2019e). In 2020, the World Bank reported 539,084 refugees and asylum seekers residing in Kenya, thus making Kenya the fourth largest refugee host country in Africa, after Uganda, Sudan and Ethiopia (UNHCR, 2018).

Kenya is a remittance-receiving country with a digitalized remittance market. Remittances account for nearly 3 per cent of GDP and are a leading source of foreign exchange in Kenya (DMA Global, 2020b). The remittance inflows into Kenya hit a record high in 2021 at US$3.718 billion compared to outflows at US$710 million (Central Bank of Kenya, 2022).

Financial inclusion, although gender and rural-urban gaps exist. Kenya has one of the highest financial inclusion rates in Africa with 83 per cent of people being formally financially included (Central Bank of Kenya; KNBS; FSD Kenya, 2019). This is largely the case due to the high adoption of mobile money (DMA Global, 2020c). However, there is a gender gap with 86 per cent of men versus 80 per cent of women being formally included. Moreover, the levels of financial inclusion are clearly higher in urban areas where 91 per cent of individuals are formally included versus only 77 per cent of individuals in rural areas (Central Bank of Kenya; KNBS; FSD Kenya, 2019).

Kenya's National Payment System Strategy aims at encouraging the integration of digital identity. The Central Bank of Kenya has developed the National Payments System (NPS) Vision and Strategy and published the final document in February 2022 (AFI, 2022). Innovation is one of the five core principles of this strategy and the integration of digital identity information to facilitate electronic KYC is among the strategic initiatives (Central Bank of Kenya, 2022). This action is aimed at enhancing customer identification and verification processes. Under this action it is highlighted that marginalized segments of the population should be able to access digital payments, despite a lack of electronic KYC or identity documents (Central Bank of Kenya, 2020; Central Bank of Kenya, 2022).

A robust AML/CFT framework is crucial for a regional economic hub like Kenya. Kenya's role as a regional economic hub makes a robust level of financial integrity even more important than for other countries. This is because regional economic hubs can act as channels for illicit financial flows, thereby in effect regionalizing illicit financial flows (IFFs). Moreover, this heightened risk of IFFS can lead to the practice of de-risking which then adversely affects capital flows and financial inclusion (Cooper et al., 2020c). Hence, the regulatory framework and practice should not undermine inclusion. According to the latest mutual evaluation progress report, Kenya made significant progress in addressing the KYC and CDD related deficiencies that had been identified in the mutual evaluation report from 2011 (ESAAMLG, 2018). As a result, Kenya only has to report progress on the non-key and non-core recommendations that were made in the mutual evaluation report. These recommendations are not directly relevant in the context of CDD (ESAAMLG, 2018).

IDENTITY AND KYC AND CDD IN THE COUNTRY

CONCEPT OF IDENTITY AND IDENTITY ECOSYSTEM

The Proceeds of Crime and Anti-Money Laundering Act makes provisions for the documents that can define identity. The Proceeds of Crime and Anti-Money Laundering (POCAML) Act is the backbone of Kenya's AML/CFT regime. While this document does not define identity, it does prescribe the identity documents that can be utilized to verify a customer's identity which will be further explored in the following sub-chapter.

Kenya has a complex identity ecosystem where the national identification card is the main identifier. The national identification card is the main identity document that is used for accessing both government and private sector services. It captures details such as the name, date and place of birth, occupation, place of residence and postal address, finger and thumb impression (National Council for Law Reporting, 2012). In addition to this identity document, a range of other important identifiers from both the government and the private sector exist. **TABLE 4** gives an overview of the most important identifiers available in the Kenyan identity ecosystem.

TABLE 4: KENYA'S IDENTITY ECOSYSTEM

Credential	Issuing and governing authority	Extent of coverage	Use cases	Biometrics	Potential proxy IDs
National ID Card	National Registration Bureau (NRB), under the Ministry of Interior	88% of Kenyans above 18 years (2016)	Foundational credential which is required to access most government and financial services and a SIM card – FSPs can access database	Photograph, fingerprints, signature	National ID number, serial number
Passport	Department of Immigration Services under the Ministry of Interior and Coordination of National Government	No data	Used to verify one's country of citizenship. If traveling outside of Kenya, it is used to regain entry into Kenya	Photograph	Passport number
NTSA smart driving license	National Transport and Safety Authority (NTSA)	Three million users are registered in the NTSA database (2019)	Issued as an authority to allow a person to drive a motor vehicle of any class on a road – insurance providers can access database	Photograph	Phone number, KRA PIN, national ID number, smart driving license number
Birth certificate	Department of Civil Registration under the Ministry of Interior	Registration rate of 67% for males and 66% for females for children under five (2016)	Foundational credential, which is required for a passport, social protection and often also for a national ID card application	No biometrics captured	Birth entry number
SIM card	Ministry of Information, Communications, Technology	52.9 million unique mobile connections (2019)	Internet data, access to mobile banking, digital credit	No data	Phone number, national ID number
Refugee ID card	National Registration Bureau, under the Refugee Affairs Secretariat	No data	Foundational credential which is required to access most government and financial services and a SIM card – FSPs can access database	Fingerprint, photograph, signature	Serial number, individual number
Digital Credit profile	Issued by providers, governed by the Central Bank of Kenya and the Communications Authority of Kenya	Approximately 35% of Kenyan adults have borrowed digitally (2017)	Digital credit application	No biometrics captured	Phone number, Email, national ID number
National Safety Nets Programme-card	Ministry of East African Community, Labour and Social Protection, Ministry of Devolution, ASALs	Approx. 250,000 households (2016)	Access to cash transfer based social protection programmes	Fingerprints	National ID number
National Hospital Insurance Fund Health (NHIF) Card	Ministry of Health, National Treasury	Approximately 25 million Kenyans (2016)	Access state subsidized healthcare	Photograph, signature	Email address, mobile number
Independent Electoral and Boundaries Commission (IEBC)	Professional Secretariat	19.6 million Kenyans registered to vote (2017)	Required for voting	Photograph, fingerprints	No data
Kenyan Revenue Authority (KRA) Personal Identification number	KRA (issuer), National treasury (governing institution)	3.2 million Kenyans filed tax returns in 2017	Tax reporting	No data	No data

Sources: (NTSA, 2016; Caribou Digital, 2019; GSMA, 2020 a; Anon., 2018).

Gaps in coverage of NID exist. As of 2018, 88 per cent of Kenyans above 18 years of age had an NID (Caribou Digital, 2019). Although this is a high coverage, a gap nevertheless remains, potentially preventing individuals from accessing public and private sector services.

Refugees face documentation barriers due to delays in the refugee status determination process. Once asylum seekers have been registered at the Refugee Affairs Secretariat (RAS), they receive a Proof of Registration, a Movement Pass or a Waiting Slip. The Proof of Registration is the most common issued document – the movement pass is only issued to asylum seekers with travel intentions and the waiting slip is only issued to *prima facie* refugees. After asylum seekers are registered, they have to undergo a refugee status determination interview (RSD) after which they receive an appointment slip. If the asylum application has been successful, the applicant can apply for a refugee ID card. Currently, refugees and asylum seekers who enter a branch to receive remittances in cash must present their refugee identification card to comply with CDD requirements (stakeholder interviews, 2022). However, there are significant delays related to the issuance of the refugee identification card due to long waiting times (three years or longer) during the refugee status determination process (UNHCR, 2020).

An integrated database system exists. The Integrated Population Registration System (IPRS) is an integrated database that can be used by both government stakeholders and private sector actors such as banks, RSPs and mobile operators to validate customer IDs. Currently, the following five identity systems in Kenya share information with the IPRS: the National Registration Bureau, the Department of Civil Registration, the Department of Immigration Services, the Refugee Affairs Secretariat, and the three Credit Reference Bureaus. For some of these services, the IPRS charges fees. In addition to this database, Kenya is currently implementing a digital ID system. A crucial part of the digital ID system is to create and manage the National Integrated Identity Management System, which is a centralized master population register of all citizens and resident foreigners that will get issued a unique identification number. By May 2019, the biometrics of 31 million people had been registered in the context of this project (GSMA, 2020a).

Mobile phone numbers are robust proxy IDs. Mobile network operators (MNOs) have to ensure that agents verify identification documents presented by subscribers at the time of registration with the IPRS (Communications Authority Kenya, 2018). This implies that mobile phone numbers are robust proxy IDs because the respective subscriber has been verified against a public database (Cooper et al., 2019). Consequently, the SIM card can be linked to an identity, which opens up the possibility to use an individual's phone number as an identifier. Safaricom has APIs in place that can be leveraged by RSPs in order to validate customers through their mobile numbers.

REGULATORY REQUIREMENTS FOR KYC AND CDD

Comprehensive regulatory framework sets KYC and CDD requirements. The POCAML Act is the most comprehensive piece of AML/CFT legislation in Kenya and establishes the Financial Reporting Centre. **TABLE 5** displays the regulatory documents that have been reviewed for the Kenya country assessment. The content of the following paragraphs is based on this analysis. There are also specific guidelines for the insurance industry and capital markets that are not relevant in the context of remittances, and hence have not been reviewed.

TABLE 5: REVIEWED REGULATORY DOCUMENTS

Name of the document	Issuing authority	Year of issuance
Proceeds of Crime and Anti-Money Laundering (POCAML) Act	Central Bank of Kenya	2009, latest amendment is from 2019
POCAML Regulations	Central Bank of Kenya	2013
NPS Regulations	Central Bank of Kenya	2014
Money Remittance Regulations	Central Bank of Kenya	2013
Guideline on AML/CFT	Central Bank of Kenya	2013
AML Regulations for the Provision of Mobile Payment Services	Central Bank of Kenya	2013
Guideline on Agent Banking	Central Bank of Kenya	2010

Financial institutions are required to adopt an RBA to KYC and CDD. The POCAML Act does not mention the risk-based approach. Instead, it states that reasonable measures should be taken by institutions to verify customer identity. The POCAML Regulations and the guidelines on AML–CFT, however, make provisions that financial institutions have to adopt a risk-based approach. This is in line with the FATF recommendations. The guidance that is provided regarding the risk-based approach, however, focuses on the high-risk case while the low-risk case and correspondingly, simplified KYC and CDD measures are not mentioned.

KYC and CDD has to be carried out for accounts opening and one-off payments. Customer identity verification has to be carried out when a customer seeks "to enter into a business relationship with it or to carry out a transaction or series of transactions" as stated in the POCAML Act under Section 45.1 (Central Bank of Kenya, 2009). This is in line with FATF recommendation 10 on CDD. It implies that if a customer wants to open an account or wants to conduct a one-off payment or a series of payments which can be deemed as one-off, their identity has to be verified.

The CDD requirements focus on the provision of official identity documents, especially the national ID. Despite seemingly flexible requirements as noted above, the POCAML Act as well as the guidelines on AML/CFT provide specific guidance regarding the methodologies for verifying identity. Section 45.1 of the POCAML Act makes the provision that reporting institutions have to require the "the applicant to produce an official record reasonably capable of establishing the true identity of the applicant." Under this section, it lists the following four identity documents: (i) a birth certificate; (ii) a national identity card; (iii) a driving licence; (iv) a passport. Payment service providers and money remittance operators have to collect either the identity card or passport number of their customers, according to the NPS Regulations (Section 12.1) and the Money Remittance Regulations (Section 33.2). This means that the national identity card is the main identifier applicable to RSPs.

The refugee ID is the main identifier for refugees. According to the Money Remittance Regulations (2013), the refugee identification card, the UNCHR card or any other additional documents that the money remittance operator may consider necessary are acceptable means of identification in the case of refugees. These "any other additional documents'' can be approved by the CBK based on a request submitted by the money remittance operator. In practice, RSPs rely on the refugee ID card given that the UNHCR card has been phased out (Stakeholder Interviews, 2022).

Regulation makes provisions for additional identifies and customer details. The POCAML Regulations stipulate additional identifiers and customer details that may be used for customer identification and verification under Section 13.2, such as (a) postal address; (b) current physical or residential address; (c) utility bill, including among others an electricity or a water bill; (d) occupation or employment details; (e) source of income; (f) nature and location of business activity; and (g) income tax PIN. In practice, most RSPs require details such as the residential address or occupation details but do not require a utility bill or the PIN.

Payment service providers are required to use the IPRS for verification. According to the National Payment Systems Regulations, payment service providers are required to "maintain a register containing identification details of all customers and the funds outstanding in their e-money accounts" (Central Bank of Kenya, 2014). The required details include the identity card or the passport number. The identity card number or the passport number have to be independently verified through the IPRS database. Moreover, mobile payment service providers are required to ensure that the subscriber identity module card and mobile phone number of its customers are registered (Section 12.2 of the NPS Regulations).

Two-factor authentication is required by agents. The Guideline on Agent Banking stipulates under Section 5.4 that agents have to carry out CDD and have to consider factors such as "transactional limits per day, month and year limits," are "commensurate with customer's profile". Moreover, "two factor authentication" has to be conducted for every customer per transaction (Central Bank of Kenya, 2010).

Transaction details and identity particulars have to be kept as records. As with the requirements for identity verification, the POCAML Act specifies which customer details have to be kept as records. It requires that transaction records, including "name, physical and postal address and occupation of each person conducting the transaction," (Section 45.3) have to be kept for a period of seven years (Central Bank of Kenya, 2009). However, the POCAML Regulations do not require capturing address details for any transactions, including wire transfers. Instead providing the national identity number is sufficient. In addition to the transaction records, the copy of a person's identity document or information "as would enable a copy of it" has to be stored (Central Bank of Kenya, 2009). The AML Regulations for the Provision of Mobile Payment services state (under Section 3.2c) that the different accounts of one individual have to be linked to each other. There are no requirements in place whether the records have to by physical or electronical.

Above a certain mobile money transfer amount, investigations are required. Mobile money operators are required to "set transaction or payment account limits" (AML Regulations for the Provision of Mobile Payment, Section 3.2 a). In addition to this provision, these regulations specify that above the certain limits, investigations should be carried out (Central Bank of Kenya, 2013a). These limits are:

- Any account exceeding a daily turnover of KES 100,000.
- Any personal account transacting more than KES 300,000 per week.

Non-face-to-face identification and verification is allowed. The only regulatory documents that mentions non-face-to-face transactions or customer identification are the Guidelines on AML/CFT. In the context of non-face-to-face interactions, the guidelines state how additional risks posed by non-face-to-face can be overcome and that identity verification processes have to be "as robustly as those for face-to-face verification," as stated under Section 5.6.7.3 (Central Bank of Kenya, 2013d). The design of these processes lies within the leeway of the institution since it is only stated that reasonable steps have to be taken to avoid fraud for the purpose of ML. Although this flexibility regarding non-face-to-face transaction and verification is stipulated, the guidelines states that both evidence of personal identity and address verification are required for "all accounts and products offering third party transfer and money transmission facilities" (Central Bank of Kenya, 2013d). The following documents, which are all traditional, paper-based documents, are recommended for proof of address: recent utility bill, local authority tax bill and institution statement. The utilization of databases and computerized systems is among the recommended verification procedures for non-face-to-face transaction.

RSPs can rely on third-party providers for due diligence. RSPs can rely on a third party to perform elements of CDD measures, provided that the institution meets the criteria set out in the AML Regulations (2013). The RSP needs to take adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the CDD requirements are be made available from the third party without delay upon request. Furthermore, the RSP needs to ensure that the third party is regulated, supervised or monitored by a competent authority and has measures in place for compliance with CDD and record-keeping requirements in line with international best practice. Lastly, if the RSP relies on a third party based in another country, the RSP has to assess the AML risks that the country poses and the adequacy of CDD measures adopted by financial institutions in that country (The Proceeds of Crime and Anti-Money Laundering Regulations, 2013).

REGULATION FOR INNOVATION

Kenya's financial sector regulators have an open stance towards innovation. The Central Bank of Kenya is responsible for payment and money transfer related product approvals and has a longstanding record of encouraging innovation (FSD Kenya, 2018). It employed a test-and-learn approach towards enabling innovation in retail electronic payment systems when it allowed telecommunications operators in 2007 to launch mobile money services (Beyers et al., 2018). This approach towards innovation evolved over time and has developed into an open-door policy and active engagement with fintechs. This openness towards innovation was also exemplified in a speech given by the Central Bank of Kenya's Governor in 2020, where he stressed that "regulators should be the most innovative people of all because they are the ones willing and able to ask the necessary questions and 'walk the innovation journey' alongside technology providers" (FinExtra, 2020). Regarding KYC, he highlighted the importance of applying a risk-based approach towards KYC that does not lead to financial exclusion (FinExtra, 2020). Other regulators have also embraced innovation. For example, the Capital Market Authority launched a regulatory sandbox in 2019, and the Communications Authority is regularly approached by both established and potential markets players for providing clarification on innovation (Beyers et al., 2018; Capital Markets Authority, 2018). The sandbox, however, is limited when it comes to innovations from institutions that fall under the CMA's mandate to regulate, such as investment banks, derivative brokers, fund managers and authorized depositories (Capital Markets Authority, 2018).

Approval processes can be lengthy. Although Kenyan regulators are embracing innovation, it has been raised that some of the approval processes are lengthy and that this is the case because the regulators struggle to keep abreast of new innovations and business models (Didenko, 2017; FSD Kenya, 2018). Moreover, a common outcome of product approval processes is a "letter of no objection" which often does not provide enough certainty for the fintechs to proceed with their innovations (FSD Kenya, 2018). Another challenge that is often noted by fintech stakeholders is the lack of coordination among regulators and overlapping layers of regulation that may put fintech companies under the jurisdiction of multiple regulators (Didenko, 2017; FSD Kenya, 2018).

SCOPE FOR KYC AND CDD INNOVATION

Implementation of remote identity proofing. Adopting remote identity proofing for remittances is in line with the current regulatory framework in Kenya. Both physical and electronic documents can be used for KYC and CDD by institutions. A digital ID could therefore be used to fulfil this function and facilitate remote identity proofing. Additionally, non-face-to-face transactions and verification are allowed as well as the use of electronic databases for identity verification. From an infrastructure perspective, the IPRS allows for remote database verification of identity and address details. Hence, the existing database infrastructure builds a good foundation for the implementation of remote identity proofing processes. Additionally, mobile phone numbers could be used as ID proxies and major MNO customers can be verified through an API. Some of the RSPs are currently busy developing remote identity proofing solutions to onboard customers remotely and only a few RSPs in Kenya have implemented such solutions already (stakeholder interviews, 2021). Supporting RSPs in adopting robust remote identity proofing practices will drive innovation and make services more accessible and convenient, especially for individuals living in remote locations.

Removing the need of repeated presentation of ID and capturing of customer details for transactions. Currently, individuals have to present their ID to the respective agent for each transaction and provide all the customer details requested by the legislation (stakeholder interviews, 2021). The use of the IPRS data base and/or an own database could enable the physical ID as the only requirement for the first transaction and after that, through the provision of the ID number, other particulars can be accessed and automatically filled out. Assisting RSPs with the implementation of such solutions has the potential to drive the usage of remittances by making them more convenient for customers. This will also allow RSPs to serve refugees who have presented their refugee ID card in the past but have since lost or damaged it.

The use of alternative identification documents to reach more refugees and asylum seekers. In light of the challenges regarding the issuance of refugee IDs, there is room for RSPs to engage with the Central Bank of Kenya around using the proof of registration document to identify asylum seekers and refugees and to offer them remittances services. These documents are issued by the RAS and in the absence of a refugee identity card may be considered acceptable means of identification for refugees according to the Money Remittance Regulations (2013). Using the proof of registration would improve the access to remittances for asylum seekers. However, this requires approval from the Central Bank of Kenya and adequate safety measures (e.g. only low-value transactions) would have to be put in place.

Leverage ATM networks for remittances withdrawals. Remittance receivers who are withdrawing their remittances through an agent need to present their ID, whereas this is not required when they use automated teller machines (ATMs) for withdrawing remittances (stakeholder interviews, 2021). Leveraging ATM networks for remittance collection could create economies of scale on the normal banking channels and free up or displace agent capacity to where ATMs are not located or are not frequented. Therefore, supporting RSPs with exploring how they can leverage ATMs could facilitate remittance withdrawals for remittance receivers.

4.4 Morocco

COUNTRY CONTEXT

Morocco is the fifth largest economy in Africa. Morocco has become a big economic role player on the African continent, having the fifth largest GDP (applying purchasing power parity) in Africa at US$114.725 billion in 2020 (IMF, 2021; World Bank, 2020). The COVID-19 pandemic severely impacted Morocco's GDP growth rate, which fell to -6.29 per cent in 2020. This rate has since shown recovery and was projected to reach 6.3 per cent in 2021, the highest in the Middle East and North Africa (MENA) region (World Bank, 2020; World Bank, 2022).

Morocco has a large, young, and primarily urban population. With close to 37 million inhabitants, Morocco is the eleventh largest country in Africa by population size (World Bank, 2020). As of 2020, 37 per cent of Moroccans live in rural areas, and their proportion has been marginally declining since 2012 (World Bank, 2018a). Morocco is a demographically young country with 27 per cent of its population under 15 years of age (World Population Review, 2022).

Remittances provide an important lifeline to Morocco's economy and households. Over US$1.3 billion has been remitted into Morocco so far in 2022, compared to US$9.3 billion for 2021 (RemitSCOPE, 2022; World Bank, 2021). This makes Morocco the third largest remittance receiving country in Africa after Nigeria and Egypt (RemitSCOPE, 2022). Accordingly, remittances represent a considerable proportion of Moroccan household income. As of 2019, 23 per cent of households were reliant on remittances (RemitSCOPE, 2022). Following a decreasing pattern since 2017, remittance growth in Morocco stagnated between 2018 and 2019 and also during the first year of the COVID-19 pandemic (FRED, 2022). However, remittance flows increased by 25 per cent between 2020 and 2021, implying that the COVID-19 crisis led to an increase in remittance flows (World Bank, 2021; World Bank, n.d.).

France is the main remittance corridor and the majority of remittances are received through formal financial institutions. France represents 35 per cent of remittance inflows to Morocco, while Spain, Saudi Arabia, and the United Arab Emirates represent other main corridors (RemitSCOPE, 2022). Remittances can be terminated by several methods, including cash, e-wallet, bank account and by withdrawal at the post office and within the ATM network. Formal financial institutions dominate the remittance market in Morocco with 45 per cent of remittances being received through them, while 17 per cent through money transfer operators and 37 per cent through informal channels (RemitSCOPE, 2019).

Financial inclusion remains low with significant gender and urban-rural gaps. In 2019, 34 per cent of Morocco's adult population held a formal account at a financial institution, which includes mobile money. This is substantially lower than the MENA average of 44 per cent (World Bank, 2019; BAM, 2020), ranking Morocco 32 in Africa in terms of financial inclusion behind Senegal, Ghana and Kenya (RemitSCOPE, 2022). Since 2019, there has been a decrease in bank account ownership, according to the most recent numbers of 29 per cent (StatsSA, 2021). In 2019, the gender gap between women and men was 59 percentage points in favour of men, and 46 percentage points between urban versus rural areas, in favour of the urban areas (BAM, 2020).

Mobile money usage remains nascent, but the COVID-19 pandemic is supporting a shift towards digital. Despite a high mobile penetration rate of over 137 per cent with 49.92 million mobile phone subscribers, mobile money uptake remains low in Morocco with only 1 per cent of the population having a mobile money account by 2019 (RemitSCOPE, 2022; U.S. International Trade Administration, 2021; Oxford Business Group, 2021). Until recently, Morocco was known as a cash-based society, with distrust in new forms of payment remaining high in many communities (Oxford Business Group, 2021). However, the COVID-19 pandemic provided a much-needed push towards digital financial solutions as communities became more familiar with using digital payment services, mobile wallets and online shopping services (Oxford Business Group, 2021).

The Moroccan government prioritized digital financial services in its strategies. In 2016, Morocco developed plans for a digital mobile payment ecosystem in order to decrease cash payments and increase financial inclusion (UNESCO, 2017). In 2019, Morocco also launched a national strategy for financial inclusion (NFIS), which is aimed at improving the account ownership rate of the adult population from 29 per cent to 47 per cent by 2024 (BAM, 2018; RemitSCOPE, 2022). The strategy is based on five elements relating to remittances, including rolling out of mobile payments, creating an enabling regulatory environment to make the banking sector more inclusive, and accelerating digitization (BAM, 2018). Together, these strategies form part of the five-year broader Development Policy Financing (DPF) program, aimed at increasing financial inclusion[17] through digitalization (World Bank, 2019). As a result of these strategies, the retail payment system, which was historically dominated by banks, is now interoperable with mobile payments, which grants Moroccan remittance service aggregators the ability to further digitize their payment network. The DPF program outlines a roadmap for the development of digital platforms such as mobile payment systems, e-commerce platforms and has a specific focus on the infrastructure of the financial market and mobile payments (UNESCO, 2017; BAM, 2020).

Morocco's AML/CFT regime has strategic deficiencies. Morocco's AML/CFT regime came into law with the Anti-Money Laundering Act of early 2007, and this AML/CFT law has become the pillar of Morocco's AML frameworks (BAM, 2007). The 2007 enacted AML/CFT regime had several deficiencies, which is why the FATF placed Morocco on the grey list in 2010 (FATF, 2010).[18] Through

---

[17] The Central Bank of Morocco is targeting financial inclusion by targeting micro, small and medium enterprises (MSMEs), women, youth and rural residents who are traditionally un-served and under-served in the financial system (World Bank, 2021).

[18] The grey list, or jurisdictions under increased monitoring, refer to those countries that have "committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to increased monitoring" (FATF, 2022). These countries actively work with the FATF to address strategic deficiencies in their regimes to counter ML/TF, and PF (MENA FATF, 2019).

cooperation with the FATF and by committing to amend the penal code to cover transgressions around ML/TF; amending laws to "address deficiencies in CDD requirements" and ensuring a fully operational and effective Financial Intelligence Unit, this designation was lifted from Morocco in 2013 (FATF, 2010; FATF, 2013). Despite the efforts to strengthen the AML/CFT regime, the Middle East And North Africa Financial Action Task Force (MENA FATF) identified strategic shortcomings in Morocco's AML/CFT regime and the FATF placed Morocco back on the list of jurisdictions under increased monitoring in February 2021 (FATF, 2021). The FATF recommends several measures in its Enhanced Follow-up Evaluation Report in November 2020, among them the following measures in reference to CDD:

- customer verification: specify a threshold for occasional transactions; and
- due diligence (DD) measures required for all customers: identify and verify permanent or occasional customers and beneficial owners by subjected persons.

Morocco is currently in the process of addressing the raised deficiencies in cooperation with FATF. Since then, Morocco adopted the Promulgating Law No. 12-18 amending and supplementing the Penal Code and Law No. 43-05 on the fight against money laundering, amending, and supplementing some provisions of the Criminal Code and Act No. 43-05 on tackling ML dated 2 September 2021. Moreover, Morocco has recently approved the establishment of the National Financial Intelligence Authority (ANFR) to better combat ML/TF, and proliferation financing (PF) in August 2021. In March 2022, the FATF announced that Morocco has started moving towards improving their AML/CFT regime, by "providing additional training and awareness raising to financial institutions and designated non-financial businesses and professions (DNFBPs) to detect suspicious cases and to file suspicious transaction reports (STRs)" (FATF, 2022). One of the key areas that still requires addressing since 2021, is ensuring "that beneficial ownership information, including information of legal persons and foreign legal arrangements is adequate, accurate and verified" (FATF, 2022; FATF, 2021).

IDENTITY AND KYC AND CDD IN THE COUNTRY

CONCEPT OF IDENTITY AND IDENTITY ECOSYSTEM

The AML/CFT framework does not define identity but delineates what constitutes an official identity document. While the legislation does not define identity, Article 14 of Circular No. 5-W-2017 on the duty of vigilance for credit institutions and similar bodies, provides a definition for what an "official identity document" entails. According to the circular, an official identity document is a "document that is valid and issued by an authorized Moroccan authority or a recognized foreign authority and carries the client's photograph" (BAM, 2017).

Morocco's national identity card (CNIE) is the key identifier within Morocco's identity ecosystem. Morocco has a complex identity ecosystem as captured in **TABLE 6**, which gives an overview of the most important identifiers in the Moroccan identity ecosystem. Within that identity ecosystem, the CNIE is the main identity document used for identification purposes, for instance, for the opening of bank accounts or SIM card registration. The electronic national ID card (CNIE) was instituted by law in 2007, with issuance of the cards starting in 2008 and is managed by the National Identity Authority (NIA) (World Bank, 2018). The CNIE captures details on the name, family name, date of birth, occupation, address, and the validity period (10 years) of the card, fingerprints and a photograph (UNHCR, 2007; World Bank, 2018). As of 2018, 20 per cent of Moroccans do not have access to an ID card, which is potentially excluding this part of the population from accessing financial services, including remittances (World Bank, 2018). According to stakeholder interviews, a larger proportion has now access to the ID card but around 15 per cent of the population does not possess a valid national ID card (stakeholder interviews, 2022). Morocco's broader identity system is primarily composed of the government issued identifiers summarized in **TABLE 6**.

TABLE 6: MOROCCO'S IDENTITY ECOSYSTEM

Credential	Issuing and governing authority	Extent of coverage	Uses for financial services	Biometrics	Potential proxy IDs
CNIE (*Carte nationale d'identité électronique*) – Morocco's electronic national identity card	General Directorate for National Security (DGSN)	17–20 million people registered (75–85 per cent of that segment, 18+ years)	Main identifier	Fingerprints, photograph	National ID card number, fingerprint
CNIE (new generation)	General Directorate for National Security (DGSN)	Production of 5,241,190 new cards announced in December 2021	Main identifier; more secure	Fingerprints, photograph	National ID card number, fingerprint
RAMED (*Régime d'assistance medicale*) – health assistance ID	National Health Insurance Agency (ANAM)	7.1 million people registered	Not used	None	Membership identification card number
CNSS (*Caisse Nationale de Sécurité Sociale*) – social security card	CNSS fund	3 million people registered (85% of that segment)	Not used	None	Social security number
Driver's license (electronic)	National Road Safety Agency (NARSA)	Data not available	Not used	Fingerprints, photograph	Driving license number, phone number, fingerprint
E-passport	Ministry of Foreign Affairs and Cooperation	4 million passport numbers issued in the last five years	Not used	Biometric passport page	Passport number

Sources: World Bank, 2018; UNHCR, 2007; Aujourd'hui, 2021.

Gaps in coverage of CNIE exist. As of 2014, the coverage of the CNIE for the adult population was between 75 and 80 per cent. Although this is a high coverage, it still indicates that a significant part of the population might experience identification challenges because they do not have a CNIE (World Bank, 2018).

Morocco is rolling out a new version of the CNIE. Currently, the Government of Morocco is implementing a new version of the CNIE, which unlike a physical card, is a smart card that involves enrolment with biometrics. The changes to the new electronic identity cards are aimed at improving its security by international standards, with the DGNS announcing the production of over 5 million new generation electronic national identity cards in 2021 (Aujourd'hui, 2021).

The Moroccan government is piloting a centralized population database. Currently, the CNIE number is pinged against the CNIE identity database to verify individuals. This process is currently only accessible to government institutions. However, the Moroccan government is working with the World Bank on designing and implementing a National Population Registry. This National Population Registry will be a centralized database that merges different government registries by introducing a unique identity number (UIN). This registry is currently being piloted in Rabat, whereafter it will be rolled out at national scale (Le 360, 2021). This open-source platform could allow RSPs that currently cannot access national databases for validating identities to verify these identities (Stakeholder, 2022). It is uncertain, however, when and if RSPs will gain access to the National Population Registry.

SIM cards provide a potential identity proxy. The National Agency for Telecommunications Regulation (ANRT) has made it mandatory to provide the CNIE to activate a SIM card since 2014 (ANRT, 2014). This means that a SIM card is linked to an identity, and an individual's phone number could be leveraged as a proxy identity, if possible, within the current regulatory framework. This could be further supported by draft decree 2.20.521, applying the provisions of Law No. 04.20 relating to the national electronic identity card, which would allow the linking of ID cards to mobile numbers (Kingdom of Morocco [General Secretariat of the Government], 2020).

REGULATORY REQUIREMENTS FOR KYC AND CDD

Morocco recently amended its core piece of AML/CFT legislation. Morocco's AML/CFT Law 43-05 of 2007 is one of the core pieces of legislation determining the CDD regulations in the country. This legislation has been amended by the introduction of a new law, Promulgating Law No. 12-18 of 2021. Moreover, Act No. 12-18 introduces a series of new criminal, preventative and institutional measures to prevent and reduce the risks of ML/TF. Before this introduction of the new law, the Bank Al-Maghrib (BAM, i.e. the central bank) has mainly used directives and circulars to specify KYC and CDD requirements and processes for banks and payment service providers, which are still valid. The analysis presented in this section is based on the review of the following regulatory documents, as presented in **TABLES 7, 8 AND 9**. It is also important to note that the Moroccan government has adopted and submitted to parliament a new draft payment law on the oversight of financial market infrastructures and payment instruments. This new payment law might amend some of the requirements stated in the remainder of this chapter.

TABLE 7: **OVERVIEW OF REVIEWED LEGISLATIVE DOCUMENTS**

Name of the document	Issuing authority	Year of issuance	Applicable to
Law No. 43-05 on combating money laundering	Financial Information Processing Unit (UTRF), BAM	2007	Credit institutions and similar bodies
Promulgating Law No. 12-18 amending and supplementing the penal code	Bank Al-Maghrib	2021	Credit institutions and similar bodies

Sources: Lexisma, 2021; BAM, 2021.

TABLE 8: **OVERVIEW OF REVIEWED CIRCULARS**

Name of the document	Issuing authority	Year of issuance	Applicable to
Bank Al-Maghrib Circular No. 5/W/2017 and Circular No. 2/G/2012 on the due diligence of credit institutions	Bank Al-Maghrib, UTRF	2012, 2017	Credit institutions and similar bodies
Circular No. 6/W/2016 on the duty of vigilance	Bank Al-Maghrib	2016	Credit institutions and similar bodies
Circular relating to payment institutions (CN No. 7/W/16)	Bank Al-Maghrib	2016	Payment service providers
Circular relating to the obligation of vigilance incumbent on credit institutions (CN 5/W/2017)	Bank Al-Maghrib	2017	Credit institutions and similar bodies
Circular on the duty of vigilance (LC N° 1/DSB/2020 updates on CN No. 5/W/2017)	Bank Al-Maghrib	2020	Payment institutions and credit institutions
Circular letter (LC/BKAM/2018/70) relating to the domestic mobile payment decision No. 392/W/18	Bank Al-Maghrib	2018	Payment institutions

Sources: BAM, 2012; BAM, 2017; BAM, 2016a; BAM, 2016b; BAM, 2017a; BAM, 2020; BAM, 2018.

TABLE 9: **OVERVIEW OF DECISIONS AND DIRECTIVES CONSULTED**

Name of the document	Issuing authority	Year of issuance	Applicable to
Directive on the conditions for the exercise of the activity of intermediation in the field of transfer of funds – Directive No. 3/G/12	Bank Al-Maghrib	2012	Credit institutions and similar bodies
Decision No. 3/W/18 on home mobile payments	Bank Al-Maghrib	2018	Payment institutions
Directive No. 3/W/19 on the risk-based approach to the due diligence obligation	Bank Al-Maghrib	2019	Credit institutions and similar bodies
Directive No. 6/W/21 relating to the conditions of application at group level of the due diligence obligations	Bank Al-Maghrib	2021	Credit institutions and similar bodies

Sources: BAM, 2019; BAM, 2018; BAM, 2012; BAM, 2021.

Accountable institutions are required to apply a risk-based approach for CDD. Article 3 of the new AML/CFT Law (Act No.12-18) mandates a risk-based approach since it requires financial institutions to "put in place internal control policies, measures and procedures to combat ML/TF according to a risk-based approach." The provisions for enhanced due diligence measures (EDD) are provided for in Article 5 of the AML Law No. 43-05, which requires subjected persons to apply EDD measures to higher risk customers, business relationships or transactions. Risks identified as high depend on the "type of transactions carried out and of the countries concerned" (Act No. 12-18 Article 3). In complementing AML Law No. 12-18, Article 40 of BAM Circular No. 5/W/2017 determines the nature of the EDD measures required.[19] This rather prescriptive description of EDD measures within the Moroccan AML framework could result in RSPs focusing purely on compliance responses and implementing to the word the outlined measures instead of using their own discretion to design and develop appropriate risk mitigation measures. The AML Law No. 43-05 did not include a provision that permits financial institutions (FIs) to apply simplified CDD measures. However, the AML Law No. 12-18 of 2021 allows FIs to implement simplified CDD measures in the area of identifying and verifying customers in case of low risk and if there are no suspicious cases in ML/TF (Act No.12-18 under Article 3). It is important to note that AML Law No. 12-18 does not explicitly mention what simplified due diligence (SDD) would look like.

KYC and CDD has to be carried out for accounts opening and occasional transactions. Article 12 of BAM Circular No. 5/W/17 states that for both onboarded and occasional customers, institutions have to verify and collect the identity of the customers. Furthermore, Article 13 of BAM Circular No. 5/W/2017 requires financial institutions to "verify the identity and activity of customers before opening any account." To open an account, the following customer information has to be collected for nationals according to Article 14 of the same circular: the client's name and surname, their date of birth; their national ID card number; their exact address; their profession; their source of income and information on the purpose and nature of the business relationship. This is in line with recommendation 10 of the FATF on CDD, which implies that if a customer wants to open an account or conduct occasional transfers, their identity needs to be verified (FATF, 2012).

Identity acceptable for receiving remittances. According to Article 14 of Circular No.5/W/2017, an official identity document is defined as a "document that is valid and issued by an authorized Moroccan authority or a recognized foreign authority and carry the client's photograph." Article 7 of Directive No.2/W/2019 provides examples of official identity document such as the ''national identity card, the passport and the refugee documents or application for refugee documents.'' Furthermore, as per Article 7 of Directive No.2/W/2019, institutions can also define in their internal procedures a set of acceptable identity documents for the purpose of verifying the identity of the client. Moreover, institutions should consider the particular situation of certain customers who are unable to present a valid national identity card. This implies that in addition to the national identity card, passport and refugee documents, other identity documents could potentially be leveraged by RSPs to establish the identity of remittance receivers. For instance, both the driving license and the social security card are issued by authorized Moroccan authorities and carry the client's photographs.

[19] These measures are represented in the following way: (1) obtain senior management approval before establishing the business relationship or conducting the transactions; (2) establish the source of funds; (3) conduct enhanced ongoing monitoring on that business relationship; and (4) report the operations conducted by high-risk customers, in writing and regularly, to their superiors.

KYC and CDD requirements for domestic and international wire transfers. According to Circular No.5/W/2017, the following information is to be collected on wire transfers: the names of the sender and the beneficiary; the account numbers of the sender and the beneficiary, where applicable, a unique transaction reference number to allow its traceability; the address of the donor order, customer identification number or date and place of birth. Moroccan laws do not stipulate that FIs are required to undertake due diligence measures when carrying out an occasional wire transfer.

KYC and CDD requirements for conducting or receiving transactions. **TABLE 10** displays the information required to be collected when transactions are initiated within Morocco or are initiated from outside of Morocco according to Circular No. 7/W/16. When transactions are initiated within Morocco, there are distinctive requirements on information to be collected, one of which is the national ID card number, whereas the requirements for incoming remittances are not further defined in this circular. Additionally, according to Article 27 in Circular No. 5/W/2017, the information that must accompany cross-border transfers and remittances, issued and received, includes at least: the name of the sender and the beneficiary; the account numbers of the sender and the beneficiary; the sender's address; their identification number; date of birth; and purpose of transaction. This information must be integrated in the information system of the RSPs and be easily exploitable. Section 6 and 7 of Circular No. 7/W/16 outline that the transaction limit is MAD 80,000 (US$8276) per operation, per beneficiary for cross-border remittances (BAM, 2016b).

TABLE 10: KYC-CDD INFORMATION COLLECTED ON PAYMENT TRANSACTIONS

Transactions that are initiated within Morocco (payment service provider or agent to provide) *Section 6 of Circular No. 7/W/16*	**Remittance of funds into Morocco** *Section 7 of Circular No. 7/W/16*
• Information to be collected • First name and surname of the sender • National ID card number • Physical address, and if necessary, the company name • The amount of the transfer • Where applicable, the commission amount received • The exchange rate applied • The identity of the beneficiary	• Information to be collected • Identity of receiver • Identity of sender • Transfer amount • Exchange rate, were applicable

Source: (BAM, 2016b).

The BAM has outlined three different tiers of payment money accounts. Circular 7/W/16 relating to the procedures for exercising payment services mandates payment institutions to adopt a tiered approach in terms of identification required for payment account holders. **TABLE 11** outlines the requirements on the maximum ceiling levels of payment accounts as stated in Section 8 of Circular 7/W/16. For Level 1 accounts, the maximum balance MAD 200 and the customer must present a national mobile telephone number. For Level 2 accounts, the maximum balance is MAD 5,000. For this account, an account opening form must be completed in the name of the holder, on presentation of an official identity document that is currently valid. This identity document must be issued by an authorized Moroccan authority or a recognized foreign authority and must bear the customer's photograph, with a copy attached to the account opening form. For Level 3 accounts, the maximum balance is MAD 20,000 and "the account is opened following an interview with the account holder, in order to collect all the information necessary to verify [their] identity, in particular the official identity document provided for (identification as well as proof of residence)" (BAM, 2016b).

TABLE 11: THREE LEVELS OF ACCOUNTS

Identification			Maximum balance	Type of operations
Account levels	**ID and other required documents**	**Remotely/in-person**		
Level 1 account	Mobile number	Both	MAD 200 (US$21)	Merchant payments of small amounts and online payments; person-to-person
Level 2 account	National ID card or foreign ID card; account opening form; contract; ID copy	Both	MAD 5,000 (US$517)	Merchants and online payment; peer-to-peer for higher amounts
Level 3 account	Official ID; proof of address	In person interview to verify credentials and establish client profile	MAD 20,000 (US$2,069)	Accepting merchants; business-to-business payments; person-to-person

Source: BAM, 2016b.

Transaction and customer record keeping requirements are flexible. The amended AML Act No. 12-18 does not stipulate specific requirements for record keeping, except for the requirement that FIs need to retain "documents of the transactions undertaken by all customers for a period of ten years from the date of the transaction." Article 46 of BAM Circular No.5/W/2017 requires that transaction and CDD records have to be "sufficient to permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal activity". This implies that FIs can unilaterally define which transaction details have to be captured to fulfil this requirement. Morocco's data storage requirements for the collected customer and transaction data are 10 years, according to Article 7 of the Law No. 12-18, which goes beyond the five years recommended by the FATF (FATF, 2012).

Non-face-to-face relationships are allowed for identity verification. The Morocco regulatory environment explicitly makes provisions for remote onboarding. Article 2 of the Circular Letter No. 1/DSB/2020 requires banks and payment institutions to comply with the following perquisites prior to opening a remote account for a customer:

- reliable and secure technological means to ensure equivalence to physical presence for identification purposes for identity verification using a risk-based approach;
- technological tools allowing the remote verification of the authenticity of identification documents;
- means of control to mitigate the risks of fraud related to the use of these technologies; and

- measures ensuring the protection of personal data in accordance with the legal and regulatory provisions in force.

These requirements would allow for database verification with the necessary controls for data protection and to mitigate the risks of fraud. All remote onboarding should be conducted in compliance to Law 43-05, and the recommendations of the FATF.

REGULATION ON INNOVATION

Morocco opted against a regulatory sandbox and chose alternative approaches to improve regulations to foster financial inclusion. After evaluating various regulatory tools, the Bank Al-Maghrib has chosen not to implement a regulatory sandbox (CGAP, 2020). Instead, it is considering alternative approaches, such as accelerators and incubators while working on new, more agile and responsive regulations to assist payments aggregators, credit aggregators or payments facilitators (CGAP, 2020; World Bank, 2020). The BAM is also building a strong cooperation with other regulators in Morocco, such as the insurance regulator, financial regulator, and a digital development agency that assisted in setting up a national fintech strategy across all sectors (CGAP, 2020). As of 2021, the regulatory environment had improved greatly to increase financial inclusion. This includes the introduction of the banking law in 2015, which allowed a new category of non-banking institutions called payment institutions to be established, thereby paving the way for "paytechs" to be established more easily (Oxford Business Group, 2021). The COVID-19 pandemic allowed other more established institutions to benefit from these improvements, and the development of Morocco's digital financial environment by enabling them to employ fintech tools for payments (Oxford Business Group, 2021). However, the legal framework around the efficient operation of fintechs, the opportunities for start-ups to access capital and the implementation of the proposed infrastructure, still require development (Oxford Business Group, 2021).

SCOPE FOR KYC AND CDD INNOVATION

Implementation of simplified due diligence measures. The AML law makes provisions for the use of simplified due diligence and for tiered payment accounts. This puts RSPs in a position to align their CDD measures with the risks involved and to differentiate between simplified CDD, standard CDD and enhanced CDD. This implies that, for instance, RSPs can implement SDD products that is restricted in core risk areas, including the value it may hold, the daily withdrawal limit, and the value that may be received by a remittance receiving beneficiary per day.

Alternative means of identity documentation can be leveraged. Currently, Moroccan RSPs rely mainly on the national ID card to establish the identity of remittance customers. However, the regulatory framework makes provision for the use of alternative means of ID to enable excluded customers who do not have conventional national ID card to receive remittances. This is an important provision that can unlock the financial inclusion of those who do not have the national ID, given the existing gaps in national ID coverage.

The RSPs can specify in their internal procedures a set of acceptable identity documents for the purpose of verifying the identity of the customer, as long as the identity document is valid, issued by an authorized Moroccan authority or recognized foreign authority and carry the client's photograph. Besides the national ID card; the passport; and the refugee documents or application for refugee documents, two additional identity documents could be potentially leveraged to this end, namely the driving license and the social security card. This approach can help improve access to formal remittances by enabling RSPs to serve those customers who do not have a national ID card.

Implementation of remote onboarding. Adopting remote identity proofing for remittances is in line with the current regulatory framework in Morocco and explicitly catered for. RSPs that want to implement remote onboarding are required to appropriately mitigate the risks involved. Moreover, tier 1 and tier 2 payment accounts are permitted to be opened remotely. Remote onboarding will allow people to open accounts with financial institutions from their homes thereby offering the opportunity to deepen the financial market by reaching more segments of the population. Remote onboarding can be enabled by employing biometric identifiers and a biometric database or by leveraging ID proxies such as the national ID number or mobile phone numbers. With this in mind, the new national biometric card (CNIE) currently being issued is based on authentication biometrics that will centralize remote identification in a single register that is accessible online (the National Population Registry). However, until the National Population Registry has been implemented country-wide and has been made accessible to RSPs, RSPs will have to identify alternative ways for remote identity verification.

Potential room for an improved implementation of the risk-based approach. According to the new AML/CFT Law (Act No.12-18), financial institutions are required to implement a risk-based approach. However, the AML law provides a prescriptive description of EDD measures, which could result in Moroccan RSPs focusing solely on these prescriptions and failing to use their own discretion on identifying and assessing risks, as well as on designing and implementing appropriate risk mitigation measures. For instance, some Moroccan RSPs require the use of the national ID to verify address details, although according to the regulation, address details do not need to be verified. Moreover, the fact that Morocco is on the FATF grey list highlights that both regulators and institutions require support on risk assessment and the implementation of the risk-based approach. An improved implementation of risk assessment and the risk-based approach by both regulators and institutions is also crucial if Morocco is to be removed from the FATF grey list. Hence, there might be scope for Moroccan RSPs to apply a more nuanced approach towards the implementation of the risk-based approach that goes beyond the prescriptions made in the law. This will require RSPs to not view risk assessment processes as a tick-box approach to comply with regulation but rather as an integral part to their business and as an important factor to enable the implementation of appropriate, risk-based innovations in the remittance space. Improving the understanding and assessment of ML/TF, and PF risks would not result in a more effective counteracting of ML-TF-PF risks and enhance financial inclusion in Morocco but also advance RSPs' business and revenue objectives.

4.5 Senegal

COUNTRY CONTEXT

Senegal is a member of West African Economic and Monetary Union (WAEMU) and the second largest economy in the regional block. WAEMU is a regional organization of eight West African countries with the objective of promoting regional economic integration and creating a common market.[20] As part of this economic integration, WAEMU members share a common currency, the West African franc (CFA), which is pegged to the euro. Given this, Senegal shares a common monetary policy with other member states as well as macroeconomic and fiscal policies, which are developed and implemented at a regional level and then rolled out at a country level (International Development Research Centre, 2020). Senegal's economy is the second largest in WAEMU (behind Côte d'Ivoire), with a nominal GDP of US$24.4 billion in 2020 according to the International Monetary Fund's (IMF) estimates.[21] The country has a population of around 16.8 million, the majority of whom are under the age of 25 (CIA, 2021). This population is 51.2 per cent female, while and 52 per cent live in rural areas, according to World Bank Development Indicators.

Senegal a considerable receiver of remittances in sub-Saharan Africa and in the WAEMU region. Senegal is the fourth largest remittance receiver in sub-Saharan Africa (behind Nigeria, Ghana and Kenya) with remittances received valued at an estimated US$2.5 billion in 2020, equivalent to 10.5 per cent of GDP (DMA Global, 2020e; World Bank, 2021). These remittances mainly originate from European markets, with France, Italy and Spain accounting for 28 per cent, 18 per cent and 13 per cent of remittance inflows respectively. Another important market is the United States, accounting for 10 per cent of remittance inflows into Senegal (DMA Global, 2020d). Senegal is also a net receiver of remittances in the WAEMU region, with an estimated XOF 95 billion (US$168 million) worth of remittances received in 2019 compared to outflows of XOF 55 billion (US$94 million). The key markets where these remittances originate are Côte d'Ivoire, Mali and Gabon (DMA Global, 2020d). Remittances flowing into Senegal are mainly received via informal channels and an estimated 2 million rural households in Senegal depend on these funds to support their livelihoods (Red Mangrove Development Advisors, 2020).

Access to proof of identity documentation a key challenge to enhancing financial inclusion. Senegal's overall financial inclusion rate, as measured by La Banque Centrale des États de l'Afrique de l'Ouest (BCEAO), has risen from 22.8 per cent in 2009 to 70 per cent in 2019, driven by the increasing uptake of electronic money (e-money) accounts[22] (BCEAO, 2020). In terms of

[20] The other countries are Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger and Togo. More information is available at: http://www.uemoa.int/en/about-uemoa.

[21] Data according to the IMF's World Economic Outlook database: April 2021. Available at: https://www.imf.org/en/Publications/WEO/weo-database/2021/April/weo-report?c=638,748,662,678,692,722,742,&s=NGDPD,LP,&sy=2019&ey=2021&ssm=0&scsm=1&scc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1.

[22] This measures the percentage of adults over the age of 15 that have bank, postal, microfinance and e-money accounts.

access to banking services, the country's performance on the BCEAO's extended banking rate measure (which takes into account the percentage of the adult population holding an account in banks, postal services, national savings funds, the Treasury and users of microfinance services), shows an increase from 26.6 per cent in 2009 to 52 per cent in 2019, above the WAEMU regional average of 39.7 per cent (BCEAO, 2020). Despite this strong growth in financial inclusion, World Bank Global Findex data shows that 13 per cent of adults in Senegal cite a lack of documentation as a barrier for not having access to formal financial services (World Bank, 2018a). Among these documents is proof of identity, with 27.6 per cent of Senegal's adult population (about 2.6 million people) lacking any form of an identification document. Of this segment of the population lacking identification, 28 per cent or about 1.4 million are female (World Bank, 2018b). This highlights the need for innovation around CDD to help onboard individuals without identification by using mechanisms that are more easily accessible to them, with the ultimate objective of helping to enhance access to formal financial services.

Deficiencies in implementing an RBA have led Senegal to be included on FATF's grey list. Deficiencies in Senegal's AML/CFT regime have led to the country being listed on the FATF's list of jurisdictions under increased monitoring (often referred to as the "grey list"). Some of the reasons behind this listing, as noted in Senegal's 2018 Mutual Evaluation Report, include weaknesses related to the application of an RBA when conducting CDD and a lack of a RBA to AML/CFT supervision (GIABA, 2018). Authorities in Senegal are undertaking measures to strengthen the effectiveness of their AML/CFT regime with the objective of being removed from the grey list, including, for example: a) training and outreach to ensure consistent understanding of ML/TF risks among relevant authorities (in particular related to the DNFBP sector); b) ensuring adequate and effective supervision of financial institutions and DNFBPs; and c) risk-based monitoring and supervision of non-profit organizations (FATF, 2021).

IDENTITY AND KYC AND CDD IN THE COUNTRY

CONCEPT OF IDENTITY AND IDENTITY ECOSYSTEM

Regional and country level AML/CFT framework imply that the concept of identity is focused on traditional paper-based documentation. The BCEAO is the primary authority responsible for the regulation and supervision of financial institutions and payment system providers in WAEMU. The AML/CFT frameworks it issues need to be locally interpreted and transposed in member country legislation (to be discussed further below). The central bank's main AML/CFT framework for WAEMU member states, which Senegal's own AML/CFT law is based on, does not feature a definition of identity. However, the concept of establishing identity seems to be focused on the utilization of traditional paper-based documents, which are referred to in both frameworks. We will explore the concept in more detail in the following sub-chapter.

There are five major identity systems used in Senegal, with biometric ID card having the widest coverage. In Senegal, there are five major identification systems that are used, which are: a) the birth certificate; b) national ID card; c) voter ID cards; d) driving licences; and e) passports (as shown in

TABLE 12). The table further shows that 70 per cent of the population in Senegal aged 15 years and older have a national ID card, which is biometrics based and has the potential to play a role in providing secure and convenient verification of customers at onboarding, particularly if remote onboarding were to be allowed. Given that the legal age to open a bank account in Senegal without parental or guardian supervision is 18 years old, access to identity documentation by those aged 15 years old and above is crucial in efforts to promote financial inclusion (World Savings and Retail Banking Institute, 2019). In Senegal, there are also close to 18 million mobile cellular subscriptions and customer identification is mandated in the country in order for individuals to register for a SIM card (GSMA, 2021).[23]

TABLE 12: SENEGAL'S IDENTITY ECOSYSTEM

Credential	Issuing and governing authority	Extent of coverage	Uses	Biometrics	Potential proxy IDs
Birth registration and certification	The National Centre for Civil Registration (Centre national d'état civil)	79% of children under five years of age have been registered	Birth certificate can be used to onboard onto other identity databases	No biometrics captured	Birth registration number
National ID Card	The National Centre for Civil Registration (Centre national d'état civil)	70% of the population aged 15 years and older	The electronic ID is used for multiple e-services; travel across ECOWAS area; voting; financial services	Photograph, Fingerprints	ID number, fingerprint
Voter Identity	Ministère de l'Intérieur (Ministry of the Interior)	67% of the population	For public elections and referendums; financial services	None collected	Voter ID number
Passport	Ministère de l'Intérieur (Ministry of the Interior)	N/A	International travel; voting; financial services	Photograph	Photograph, passport number
Driving licence	Ministère des infrastructures et des transports (Ministry of Infrastructure and Land transport)	N/A	Driving; voting; financial services	Photograph	Photograph, drivers licence number
SIM Card	Ministère de l'économie numérique et des télécommunications (Ministry of Digital Economy and Telecommunications)	17.8 million mobile cellular subscriptions	ID proxy identifier to access services digitally as well as in person. These services include financial services and communication services	No biometrics captured	Phone number

Note: N/A = not available.
Sources: UNICEF (2021), World Bank (2019).

[23] Customer identification means that an individual is required to present a valid form of government issued ID at the point of sale when they purchase a SIM card.

REGULATORY REQUIREMENTS FOR KYC AND CDD

TABLE 13 below displays the AML/CFT documents that have been reviewed for the Senegal country assessment. The content of the following sub chapters is based on this analysis.

TABLE 13: REVIEWED REGULATORY DOCUMENTS

Name of document	Issuing authority	Year of issuance
Directive No. 02/2015/CM/UEMOA, on the fight against money laundering and terrorist financing in the Member States of the West African Economic and Monetary Union	BCEAO	2015
Instruction No. 008-05-2015 governing the conditions of activities of issuers of electronic currency in member states of the West Africa Monetary Union	BCEAO	2015
Instruction No. 013 – 11 – 2015 relating to the procedures for carrying out the activity of rapid money transfer as a sub-agent within the West African Monetary Union	BCEAO	2015
Instruction No. 007-09-2017 laying out terms of application by financial institutions of the uniform law relating to the fight against money laundering and terrorist funding in WAEMU member states	BCEAO	2017
Law No. 2018-03 of February 23	Cellule Nationale De Traitement Des Informations Financieres Centif (National Financial Intelligence Processing Unit)	2018

AML/CFT framework issued at regional level with member states being responsible to incorporate them domestically. The BCEAO's role as the primary authority responsible for the regulation and supervision of financial institutions and payment system providers in WAEMU means that it regulates KYC and CDD obligations for financial service providers in the WAEMU region, either through its own direct legal instruments, or through instructions to the country-level regulators. Directives used by WAEMU need to be locally interpreted by country regulators, while WAEMU instructions are directly applicable into each country within the region and must be directly applied by institutions. The main AML/CFT framework developed by the BCEAO for the WAEMU region is Directive No. 02/2015/CM/UEMOA on the fight against money laundering and terrorist financing in the Member States of the West African Economic and Monetary Union.[24] Member states are required to take this directive and incorporate it into their domestic AML/CFT regimes. Given that Senegal is a member of WAEMU, its primary AML/CFT law, Law No. 2018-03 of February 23 on the fight against money laundering and the financing of terrorism,[25] is interpreted from provisions found in the BCEAO Directive.

24 Available at: https://www.bceao.int/fr/reglementations/directive-ndeg-022015cmuemoa-relative-la-lutte-contre-le-blanchiment-de-capitaux-et.

25 Available at: http://www.centif.sn/LOI_2018_03_RELATIVE_A_LA_LBCFT.pdf.

Regional AML/CFT directive and country law specify use of photo bearing documents for KYC and CDD purposes. At a regional and country level, Article 27 of both the WAEMU Directive and Senegal's AML/CFT law outline CDD obligations, which regulated entities are required to carry out. Regulated entities are required to collect the following customer information: their full name, date and place of birth, as well as their residential address. In order to verify this information, Article 27 stipulates that an "original official document" which bears a photograph, of which a copy is made by the institution. Proof of address is verified either through a document or "by any other means." Acceptable means of proof of address in the country include a utility bill or rental contract. Other means could potentially mean that other physical and digital identifiers that contain address credentials could be used as proof of address. Article 29 of the WAEMU Directive and Senegal's AML/CFT law also requires regulated entities to identify their occasional customers under the same conditions as those of their usual customers (i.e. customers with which they have a business relationship).[26] This would therefore entail obtaining an official document bearing a photograph as well as proof of address. These frameworks do not outline which documents constitute "an original official document" or can be used as proof of address. There are no prescribed methods outlined in the directive and Senegal AML/CFT law around ways to verify or validate identification documents. This, however, tends to be a manual process in Senegal whereby frontline staff compare the document to the person standing in front of them. The process can also entail the verification of the numerical sequencing of national ID numbers to make sure the document is not fraudulent.

BCEAO-issued instructions also specify KYC and CDD requirements. Article 5 of BCEAO Instruction No. 007-09-2017 stipulates that regulated entities (which include financial institutions and e-money institutions)[27] put in place internal procedures in terms of the identification and knowledge of customers as well as setting deadlines for verifying the identity of customers. How the verification of the identity of customers should be undertaken is however not explicitly explained in the Instruction, as is the case with the AML/CFT frameworks of Senegal and the BCEAO. This may mean that institutions are free to develop their own internal policies on how customer identity verification should be conducted. With regards to sub-agents[28] operating in the WAEMU region, Article 5 of Instruction No. 013–11–2015 requires these entities to comply with regulations relating to ML/TF at a regional level and ensure they know the identity of the principal (the person who initiated the money transfer) and the beneficiaries of rapid money transfers.[29] Details that must appear on the transaction slip delivered by sub-agents to each customer after conducting

26 Occasional customer is defined as a customer who carriers out one-off transactions.

27 Defined as any legal person, other than a bank and financial payment institution, which is authorized to issue means of payment in the form of electronic currency, the activities of which are limited to issuing and distribution electronic money.

28 Defined as the natural or legal person who carries out the activity of rapid money transfer under the responsibility of an approved intermediary or decentralized financial system. In Senegal, a sub-agent can, for example, be a retailer or microfinance institution.

29 This is defined as an operation in which a sum of money deposited by a principal at a counter of an authorized service provider, or a sub-agent, is given within a short period of time to a beneficiary at a counter of another authorized service provider or sub-agent. These types of transactions do not have to be carried out using a bank account or an electronic current account.

a rapid money transfer include: the identity of beneficiary, identity of principal,[30] the date of transaction, amount of transfer, exchange rate applied (if applicable) and the name of the principal of the sub-agent.[31] Given the requirement to comply with regional AML/CFT frameworks, it is implied that they would therefore need to collect paper-based documentation in order to establish and verify identity as outlined in Article 27 of the WAEMU directive.

Tiered approach to identification in place for e-money. Article 27 of BCEAO Instruction No. 008–05–2015, which governs the conditions and modalities for carrying out e-money activities in the WAEMU region, requires issuers of e-money to identify customers by means of a "valid official document" of which the institution must make and keep a copy.[32] This instruction does not however mention if this should be a hardcopy or electronic. The instruction permits e-money issuers to waive the requirement for identification for customers conducting transactions up to XOF 200,000 (US$354) of e-money per month, per customer, as outlined in Article 31. That said, according to CGAP (2017), the WAEMU Directive would take precedence over this e-money instruction and therefore not allow for customer identification exceptions for any transaction amounts. In the case of mobile money, those customers would already have had to undergo a customer identification process and submit a proof of identification in order to register for a SIM card in Senegal, thereby negating this identification waiver.

Senegalese law accommodative of simplified CDD procedures. Senegal's AML/CFT law makes mention of the application of simplified due diligence measures. Article 46 of the law states that when the risk of money laundering and terrorist financing is low, financial institutions can reduce the intensity of measures related to client identification before the establishment of the business relationship. The article also states that for customers and products that present a low risk of money laundering or terrorist financing, due diligence obligations requiring constant vigilance of a business relationship (Article 19) and constant vigilance of all operations of a customer base (Article 20) can be waived. In order to ensure the conditions are met to apply simplified due diligence means, the law requires institutions to collect information on the client and nature of the business relationship to ensure they conduct adequate and robust risk assessments. Simplified CDD can also be applied to transactions involving electronic money that is intended to be used only for acquiring goods or services up to a cumulative amount of XOF 600,000 (US$1,064) when there is no suspicion of money laundering or terrorist financing (according to Article 47 of the law).[33] That said, Article 47 further states that when there is a request for reimbursement relating to a unit amount or total amount of at least XOF 600,000 during the

30 Person who initiated the money transfer.

31 The name of the principal of the sub-agent can be understood as the identity of the institution the sub-agent has a contract with, for example an RSP.

32 Defines e-money under Article 1.16 as (i) a monetary value, representing a liability for the issuer, stored in electronic (including magnetic) form; (ii) issued without delay against funds provided in at least an equal amount; and (iii) accepted as a means of payment by natural or legal persons other than the issuing institution. Available at: https://www.bceao.int/fr/reglementations/instruction-ndeg008-05-2015-regissant-les-conditions-et-modalites-dexercice-des.

33 While there is no definition of electronic money in Senegal's AML law, the definition outlined under Article 1.16 of the BCEAO's Instruction No.008-05-2015 is directly applicable given that the country is a member of the WAEMU.

same calendar year, the individual would need to be identified and their identity verified. For regulated entities providing online payment services, Article 48 specifies that these institutions can forego identifying their client relationship when the risks of money laundering and terrorist financing are absent. This, however, only applies under the following conditions:

- the client's funds originate from an account opened under her/his name at a financial institution based in WAEMU, or another country with equivalent AML/CFT safeguards;
- the funds are being sent to an account that meets comparable AML/CFT standards; and
- the transfer may not exceed XOF 150,000 and the client's transaction total for the year may not exceed XOF 1.6 million.

Measures to be put in place for non-face-to-face identification are not prescribed in regional or domestic AML/CFT frameworks. Article 27 of both the WAEMU Directive and Senegal's own AML/CFT law states that additional due diligence measures should be applied when it comes to identifying customers who are not physically present. Article 40 of both frameworks also stipulates that regulated entities need to make sure they put in place enhanced measures when it comes to non-face-to-face customer identification. That said, both Article 27 and Article 40 do not prescribe measures to be put in place with regards to non-face-to face identification and in Senegal, remote onboarding is currently not permitted.

BCEAO and Senegal AML/CFT frameworks mention requirements for enhanced CDD. Article 32 of the BCEAO Directive and Senegal's AML/CFT law both outline certain situations that should be subject to "special scrutiny" by regulated entities in Article 32. These situations are: (1) for any payment in cash or bearer security equal to or greater than XOF 50 million (US$88, 650) which is carried out under "normal conditions"; and (2) any transactions where the sum involved is equal to or greater than XOF 10 million (US$17,730) and appear to have "no economic justification or lawful purpose" or are conducted using complex means. Under these conditions, regulated entities are required to obtain more information about the origin and destination of funds, their purpose and identify all actors involved in the transaction. This information should then be contained in a report prepared by the institution that the regulation can ask for.

Records to be kept for minimum of 10 years. What record is kept, how and for how long affects what form of identity can be acceptable. Article 35 of both the WAEMU Directive and Senegal AML/CFT law requires regulated institutions to keep records of identity-related documentation of their business and occasional clients from the closure of their accounts or termination of relationship with the individual. Both frameworks, however, do not prescribe the form documents need to be kept in (i.e. whether in hard copy/paper-based format or digital copies). This is corroborated by Article 27 in both frameworks, which only states that a copy of an individual's identity document should be made. This therefore creates an opportunity to utilize soft copies (in electronic form) for record-keeping purposes.

REGULATION FOR INNOVATION

BCEAO working to create enabling environment to encourage innovation. Research conducted by MicroSave Consulting (2020) found that a lack of regulation in Senegal is a barrier hindering financial technology (fintech) companies from developing and offering new products and services. This absence of regulation for innovation was also found to cause uncertainty with regards to the sustainability of fintech businesses already operating in the country. In order to provide more clarity around what is allowed in terms of innovation in the region, the BCEAO established a committee in 2020 to promote the development and supervision of fintechs (BCEAO, 2021). As regulations need to be developed at a regional level first by the BCEAO, this bodes well for creating an enabling environment for institutions to operate in Senegal when it comes to innovating ways to promote financial inclusion in the country.

SCOPE FOR KYC AND CDD INNOVATION

The Senegalese environment for KYC is based strongly on traditional forms of identification. Per the regulatory analysis, it is clear that financial and non-financial institutions are required to undertake KYC using official documents. Such documents may include the national ID card, voter's card, driving license or any other document outlined in table 10. Despite a relatively strict and rules-based process for undertaking KYC, there are a few key options outlined below, which based on our analysis, can potentially be leveraged:

- Proof of address innovation. Under Article 27 of both the WAEMU Directive and Senegal AML/CFT law, it states that proof of address can be established by "any other means." This creates the room for non-paper-based means to be utilized in this regard. Given that proof of address is often very challenging for rural and lower income people to obtain – it presents a significant opportunity to innovate around.[34]
- Potential for simplified CDD procedures to be applied to for-purpose remittances. The allowance for the use of simplified CDD measures (under specific conditions) in Senegalese AML/CFT law, when the risk of money laundering is low under Articles 46,47 and 48, provides scope to apply these measures to low risk, for-purpose remittances products. Institutions can reduce/remove inappropriate documentation barriers for clients identified as low risk individuals and receiving remittances for specific purposes. This approach could also be applied to low-risk products. This can help promote financial inclusion, particularly among Senegal's low-income and rural population.
    - As part of this process, institutions will be required to do an initial risk assessment (of products and customers) to understand whether customers or products qualify for the simplified due diligence. They will be required to document how they came to the decision that the customer presents no material ML/TF risk.[35]

[34] See Article 27 of WAEMU Directive and Article 27 of Senegal AML law.

[35] The documents/information required to ascertain level of risk is not clearly outlined in the regulation.

  - In particular, for e-money products, there is the potential to apply simplified due diligence across specific categories of customers or products (for example women and rural customers), as long as their transactions do not exceed XOF 600,000 every calendar year.

- Robust national ID card can be leveraged for higher-assurance identification and verification. Senegal has a National Biometric Identity Card, based on fingerprints and a photograph, which is mandatory for all citizens aged 15 years and older. This biometric ID card covers an estimated 70 per cent of the Senegalese population (World Bank, 2019). The wide coverage of this digital ID solution creates the opportunity to utilize its biometrics component to provide more robust KYC. This may provide opportunities for digital e-KYC, which can reduce costs for RSP and improve application of a risk-based approach to KYC.

4.6 South Africa

COUNTRY CONTEXT

South Africa's economic growth has been slow and unequal. South Africa is home to over 55 million people, of whom 66.7 per cent reside in urban areas (Statista, 2021). After South Africa's transition to democracy in 1994, the national economy and living standards improved significantly. However, this growth has increasingly been limited by a combination of factors including high unemployment, high consumer prices and greater household dependency on credit.[36] This growth has also been very unequal. In 2019 the World Bank officially recognized South Africa as the most unequal country in the world (Mlaba, 2020). In recent years, the South African economy has gradually been gathering steam with primary sectors forming the main drivers of growth, thus showing increased potential for job creation and poverty reduction (World Bank, 2018).[37] Despite the economic inequality, South Africa's government has worked hard to bolster financial inclusion to give people agency over their economic lives.

South Africa's range of financial services and products has allowed for high levels of domestic financial inclusion. South Africa's financial sector is composed of a wide range of financial services and products, many with risk-appropriate KYC and CDD, which has created a solid base for financial inclusion. While South Africa does not have a national financial inclusion strategy, the 2012 National Development Plan challenged the financial sector to achieve 90 per cent financial inclusion by 2030 (National Planning Commission, 2012). Recent data revealed that at least 91 per cent of South African adults have been included in the formal financial system and that South Africa does not have a gender gap in terms of financial inclusion (FinScope, 2019; and Klapper et al., 2019). High rates of financial inclusion have however not always translated into improvements in quality of life. This is because of the ways in which financial

[36] This is evident by World Bank data that shows that GDP growth has been close to nil since 2014, as well as the Quarterly Labour Force Survey, which shows that South Africa's unemployment rate stood at over 30 per cent in the first quarter of 2020 (National Treasury, 2020).

[37] In 2019, industry and services contributed 26 per cent and 61.2 per cent of the total value added to the GDP respectively, while agriculture contributed a mere 1.88 per cent (Statista, 2020).

services are being utilized by people and because of the presence of physical, social and/or KYC and CDD related challenges that are disincentivizing people from using formal channels (National Treasury, 2020).

Regionally, South Africa has become a hub for remittances. Increased growth and economic opportunity have made South Africa the most popular destination country for emigrants from Southern Africa (Migration Data Portal, 2021).[38] This has contributed to making south Africa a regional hub for the flows of remittances, specifically because remittances sent by migrants are a significant source of capital for most Southern African countries. Despite the high volume of cross-border remittances, the cost of sending remittances from South Africa remains among the highest in the world.[39] The high cost and the CDD documentation requirements act as a substantial barrier for migrants to send and receive remittances using formal channels[40] (stakeholder discussion, 2022). Domestic remittances also play an important role in the economy. Many migrants from rural to urban areas send money home, making remittances one of the most widely used financial services by South Africans (TechnoServe, 2016). Despite high usage, the remittance market in South Africa is quite concentrated and still in the growing stage regarding product development and market stimulation.

South Africa's most recent Mutual Evaluation Report suggests that there is scope to enhance substantive financial inclusion and financial integrity. South Africa's most recent FATF mutual evaluation was in October of 2019, its Mutual Evaluation Report (MER) was published in 2021. Overall, the report highlighted a few key challenges regarding fraud, the state capture and the inadequate implementation of the risk-based approach. In terms of the latter, the report highlighted that larger banks are more developed and thus better at understanding and mitigating ML risks, while smaller financial institutions are "focused on compliance, not on identifying and understanding risks." The report concludes that overall, "the RBA is inadequately implemented." Despite high levels of financial inclusion, the MER (2021) suggests that more can be done by financial institutions to innovate and remove KYC and CDD barriers that are disincentivizing people from using formal financial services.

IDENTITY AND KYC AND CDD IN THE COUNTRY

CONCEPT OF IDENTITY AND IDENTITY ECOSYSTEM

The basic attributes that make up identity are delineated by the AML/CFT regulation. South Africa has an extensive AML/CFT framework that builds on the 2001 FIC Act, the most recent guideline for financial institutions is Guidance Note 7 (2017). While the legislation does not define identity, Guidance Note 7 does state that a person's identity can be determined by several attributes.

[38] Data from 2019 shows that there are approximately 2,137,519 emigrants in South Africa from the rest of Southern Africa, thus making South Africa home to 28 per cent of emigrants from Southern Africa worldwide (Migration Data Portal, 2021).

[39] Three out of the five highest-cost corridors are from South Africa. The five highest cost corridors, in no particular order, are South Africa to Lesotho, South Africa to Botswana, South Africa to Angola, Angola to Namibia and Ghana to Nigeria (Heitzig, C. 2020).

[40] Approximately 80 per cent of migrants are undocumented, and 52 per cent of remittances in the Southern African Development Community (SADC) are being sent informally (FMT, 2021).

At a basic level, these attributes are a person's full names, their date of birth, and in most cases, a unique identifying number issued by a government source (Financial Intelligence Centre, 2017). South Africa's identity system is primarily composed of the government issued identifiers listed in Guidance Note 7. These are summarized in **TABLE 14**.

TABLE 14: SOUTH AFRICA'S IDENTITY ECOSYSTEM

Credential	Issuing and governing authority	Extent of coverage	Use cases	Biometrics	Potential proxy IDs
National Smart ID Card	Department of Home Affairs	According to data from ID4Africa, in 2017 92% of the population aged 15 and above had a national identity document According to data from ID4D, in 2019 coverage of the national identity document was close to universal among those aged 16 and above	The national ID card is used to prove identity and is used for state application processes (for example, applying for a passport)	Fingerprint biometrics and biographic data embedded in the card's chip (Republic of South Africa)	ID number, fingerprint, name and surname, date of birth
Driving licenses	Department of Transport	In 2017 12 283 777 people in South Africa had a driver's license (eNaTis, 2017)	You need a driving licence to drive legally on South African roads	None	Photograph, name, date of birth, ID number, license number
Foreign identity documents	Foreign governments	Dependent on country of origin	Identification documents issued by foreign government	Dependent on country of origin	Dependent on country of origin
Passports	Department of Home Affairs	No information found	A passport is a document for international travel and it certifies the identity and nationality of the holder	None	ID number, photograph, passport number, given names, birth date
Asylum seeker or refugee permits	Department of Home Affairs	No information found	An asylum seeker permit is a temporary permit for identification provided to persons who have fled their country of origin If a person's asylum application is approved, they are given a refugee permit that can be used for identification purposes	fingerprints	Fingerprints, data and photo captured
Work permits	Department of Home Affairs	No information found	Work permits are issued by foreigners for local job appointments, and are a license to work in South Africa	None	Given names, ID number, passport number
Visitors' visas	Department of Home Affairs	No information found	The visitors' visas allow international travellers to visit South Africa on a temporary basis for tourism or business	None	Passport number

Credential	Issuing and governing authority	Extent of coverage	Use cases	Biometrics	Potential proxy IDs
Underlying electronic databases	For example, the Department of Home Affairs owns the Home Affairs National Identification System (HANIS) (this is a biometric database)	98%		Fingerprint biometrics and biographic data embedded in the card's chip (Republic of South Africa)	Given names, ID number, fingerprints, biographic data

Sources: Republic of South Africa, ID4Africa (2017); ID4D (2019); Department of Home Affairs, FIC (2017).

REGULATORY REQUIREMENTS FOR KYC AND CDD

The Financial Intelligence Centre has published substantial guidance on applying the AML/CFT act. South Africa's AML/CFT Act of 2001 is the core piece of legislation determining the CDD regulations in the country. This legislation has been updated via the various guidelines published by the Financial Intelligence Centre (FIC). The most updated and most progressive guidance note is Guidance Note 7. **TABLE 15** lists the regulations and guidance notes consulted.

TABLE 15: LIST OF REGULATORY DOCUMENTS CONSULTED.

Name of the document	Issuing authority	Year of issuance
Financial Intelligence Centre Act	FIC	2001
Anti-money laundering and counter-terror financing legislation	FIC	2012
Anti-Money Laundering and Counter-Terrorism Financing Legislation	FIC	2018
Guidance note 1	FIC	2004
Guidance note 3	FIC	2005
Guidance note 3A	FIC	2005
Guidance note 7	FIC	2017

Accountable institutions are required to apply a risk-based approach. Section 16 of Chapter 1 in Guidance Note 7 (2017) requires all accountable institutions to apply a risk-based approach when carrying out CDD measures (Financial Intelligence Centre, 2017). Section 30 clarifies that the RBA enables institutions to ensure that measures to prevent or mitigate ML/TF are proportionate to the risks identified. It also ensures that resources are appropriately allocated so that the highest-ranking risks are met with the most attention. Chapter 4 of Guidance Note 7, titled Risk Management and Compliance Program, stipulates that a financial institution must develop, document, maintain and implement a Risk Management and Compliance Program (RMCP) (stakeholder interview). This RMCP should comprise policy documents, procedures, systems and controls that must be implemented within the institution to sufficiently counter the ML/TF risks facing the institution. The legislation also makes clear provisions for financial inclusion: sub-section 30 of Chapter 1 goes on to stipulate that the RBA also "affords accountable institutions the flexibility to use a range of mechanisms to establish and verify the identities of their clients, creating opportunities for accountable institutions to explore more innovative ways of offering financial services to a broader range of clients and bringing previously excluded sectors of society into the formal economy" (Financial Intelligence Centre, 2017).

The CDD regulations provide financial institutions with the authority to determine their customer identification and verification processes. Chapter 2 of Guidance Note 7 (2017) speaks to Customer Due Diligence Measures. Section 83 of chapter 2 states that financial institutions must first obtain a range of information about a client and then verify that information by comparing it to information found in "documents or electronic data issued or created by reliable and independent third-party sources" (Financial Intelligence Centre, 2017). In doing so, the regulation allows for financial institutions to determine their own identification and verifications processes and means, respectively. Section 83 goes on to detail that "the nature and extent of verification of clients' identities must be determined taking the assessed ML/TF risks associated with the relevant business relationship or single transaction into account" (Financial Intelligence Centre, 2017).

Despite the clearly promoted flexibility, Guidance Note 7 recommends that financial institutions should ideally use government-issued or controlled sources as the means of verification when verifying basic identity attributes (Financial Intelligence Centre, 2017).

Guidance Note 7 specified that record keeping is not dependent on risk levels. Section 22 of the FIC Act (2001) provides an obligation on accountable institutions to keep CDD records. Chapter three of Guidance Note 7, titled Recordkeeping, elaborates on this by stipulating that a financial institution must keep record of all information pertaining to the identification of clients and other persons. Such records must include "copies of, or references to, information provided to or obtained by the accountable institution to verify the person's identity" (Financial Intelligence Centre, 2017). An accountable institution is also required to maintain CDD records for a period of at least five years from the date on which the business relationship is terminated. In terms of the means of recordkeeping, section 169 states that records can be kept by way of storing original documents, photocopies of original documents, scanned versions of original documents, or otherwise in computerized or electronic form. Section 169 goes as far as to list examples of mechanisms that may be used for storage, this includes physical storage devices, cloud storage and fintech capabilities. Section 163 of Guidance Note 7 continues to state that recordkeeping is not dependent or risk levels, and is fully applicable to the CDD, transaction and other information collected, whatever the range of this information may be.

Contradictory regulations are stunting innovation in the non-bank remittances space specifically. When it comes to remittances institutions or authorized dealers in foreign exchange with limited authority (ADLAs), critical aspects of the FIC regulation and guidance cited above are overridden by the Exchange Control Regulations issued by the FinSurv (the Financial Surveillance

Department of South African Reserve Bank).[41] The Exchange Control regulations stand in stark contrast to those in Guidance Note 7. As demonstrated above, Guidance Note 7 does not prescribe the specific identifiers that institution must use for CDD purposes. The Exchange Control regulations, on the other hand, are strictly rules-based in nature as they prescribe the identifiers that financial institutions must use per customer category for KYC and CDD. This is evident in how it assigns identifiers per customer category regardless of the risk posed by the customer at hand (as illustrated in **TABLE 16**). This ultimately results in incentivizing mostly undocumented persons, specifically migrants, to use informal channels when sending remittances (stakeholder interview, 2021).

TABLE 16: A COMPARISON OF THE REGULATIONS RELATED TO REMITTANCES IN SOUTH AFRICA

Guidance Note 7	Currency and exchanges manuals for authorized Dealers in foreign exchange with limited authority (specifically for a category 3 ADLA):
Chapter 1, section 16: The FIC Act requires accountable institutions to apply a risk-based approach when carrying out customer due diligence measures. Chapter 2, section 75: Accountable institutions should use the findings from their risk assessment to decide on the appropriate level and type of CDD that they will apply to a client (or business relationship and single transactions). Accountable institutions should also determine when they consider persons to be prospective clients to whom their CDD measures apply. An accountable institution's RMCP must describe the CDD measures that the institution applies and how these measures are attenuated or intensified on the basis of ML/TF risks. Chapter 2, section 84: Accountable institutions must now choose the type of information by means of which they will establish clients' identities and also the means of verification of clients' identities. The nature and extent of verification of clients' identities must be determined taking the assessed ML/TF risks associated with the relevant business relationship or single transaction into account.	View the applicant's proof of identity for a single transaction up to ZAR 5,000. Where a business relationship has been established, verify the identity of the applicant in terms of section 21 of the FIC Act and obtain the applicants residential address information for reporting purposes. For these transfers, in terms of residential individuals and foreign nationals that qualify, the applicant must produce a valid green bar-coded South African Identity document or Smart identity document card in addition to the normal CDD requirements . For migrant labourers, the ADLA must a view either a passport, asylum seeker permit, maroon refugee identity document, or any other acceptable form of identification and obtain the residential address for reporting purposes prior to effecting transfers. For foreign nationals temporarily in South Africa, ADLAs should view a passport or any other acceptable form of identification, obtain the residential address information for reporting purposes as well as proof of the applicants' earnings.

Sources: Guidance Note 7 (FIC, 217) page 9, 28–35; Currency and Exchanges Manuals for Authorised Dealers in foreign exchange with limited authority (SARB, 2020) page 41–44.

According to the ADLA Manual, permissible transactions and the corresponding KYC and CDD requirements differ per provider category. In addition to prescribing the identifiers that financial institutions must use per customer category for KYC and CDD, the ADLA manual also draws a distinction in terms of what is required per provider category. There are a total of four ADLA categories, each of which is restricted in terms of its business activities and permissible

[41] Specifically, the Currency and Exchanges Manual for Authorised Dealers in foreign exchange with limited authority (SARB, 2020).

transactions. Of the four ADLA categories, only categories 2–4 are permitted to conduct remittance transactions. To illustrate this, **TABLE 17** below shows each category, what remittance transactions they are permitted to conduct and it compares the identifier requirements for the category of foreign nationals temporarily in South Africa:

TABLE 17: THE BUSINESS ACTIVITIES AND PERMISSIBLE TRANSACTIONS PER ADLA CATEGORY

<table>
<tr><th>ADLA category</th><th>Business activities</th><th>Permissible transactions for foreign nationals temporarily in South Africa</th></tr>
<tr><td>Category One: Bureaux de change</td><td>None</td><td>Not applicable</td></tr>
<tr><td colspan="3">Category Two: Bureaux de change that can also offer money remittance services in partnership with external money transfer operators.

For single remittance transactions up to ZAR 5,000, only the applicant's proof of identity must be viewed by the ADLA concerned.

(aa) ADLAs may permit foreign nationals who are employed in South Africa on a contract basis to transfer abroad funds that have been earned in South Africa provided that:
(1) the foreign nationals can substantiate the source from which they have acquired such funds;
(2) the value of such funds is reasonable in relation to their earnings in South Africa; and
(3) in addition to the normal CDD requirements provided for in the RMCP of the individual ADLA, the ADLAs must view a valid passport and temporary residence permit prior to effecting transfers in this regard</td></tr>
<tr><td>Category Three: Independent money transfer operators and/ or value transfer service providers</td><td>(bb) For single remittance transactions up to ZAR 5,000 per transaction, only the applicant's proof of identity has to be viewed by the ADLA concerned

(cc) Where a business relationship has been established, transactions are limited to ZAR 5,000 per transaction per day within a limit of ZAR 25,000 per applicant per calendar month. The ADLA must complete the relevant CDD requirements by establishing and verifying the identity of the applicant in terms of section 21 of the FIC Act and obtaining the applicant's residential address information for reporting purposes</td><td>(1) Funds earned in South Africa by foreign national contract workers are eligible for transfer abroad within the limit specified under subsections (a)(bb) and (cc)

(2) For transfers in terms of subsection (a)(cc) above, ADLAs should view a passport, or any other acceptable form of identification, obtain the residential address information for reporting purposes as well as proof of the applicant's earnings prior to effecting transfers in this regard</td></tr>
<tr><td>Category Four: Authorized dealer in foreign exchange offering authorized services</td><td>The business activities could be a combination of the services provided by Category Two and Category Three ADLAs as outlined in subsections (B)(i), (C)(i)(a) and (C)(ii) above

Foreign national contract worker remittances (for amounts up to ZAR 5 000, excluding compensation). No specific mentions on identity requirements, assume combination of Category 2 and Category 3</td><td>No direct guidance</td></tr>
</table>

Source: Currency and Exchanges Manuals for Authorised Dealers in foreign exchange with limited authority. (SARB, 2020).

REGULATION ON INNOVATION

South Africa does not yet have formal guidance in the innovation space. While there are no regulatory support mechanisms for innovation in South Africa, the South African Reserve Bank (SARB), the National Treasury, the Financial Sector Conduct Authority (FSCA), the FIC and the South African Revenue Services (SARS) have been actively involved in the fintech and cryptocurrency space (Lexology, 2019). These entities established an Intergovernmental Fintech Working Group in 2018 to coordinate policy and regulatory responses, facilitation mechanisms, a sandbox structure and innovation and acceleration hubs (Lexology, 2019). The lack of regulation around innovation limits the space in which financial services and products can be developed. Contributing to this is the fact that fintech's are being held back by financial regulations aimed at consumer protection and mitigating systemic risk. For example, the Financial Advisory and Intermediary Services Act is unclear on whether it applies to fintechs, while the Banks Act provides a very broad definition of the business of a bank, which may provide some obligations to a range of fintechs (Financial Intelligence Centre, 2019). Therefore, there is a greater need for regulation specific to innovation and transparency and clarity in existing regulation.

South Africa has a vibrant fintech environment. According to a market scanning exercise conducted by Genesis in May of 2019, there were 217 active and operational fintech companies in South Africa. Thirty per cent of fintech's operated in payments, 20 per cent specialized in business-to-business tech support and 10 per cent were focused on investments (Financial Intelligence Centre, 2019). The payments segment is the largest and most mature with 68 active entities. It has thus been identified as a strategically significant segment to a) advance customer growth and financial inclusions through the development of low-cost products that are simple and accessible; and b) to solve for the large remittance corridors into the SADC region (Financial Intelligence Centre, 2019).

SCOPE FOR KYC AND CDD INNOVATION

Guidance Note 7 is an innovation to be leveraged. The introduction of Guidance Note 7 in 2017 marked a progressive shift away from the rules-based approach in South Africa's AML/CFT legislation. Guidance Note 7 does not require specific identifiers an institution must use for CDD purposes. Instead, it recommends that institutions (except for non-bank remittance service providers) use the findings from their risk assessments to determine the appropriate type of CDD per customer (Cooper et al., 2020a). Therefore, Guidance Note 7 is primarily outcomes focussed, which means that its core concern is mitigating ML/TF risks as opposed to promoting a strict focus on compliance and the documents necessary for compliance.

Opportunity to utilize biometrics for more robust due diligence. Biometrics can be utilized to simplify the CDD processes as they do away with unnecessary documentation while making them more robust, as the identifier is more unique and more difficult to falsify. Biometrics must be leveraged in conjunction with a national database, for example the Home Affairs National

Database. The Online Fingerprint Verification System launched by the Department of Home Affairs and the South African Banking Risk Identification Centre (SABRIC), is one example of how this opportunity can be optimized. This specific innovation allows for banks to verify a person's identity simply by placing the customers finger on a biometric reader. This reader captures the data that is then compared to the information stored in the Home Affairs database (Republic of South Africa).

CDD allows for the use of various identity proxies. Section 86 in Guidance Note 7 states that information about a person's identity may be supplemented with non-traditional and alternative attributes of their identity (Financial Intelligence Centre, 2017). This includes physical appearance or other biometric information, place of birth, family circumstances, place of employment or business, residential address, contact particulars (e.g. telephone number, e-mail address, social media profiles), contacts with the authorities (e.g. tax file numbers) or with other accountable institutions. This means that there is opportunity for financial institutions to use identity proxies to verify a person's identity.

The legislation creates opportunities for identity proofing. Section 87 of Guidance Note 7 states that many of a person's identity attributes accumulate over time and can be found in the person's "electronic footprint"[42] (Financial Intelligence Centre, 2017). This electronic information can be used to corroborate a prospective client's information against multiple third-party data sources. This creates the opportunity for financial institutions to open limited/restricted accounts for customers who do not necessarily meet the typical CDD requirements. The digital ID system would then continuously conduct the identification and verification process throughout the lifecycle of the account opened utilizing additional data collected during authentication (such as transactional data combined with GPS and IP address data) to continuously update and strengthen the identity profile (Cooper, et al., 2020). As this identity profile gets more robust, this could potentially lead to the individual being upgraded from lower-tier CDD accounts to higher-classified products.

The regulations allow for risk-rated remote onboarding. Guidance Note 7 does not require remote onboarding to be subject to enhanced due diligence (Financial Intelligence Centre, 2017). FSPs can therefore onboard customers remotely and can offer opportunities such as biometrics and identity proxies. An example of this opportunity being leveraged is the "selfie" onboarding process that was rolled out by FNB. In 2018, FNB launched a new service on their app that allows for individuals and businesses to open accounts by taking

[42] Section 89 of Guidance 7 makes clear provisions for identity proofing as it states that "Corroboration of a person's identity in relation to both basic and other identity attributes can be in documentary or electronic form. Moreover, many of a person's identity attributes accumulate over time and can be found in the person's so-called 'electronic footprint'. With this in mind the Centre encourages accountable institutions to make use of information in electronic form to corroborate a prospective client's information against multiple third-party data sources." Section 92 elaborates on this by stating that "A factor that may contribute to an accountable institution's confidence in corroboration based on electronic sources is the size of a person's 'electronic footprint' in relation to the depth, breadth and quality of electronic information. This implies that accountable institutions would have a greater level of confidence in corroboration from electronic sources if they use information from multiple sources, and across time." (Financial Intelligence Centre, 2017).

a photograph of themselves (selfie) and uploading it onto the FNB banking App. This selfie is then compared to data captured in the Home Affairs database. If the identity is verified, the account may be opened.

Despite the enabling regulatory environment established by Guidance Note 7, there is still some hesitation from financial institutions to fully embrace innovation out of fear of penalization (stakeholder interviews, 2021 and 2022). One contributing factor to this hesitation is the inadequate communication between regulators and FSPs.

4.7 The Gambia

COUNTRY CONTEXT

The Gambia is a small, developing country in West Africa. In terms of country size, The Gambia is the smallest mainland country in Africa with an area of only 10,689 km^2 for its population of approximately 2.1 million (The World Bank, 2020b). Despite its size, it is one of the most densely populated countries in Africa and one of the top ten most urbanized countries in Africa. Following the 2016 political transition,[43] the country's GDP accelerated to 6.6 per cent in 2018. This economic growth was largely driven by a recovery in agriculture[44] and other significant contributors including tourism, remittances and trade (ADBG, 2020a). Despite this growth, levels of poverty and financial exclusion remain high, especially in rural areas[45] and deep-seated gender disparities continue to disadvantage women and girls.[46]

To address persisting financial exclusion, the Central Bank of The Gambia is developing a National Financial Inclusion Strategy. According to FinScope data from 2019, 69 per cent of people in The Gambia are financially excluded, in rural areas specifically the financial exclusion is 75 per cent (Finmark Trust, 2019). FinScope's Consumer Survey Highlights (2019) also shows that women are slightly less financially excluded than men; 66 per cent of women were reported to be financially excluded, whereas 74 per cent of men were reported to be financially excluded[47] (Finmark Trust, 2019). Much of this

[43] In 2016, Adama Barrow won the country's presidential election, thus becoming the nation's third president in over 51 years. This transition signifies the country's shift from being an authoritarian state to a democracy (Africa Center for Strategic Studies, 2018). Largely because of this transfer of power, the country moved from a "not free" status to a "partly free" nation in the "Freedom in the World 2018 Report" (D'Aiello, 2018).

[44] The agricultural sector accounts for 22.1 per cent of GDP and employs 46 per cent of the labour force in The Gambia. It is the second largest sector in the economy after the services sector (ADBG, 2020 [B]).

[45] Poverty is still persistent in the country with the national poverty rate of 48.6 per cent, comprising 31.6 per cent urban and 69.5 per cent rural (Central Bank of The Gambia, 2021).

[46] Deep-seated gender disparities continue to put girls and women at a disadvantage when acquiring assets, and when attempting to access education and health services. In 2019, The Gambia ranked 148t out of 262 countries in the Gender Inequality Index (UNDP, 2020).

[47] While more men are formally included, with 23 per cent of men formally financially included compared to 15 per cent of women (banked and non-bank formal channels), 19 per cent of women use informal financial channels, whereas only 3 per cent of men use informal financial channels, resulting in slightly more women being financially included (FinScope, 2019).

exclusion is due to formal financial services being concentrated in urban areas, severe infrastructural issues in both urban and rural areas, segments of the population only possessing expired identity documentation and rigid CDD requirements (DMA Global. 2020d). To address demand-side, supply-side and regulatory barriers, the Central Bank of The Gambia committed to developing a National Financial Inclusion strategy (NFIS) in 2019 to increase the access and use of quality affordable financial services (Central Bank of The Gambia, 2021).

The Gambia had its last mutual evaluation in 2008. The Gambia's mutual evaluation report (MER) reported that regulation provided for the RBA. At the time of the on-site visit, the central bank had not been implementing the RBA nor had it conducted any threat or risk assessment in any of its financial sectors (GIABA, 2008). In 2013 and due to limited progress, the Plenary called for The Gambia to demonstrate a greater commitment to the implementation of its AML/CFT regime to avoid being blacklisted for not making the necessary improvements in its AML/CFT system (Youinou, 2017).

The conservative AML/CFT regime in The Gambia makes for a difficult operating environment. The eighth follow-up report (2014) illustrated significant progress, however it also highlighted various shortcomings regarding the RBA. For example, part of recommendation 5 in the eighth follow-up report stipulates a need for financial institutions to be trained on how to use the RBA to increase the implementation of the ML Act and the Guidelines on Customer Due Diligence (GCDD) (GIABA, 2014). Other challenges include the fact that the AML/CFT regime still does not distinguish between high- and low-risk customers (GIABA, 2014). Financial institutions being unclear on ML risk often results in over-compliance out of fear of penalization. Even in cases where financial institutions have a good grasp of ML risks, the fact that the regulations do not allow for tiered KYC means that there is little scope to develop products and services for those without access to the existing financial services. Thus, The Gambia's AML/CFT framework still creates a challenging environment in which to advance financial inclusion.

Remittance inflows have been growing year-on-year since 2015. The Gambia is predominantly a remittance receiving country.[48] Remittance inflows play an important role in economic development and as a source of livelihood. Data shows that remittances accounted for 19 per cent of GDP in 2019, while 46 per cent of households are reliant on remittances as a source of income (DMA Global, 2020d). Despite its growing importance, the low level of financial inclusion is hindering the economic and livelihood potential of remittances in The Gambia. Low financial inclusion means that remittances are reliant on people receiving their money in physical locations rather than into bank accounts or into a mobile wallet. Subsequently many do not have the option to access or use remittances as a financial option. Thus, to enable remittances, there must be emphasis on addressing financial exclusion.

[48] The largest remittance corridors are with the United States, the United Kingdom, Italy, Spain, Sweden and Germany. Despite its significant contribution to The Gambia, the values sent home by immigrants, especially by corridor, are small by global standards and average prices are among the highest worldwide (RemitSCOPE, 2020).

IDENTITY AND KYC AND CDD IN THE COUNTRY

CONCEPT OF IDENTITY AND IDENTITY ECOSYSTEM

The AML Act of 2012 provides the key components of identity. The Anti-Money Laundering Act of 2012 does not define identity, but it does delineate identity information, or core components, that make up an identity. This information relates to a person's name, address, occupation, and physical characteristics evident in a valid photograph bearing national identity card such as a driving license, passport, or other official identification (Central Bank of The Gambia, 2012). **TABLE 18** summarizes some of the identifiers in The Gambia's identify ecosystem:

TABLE 18: THE GAMBIA'S IDENTITY ECOSYSTEM

Credential	Issuing and governing authority	Extent of coverage	Use cases	Biometrics	Potential proxy IDs
National ID card	The Gambia Biometric Identification System (GAMBIS) is responsible for issuing national ID cards	Data from 2018 shows that 21.7% of the population does not have any ID	The National ID card is used as proof of identification during administrative procedures within the state (for example, when applying for a driving license)	Thumbprint	Photograph, thumbprint, encoded chip, given name, address, signature, National Identification Number (NIN)
Birth certificate	The Registrar of Births and Deaths, in the Ministry of Health and Social Welfare	Birth registration is a legal entitlement and is free of charge, therefore, failure to register a birth may result in fines or imprisonment, which suggests that coverage should be close to universal	The registration of every birth within 14 days in The Gambia	None	Given names
Voter's card	Electoral Independent Commission (IEC)	886, 576 registered	To conduct and supervise the registration of voters, for all public elections and referenda	Fingerprints, signature, and information regarding the voter	Names (surname, first name), location, thumb print, signature
Passport	Immigration Department under the Ministry of Foreign Affairs	No data available	The passport is used as proof of identification when traveling and for administrative procedures within the state (for example when applying for a TIN)	fingerprints, signature, and information regarding the applicant's irises	Fingerprints, iris, name, signature
A registration/ naturalization card	The Gambia Nationality and Citizenship Act; Gambia Immigration Department under the Ministry of the Interior	No data available	To regulate the manner and circumstances in which foreigners, may be naturalized as citizens of The Gambia	None	Given names
An attestation	Certified by the District Seyfo or an Alkalo of the Village; Ministry of External Affairs (MEA)	Over 60,000 documents	Document used as proof of identification and as proof of residence for state administrative processes (like opening a bank account or applying for an ID)	Stamp	Name

Credential	Issuing and governing authority	Extent of coverage	Use cases	Biometrics	Potential proxy IDs
Driving license	The Gambia Biometric Identification System (GAMBIS)	No data available	Issued as an authority to allow a person to drive a motor vehicle	Fingerprint, signature, NIN	Fingerprint, name, NIN, signature
Taxpayer Identification Numbers (TIN) Certificate	Gambia Revenue Authority (GRA); Domestic Taxes Department (DTD)	No data available	To identify, categorize, segment and cross check taxpayers. Mandatory to do business with GRA and other entities	None	TIN
National Identification Number (NIN)	Gambia Biometric Identification System	The NIN is an 11-digit number that is listed on the Gambian ID card, which is linked to a thumbprint		None	NIN

Sources: The World Bank Group (2017); RemitSCOPE (2020); Hultin (2008); Danish National ID Centre (2020); Sawaneh (2016).

Fragmented ID ecosystem and cumbersome processes create barriers to accessing identity documents. Research conducted by DMA Global (2020d) found that The Gambia's identification ecosystem system is fragmented as there have been instances where the government would issue a new type of ID that is often not seen by industry stakeholders (such as FSPs), which subsequently creates a scramble for industry to get employees trained on how to verify this new ID type. In addition to this, the study by DMA Global also found that cumbersome application and renewal processes for some types of IDs lead to people being discouraged from getting or renewing their IDs (DMA Global, 2020d). As a result, people often then present expired IDs when trying to gain access to formal financial services (including remittance services) and are turned away as these expired documents cannot be accepted per requirements under AML/CFT law.

REGULATORY REQUIREMENTS FOR KYC AND CDD

The Anti-Money Laundering Act of 2012 is the backbone of the AML/CFT legislative environment. The Anti-Money Laundering Act of 2012 provides the CDD requirements, designates roles to all relevant authorities responsible for implementation of the act, and delineates the responsibility of the Gambian Financial Intelligence Unit (GFIU). **TABLE 19** summarizes the core legislative documents used to as the basis of the regulatory requirements for KYC and CDD, which includes the Anti-Money Laundering and Combating Terrorism Financing Guidelines for Financial Institutions in The Gambia, which provides guidance to all financial institutions in The Gambia in combating ML, TF, and other criminal activities in accordance with the AML Act.

TABLE 19: OVERVIEW OF REVIEWED LEGISLATIVE DOCUMENTS

Name of the document	Issuing authority	Year of issuance
Anti-Money Laundering Act	Central Bank of The Gambia	2012
Anti-Money Laundering and Combating Terrorism Financing Guidelines for Financial Institutions in The Gambia	Central Bank of The Gambia, Financial Intelligence Unit of The Gambia	2015
Policy Guidelines on Money Transfer Operations in the Domestic Foreign Exchange Market	Central Bank of The Gambia	2015
Regulation for the Provision of Mobile Money Services	Central Bank of The Gambia	2011

RBA advised but not compulsory. Section 2.29 of the AML/CFT Guideline mentions that financial institutions may (i.e. it is advised but not compulsory) “adopt an RBA and direct more resources to high-risk areas and use simplified AML/CFT measures in areas where the ML/TF risks are generally low.” Given that an RBA is not mandatory, there is a potential risk that there may be some financial institutions in the country that are not applying an RBA and thereby could be unduly excluding low-risk individuals form the formal financial system. This in turn presents risks of money laundering, terrorism financing and proliferation financing into The Gambia’s financial system as excluded individuals utilize informal, unregulated or less regulated channels to gain access to financial services.

Identifiers for customer identification prescribed in AML/CFT guidelines. The AML Act does not prescribe specific identifiers, but sub-section 8 of Section 25 does state that the minister responsible for finance may prescribe the means that is required for identification or verification as well as the threshold or the circumstances in which the provisions of this section shall apply in relation to any customer or class of customers (ibid). The AML/CFT Guideline, however, lists permissible identifiers in The Gambia to gain access to formal financial services; Section 4.2 states that “a valid identity card, passport or other document bearing a photograph and other personal information of the applicant” can be used to provide evidence of identity. Section 4.15 of the AML/CFT guideline also states that a driving licence and a voter card with a clear photograph are considered valid identification documents that financial services providers can accept. Proof of address is not a requirement for money transfer services, but it is required to open a bank account according to DMA Global’s research findings (DMA Global, 2020d). Section 4.15 of the AML/CFT guideline makes mention to utility bills as a form of proof of address as well as the use of customer visitations to verify residential address information. That said, there is no proper addressing system in The Gambia. Many streets also remain unnamed, which makes it difficult to verify the address of those interested in opening a bank account (DMA Global, 2020d).

Money transfer operator policy guidelines outlines identity details to disclose on remittance receipts. The Policy Guidelines on Money Transfer Operations in the Domestic Foreign Exchange Market, issued by the Central

Bank of The Gambia, takes into consideration the AML Act and requires MTOs wishing to enter into agency relationships with institutions in The Gambia to disclose the following information on their remittance receipts: the sender's details, beneficiary details, the exchange rate applied to the transaction, the foreign currency and domestic values, and the originating country of the transfer. Given the requirement to comply with regional AML/CFT frameworks, it is implied that RSPs would need to collect paper-based documentation to establish and verify identity information supplied on the remittance receipts.

Use of data allowed to verify customer identity information. Section 25, part V of the AML act, states that an accountable institution should identify a customer using any official or other identifying document and verify this identity "using reliable and independent source documents, data or information or other evidence as is reasonably capable of verifying the identity of the customer" (Central Bank of The Gambia, 2012). This is echoed in Section 4.3 of the Anti-Money Laundering and Combating Terrorism Financing Guidelines for Financial Institutions in The Gambia (Central Bank of The Gambia & Financial Intelligence Unit of The Gambia, 2015).

AML/CFT Guidelines mention manual processes that could lead to conservative approaches to identity verification. While both the AML act and AML/CFT guideline allow for financial institutions to use data or information to verify the identity of a customers, Section 4.6 of the AML/CFT guideline states that financial institutions should have sight and examine the original documents provided as evidence of identity, copy them, and sign and date them. This could deter financial institutions from using alternative and non-traditional identifiers such as data and adopt a more conservative approach to identity verification.

Simplified, or tiered, KYC framework has been development but uncertainty remains as how it can be applied to inward remittance transactions. Gambia's Financial Intelligence Unit (FIU) has developed a framework for simplified (or tiered) KYC that applies to mobile money operators and non-bank financial institutions (NBFIs). This simplified approach does away with the requirement for ID documents for low value transaction accounts up to a daily transaction limit of GMD20,000 (US$370) with NBFIs needing only to collect basic customer information including an individual's full name, age gender and geographic location of residency. Information related to a customer's phone number is optional, and where available may be linked to a mobile phone account. This customer information then needs to be complemented with a photo of the individual. The framework does, however, not make mention to inward fund transfers and whether simplified KYC could be applied to these transactions for RSPs identified as NBFIs.

Remote onboarding is permissible according to the AML/CFT guideline. Non-face-to-face onboarding is discussed throughout sections 4.87–4.93 of The Gambia's AML/CFT guideline. It states that financial institutions need to put in place measures to guard against any money laundering and terrorism financing risks that may arise from the use of "new or developing technologies" used to facilitate non-face-to-face customer transactions. The guideline further states that financial institutions should in place policies and procedures to deal with any ML/TF risks that may arise because of non-face-to-face business relationships or transactions. This therefore creates the opportunity for financial institutions to utilize innovations in a risk-based manner to onboard customers.

Records must be kept in a machine-readable form. The act clearly details a financial institutions duty to maintain records. Section 27 stipulates that a reporting entity must establish and maintain records of a person's identity obtained in accordance with the act (Central Bank of The Gambia, 2012). These records must also accurately capture the transactions carried out, reports by The Gambia's FIU and any enquiries relating to money laundering. These records must be kept for a minimum of five years from the date that the information was obtained. In terms of storing the information, sub-section 4 states that information must be kept in a machine-readable form, if a paper-based copy can be readily produced from it, or in an electronic form, if a paper-based copy of it can be readily produced from it and in a manner that enables appropriate authentication, for example, by electronic signature of the person who keeps the record is retained.

REGULATION ON INNOVATION

There is no legal framework to regulate or encourage innovation. According to a survey published by the Association of African Central Banks (AACB) in 2019, the Central Bank of The Gambia reported having no framework to regulate fintechs. In terms of addressing this, the central bank did express interest in developing such a framework (Association of African Central Banks, 2019). In addition, the central bank reported having no AML/CFT regulations around fintech either.

The lack of regulation on innovation can stunt the potential development of fintech, suptech and regtech. The AACB report categorized various central banks into one of three categories according to their level of progress in terms of a fintech monitoring framework. The Gambia was categorized in the intermediate group. This is likely because of some of its progress in regulation and innovation. For example, regulation for mobile money was developed because of fintech innovation. Other examples include the introduction of GamSwitch[49] to improve the rate of access to financial services via fintech, and vRegCoSS,[50] which was developed to leverage technology and data to enhance supervision. Despite these notable achievements, the central bank reported having no initiatives around digital identity, and in terms of advancing biometric technology it had only developed a data centre (Association of African Central Banks, 2019). Therefore, there is ample room for innovation.

[49] GamSwitch provides platforms to host and manage local and international payments on behalf of businesses. It also provides gateways for businesses and individuals to access financial services across all banks. It covers majority of the payment value system, including various channels, payment tokens, technologies, payment networks, and vendors and partners (GamSwitch).

[50] vRegCoSS is an automated supervision process developed specifically for Central Banks to strengthening their supervisory, surveillance and regulatory role of monitoring financial institutions (Valtech).

SCOPE FOR KYC AND CDD INNOVATION

Simplified KYC can open up access to formal remittance services for individuals lacking valid forms of government issued ID. With access to a valid non-expired form of identity document posing a key barrier to access formal financial services among segments of The Gambian population, a tiered KYC approach presents an important innovation to help address the challenge. This would open up the door for remittances receivers who only possess an expired ID document to present their basic information and gain access to their funds rather than being turned away by institutions. NBFIs could also then verify an individual's identity using a secondary verification mechanism such as an SMS for further assurance.

Remote onboarding can be enabled by employing biometric identifiers and the biometric database. The Gambia's AML/CFT Guideline for financial institutions implies that remote onboarding is allowed, provided adequate measures are in place to mitigate ML/TF and other financial crime risks. This means that the same biometric identifiers that simplify and strengthen CDD processes can be leveraged along with government databases to enable remote onboarding. Smart phones and other devices with biometric reading capabilities can be used to capture data such as fingerprint and iris scans. This data can then be compared to the data stored in existing national databases to verify a person's identity. This will allow people to open accounts with financial institutions from their homes, which would potentially deepen the financial market by reaching more segments of the population.

There are various identity proxies that can be utilized to overcome challenges in the Gambia's identity ecosystem. The Gambia's identification system is fragmented with several different types of IDs being issued by the government. In addition, the stringent requirements around these identifiers often means that identifiers expire quickly and become invalid (DMA Global, 2020d). For example, legally, the driving licence must be renewed annually based on driving standards and can be done at certain police stations. The frequency of this of requirement makes the process cumbersome, subsequently discouraging many people from getting or renewing their licences. A solution to this would be to leverage the regulatory flexibility, specifically the allowance for the use of data to identify and verify customer identity, to employ digital proxies to verify a customer's identity.

OTHER REGULATORY CONSIDERATIONS

The Gambia is yet to enact a data protection act. The Gambia enacted the Information and Communications Act in 2009, which has a narrow focus on some elements related to privacy and data rules, specifically related to information and communications service providers. In 2017, the World Bank Group noted that The Gambia does not have any legislation pertaining to personal data protection, nor does it have a data protection agency (World Bank, 2017). Therefore, there is no regulatory document or body to regulate the use, storing and sharing of personal data. To address this, the Public Utilities Regulation Authority issued the Draft Data Protection and Privacy Policy

Strategy in 2019. However, this policy document does not currently have the status of law. By developing data protection legislation, customers would be ensured that their information is safeguarded.

4.8 Uganda

COUNTRY CONTEXT

Uganda has experienced high GDP growth rates in the last years. A relatively small, landlocked country in the East African region, Uganda experienced high GDP growth rates before the COVID-19 crisis (DMA Global, 2020c). Due to the effects of the COVID-19 crisis, the country's real gross domestic product (GDP) grew at 2.9 per cent in the 2020 fiscal year, which is less than half the 6.8 per cent recorded in the 2019 fiscal year (WorldBank, 2020d). Uganda has a population of 44.3 million, 46.5 per cent of whom are under the age of 15 and the majority (75 per cent) lives in rural areas (DMA Global, 2020c).

Uganda is a major recipient of remittances, but the COVID-19 crisis led to a significant decline. Remittances are a vital source of capital for economic growth and development in Uganda with remittance inflows in 2016 adding the equivalent of approximately 4 per cent to the country's GDP (World Development Indicators, 2016). Uganda is a remittance receiving country. It received in US$599 million in 2021, which is an increase of 3.52 per cent in comparison to the year prior. Outflows only amounted to US$206 million in 2021 which marked a 3.85 per cent decline in comparison to 2020 (Bank of Uganda, 2021b). According to the Bank of Uganda (2018), an estimated 75 per cent of cross-border remittances were received through formal channels with international money transfer operators (MTOs) accounting for 50 per cent of flows entering the country (Cooper et al., 2018c).

Urban-rural financial inclusion gap exists. The latest FinScope survey from 2018 found that 78 per cent (14.4 million) of Ugandan adults are financially served (both formally and informally), which implies relatively high levels of financial inclusion. However, financial inclusion is skewed towards adults from urban areas with 86 per cent of urban adults being financially included versus 75 per cent of those residing in rural areas (FSD Uganda, 2018).

Uganda is striving to reduce access barriers to financial services. Uganda has a comprehensive National Financial Inclusion Strategy (NFIS) for promoting financial inclusion with an emphasis on reducing financial exclusion and barriers to accessing financial services. Related to that, it outlines two key KYC and CDD related actions (Bank of Uganda; Ministry of Finance, Planning and Economic Development, 2017):

- Finalization of the National Risk Assessment for AML/CFT and implementation of tiered KYC requirements for greater flexibility to improve access for people with limited documentation.
- Development of a verification system for IDs that allows financial service providers to verify IDs through it to improve KYC compliance among

financial service providers and verification of national ID. The National Identification and Registration Authority, in collaboration with the National Information Technology Authority, will develop this system.

The latter action has been implemented already (Stakeholder interviews, 2021).

Uganda's AML/CFT framework still has significant deficiencies. Uganda's AML/CFT regime was enacted with the Anti-Money Laundering Act in late 2013 (ESAAMLG, 2016). Although Uganda has made significant overall progress in resolving the technical compliance shortcomings, major deficiencies continue to exist (ESAAMLG, 2020). Among these deficiencies are issues regarding CDD, supervision of money or value transfer services and the carrying out of an ML-TF risk assessment associated with development of new technologies (ESAAMLG, 2020). As a result, Uganda is a jurisdiction that is on the "grey list" (Jurisdictions Under Increased Monitoring) according to FATF and that is on the EU's list of high-risk third countries (FATF, 2021; EU, 2020).

Uganda's AML/CFT strategy aims to address these deficiencies. The Uganda AML/CFT Taskforce developed a National Strategy for Combating Money Laundering and the Financing of Terrorism and Proliferation, which was published in September 2020. This strategy is guided by six different objectives, among them enhancing compliance with FATF recommendations and strengthening the capacity of stakeholders to implement the AML/CFT requirements. The following actions under these objectives have been identified as relevant in the context of this project (Republic of Uganda, 2020):

- Issue guidelines to accountable persons on proper implementation of AML/CFT obligations, especially with regards to ML/TF risk assessment/ CDD/targeted financial services (TFSs) and suspicious transaction reports (STRs).
- Conduct outreach to regulated entities to improve compliance with AML/CFT obligations, including CDD/enhanced due diligence (EDD) checks for high-risk clients.
- Raise AML/CFT awareness among all stakeholders and public.
- Identify AML/CFT knowledge gaps across the public and private sectors.
- Design and deliver programs for raising awareness on AML/CFT matters with relevant stakeholders.

IDENTITY AND KYC AND CDD IN THE COUNTRY

CONCEPT OF IDENTITY AND IDENTITY ECOSYSTEM

The Anti-Money Laundering Act stipulates which documents can verify identity. The AML/CFT Act provides the backbone of Uganda's AML framework and establishes the Financial Intelligence Authority. While this document does not define identity, it suggests identity documents that can be utilized to verify a customer's identity, which will be explored further in this document. Moreover, both the AML Act and the AML Regulation make the provision that the identity for natural persons can be established by "using reliable and independently sourced documents, data, or information" (Republic of Uganda, 2013).

Uganda's national identity card is the key identifier within Uganda's identity ecosystem. Uganda has a complex identity ecosystem. **TABLE 20** provides an overview of the most important identifiers available in the Ugandan identity ecosystem, both originating from the private sector and government. The key identifier within that ecosystem is the national identity card. According to the United Nations (2021), between 23 per cent and 33 per cent of Uganda's adult population do not have ID cards. This document is required for acquiring other identification documents, opening bank accounts and SIM card registration. The National Identification and Registration Authority (NIRA) is tasked with overseeing all foundational identity infrastructure in Uganda, including the issuance of National Identity Cards (NIC) and National Identification Numbers (NIN) to all citizens. When registering for an NIC, all fingerprints and a high-quality facial photograph are collected. This biometric data is stored on the NIC's smart chip, and a machine-readable barcode on the back of the card allows the data to be validated (GSMA, 2019).

TABLE 20: UGANDA'S IDENTITY ECOSYSTEM

Credential	Issuing and governing authority	Extent of coverage	Use cases	Biometrics	Potential proxy IDs
Birth registration and certification	National Identity and Registration Authority (NIRA)	Registration rate of 70% (2016/17)	The registration of every birth within Uganda	No biometrics captured	Birth registration number
National ID Card (NIC)	NIRA	17.4 million, 80% of adult women compared to 82% of men (2018)	The national ID document for official identification and to access basic government services	Photograph, fingerprint, signature	NIN
Voter identity	The Ugandan Electoral Commission (UEC)	18 million (2016)	For public elections and referendums	Fingerprint	No data available
Passport	Directorate of Immigration Control (DCIC) under the Ministry of Internal Affairs	Paper-based files for approximately 550,000 non-nationals 650,000 passport holders (2018)	To facilitate, monitor and control the movement of persons (both citizens and non-citizens) in and out of Uganda	Photograph	Passport number
Refugee ID card	Department of Refugees, Office of the Prime Minister (OPM)	1.4 million refugees and asylum seekers (2018)	Evidence that the bearer has been recognized as a refugee by the Government of Uganda	Photograph, Fingerprint, iris Scan	No data available
Family Attestation document[17]	Department of Refugees, OPM	600,000 refugees (2018)	The first documentary evidence of refugee status by the government of Uganda, also used to access services in the settlement	No biometrics captured	No data available
SIM Card	Uganda Communications Commission (UCC)	29.5 million	SIM card registration	No biometrics captured	Phone number, NIN

[51] "Applicants within a family are expected to provide all documents confirming their identity, including passports and/or national IDs from the country of origin, school diplomas, letters of support, etc. for verification. At this point, an attestation letter (A4 size paper) containing pictures and identification details of the entire family present are issued" (UNHCR, 2018).

Credential	Issuing and governing authority	Extent of coverage	Use cases	Biometrics	Potential proxy IDs
Financial card	Bank of Uganda	900 000 (2013)	Lending and credit records, captures biometrics	Photograph, Fingerprint	Phone number, Mail address
Tax register	Uganda Revenue Authority	2.3 million (2016/17)	Tax revenue planning, collection, and administration	No biometrics captured	Tax identification number
Driving license	Ministry of Works and Transportation	786 397 (2016)	Driving permits, vehicle licenses, vehicle inspection, traffic rule violations	Photograph, Fingerprint	Driving license number
Integrated Personnel and Payroll Service (IPPS)	Ministry of Public Service	350 000 (2017/18)	Payroll validation for government employees	No biometrics captured	NIN
Education Management Information System (EMIS)	Ministry of Education and Sports	12.5 million (2017)	Educational planning, capitation grants	No data available	No data available
E-voucher program	The Ministry of Agriculture, Animal Industry and Fisheries	450,000 households	Verification of e-voucher beneficiaries	No data available	No data available
Single social register	Ministry of Gender, Labour and Social Development	Rollout started 2021	Targeted delivery of social protection programs. Registration of overseas workers	No data available	NIN

Sources: (World Bank, 2018; AFI, 2013; Burth, 2018; The Independent, 2021).

Challenges regarding the NIC exist. Over 70 per cent of Ugandans have an NIC and more than 90 per cent have an NIN (DMA Global, 2020c). This gap between coverage of NIN versus NIC is due to collection issues related to receiving the NIC. There have also been challenges regarding the replacement of the NIC (World Bank, 2018). FSPs are currently not able to use the NIRA database for authentication purposes. However, ongoing e-KYC efforts are expected to ease this burden of identification (stakeholder interviews, 2021). Refugees are issued refugee ID cards upon registration, which means they are not part of the national identification system. The authentication process of refugee ID cards poses challenges to FSPs, potentially excluding this group from financial services.

Refugees are required by the RSPs to present their refugee ID document for verification purposes before serving them with their remittances. The Anti-Money Laundering (Amendment) Act of 2017 requires an accountable person to “verify the identity of the client using reliable, independent source documents, data or information.” In terms of remittances, the National Payment Systems Act of 2021 provides a list of the KYC requirements per electronic money category of accounts. Schedule 5 specifically lists the use of a refugee ID card for cash out transactions for a tier VII individual account and a tier VI individual account with higher limits.

Refugee's access to remittances is hindered by KYC and CDD practices. In practice, refugees who enter a location to receive remittances in cash must present their photograph bearing refugee ID Card as well as their family attestation document to confirm their identity, even though our research suggests that the latter is not required by law. This is because both are considered to be risky identifiers by FSPs as they are easy to falsify.[52] Frontline staff then attempt to verify these documents by calling the issuing authority, the Office of the Prime Minister (OPM). This process depends on the immediate availability of the OPM, which is not always possible. The process also needs to be repeated for every in-cash remittance transaction, which renders it time consuming and unsustainable, ultimately hindering and deterring frontline staff from serving refugees.

The mobile phone number is a robust proxy ID. According to the Guidelines on SIM Card Registration issued by the Uganda Communications Commission, the NIC has to be presented in person by the customer for SIM card registration. The customer details collected during the SIM card registration process have to be submitted to the National Identity Registration Authority and the MNO is required to obtain a real-time verification with the NIRA database. Hence, the mobile number is a highly robust proxy ID in Uganda because it is linked to the NIN, as well as the national NIN database. Consequently, the SIM card can be linked to an identity, which opens up the possibility to use an individual's phone number as an identifier.

REGULATORY REQUIREMENTS FOR KYC AND CDD

The AML Act, the AML Regulations and the National Payments Act define the CDD requirements for RSPs. TABLE 21 provides an overview of the documents which have been reviewed. The analysis presented in this sub-chapter is based on this review. The most recently developed documents are the National Payments Act and the National Payments Regulations, which regulate operators of payment systems, payments service providers, issuers of payment instruments and issuers of electronic money.

TABLE 21: REVIEWED REGULATORY DOCUMENTS

Name of the document	Issuing authority	Year of issuance
AML Act	Republic of Uganda	2014, latest amendment 2017
AML Regulation	Republic of Uganda	2015
NPS Act	Republic of Uganda	2020
NPS Regulations	Republic of Uganda	2021
NPS Sandbox Regulations	Republic of Uganda	2021
Financial Institutions (Agent Banking) Regulations	Bank of Uganda	2017
Mobile Money Guidelines	Bank of Uganda	2013

52 Stakeholder interview

Financial institutions are required to apply a risk sensitive approach to CDD. The amended AML Act requires financial institutions to implement a risk-based approach. Moreover, it gives institutions the leeway to take "reasonable measures to verify the identity of beneficial owners" (Section 6.3 b) (Republic of Uganda, 2017). However, only enhanced CDD measures are described in further detail. This means that there is regulatory uncertainty around when and how to implement simplified CDD measures. In addition to the provisions made in the AML Act, the National Payments Regulation mentions that electronic money issuers only have to comply with the "minimum customer due diligence requirements" prescribed in the regulations but do not define what is meant by minimum requirements (Republic of Uganda, 2020). Other guidance relevant to RSPs, such as the Mobile Money Guidelines, do not mention the term risk sensitive or the application of reasonable measures for CDD.

CDD does not have to be carried out for all type of transactions. CDD has to be carried "before or during the course of opening an account for or establishing a business relationship with a customer" and "before carrying out an occasional transaction equal to or above the amount of five thousand currency points" (Republic of Uganda, 2017). This implies that occasional transactions that are below the amount of five thousand currency points do not require the conduction of CDD. Occasional transactions that are wire transfers, however, always require CDD, irrespective of the transaction amount.

Seven different categories of mobile money accounts exist. Section 16.1 of the NPS Regulations differentiates between the following seven categories of electronic money accounts: tier I (government entities); tier II (merchants); tier III (super agents); tier IV (retail agents); tier V (small and medium enterprises); tier VI (individual accounts with higher limits); and tier VII (individual accounts). The latter two are the most relevant in the context of remittances. Schedule 5 of the NPS Regulations outlines the customer verification requirements for each of these categories. The limits for tier VI accounts are 5 million currency points for single transactions and 20 million currency points for daily transfers and daily balance where the limits for tier VII accounts are 3 million currency points for single transactions and 10 million currency points for daily transfer and daily balance. The tier VI and tier VII differ regarding the KYC requirements for cash-in transactions where tier VII accounts only require a registered phone number and registered mobile money account number, whereas the tier VI accounts require in addition to that the national identification card and an acceptable passport photograph.

Uganda requires the presentation of the NIN for CDD conducted by banks. Despite the recognition of a risk-based approach as stated above, the Bank of Uganda issued a directive making the NIN the primary identifier for KYC purposes for all commercial banks, credit institutions and microfinance deposit taking institutions (Bank of Uganda, 2019b). Customers that want to access mobile money services, however, do not have to present their physical NIC again because it would have been verified in the process of registering the customer's SIM card (Stakeholder interviews, 2021).

Transaction and customer record keeping requirements are flexible. The amended AML Act does not stipulate any specific requirements for record keeping, except for the requirement that they have to be stored for ten years. Instead, it only requires that transaction and CDD records have to be "sufficient to reconstruct each individual transaction for both account holders and non-account holders including the amounts and types of currency involved" (Republic of Uganda, 2017). This implies that FSPs can unilaterally define which transaction details have to be captured to fulfil this requirement. The AML Regulations, however, state which particular records have to be kept in the case of wire transfers under Section 34, which is not in line with the AML Act.

Non-face-to-face relationships require measures that address the specific risks. The amended AML Act allows for non-face-to-face business relationships. In this context, it only makes the provision that policies and procedures have to be established, which "address the specific risks associated with non-face-to-face business relationships" (Republic of Uganda, 2017). Moreover, documents can be "electronic" as defined under Section 1 in the AML Act (Republic of Uganda, 2013). The regulation does not make any provisions regarding the use of databases.

KYC and CDD processes for forcibly displaced persons are especially challenging. Uganda's legislation and regulations for KYC and CDD practices do not explicitly state requirements for onboarding refugees, creating both a barrier and lack of clarity among refugees and service providers (DMA Global, 2020c). Moreover, challenges regarding the verification processes for refugee ID cards exist. The process takes a long time, refugee ID cards are easily replicated and cannot be authenticated using the same systems for national ID (GSMA, 2020 b). Additionally, some refugees come from AML/CFT-sanctioned countries such as South Sudan and the Congo, which results in FSPs carrying out enhanced KYC and CDD such as, for instance, asking for proof for source of funds or for purpose of funds, which can lead to the financial exclusion of refugees (DMA Global, 2020c; Stakeholder interviews, 2021).

REGULATION FOR INNOVATION

Existing licenses can be modified. There are three different licenses in the national payment system: the payment systems operator license (e.g. fund transfer systems, settlement system, third party systems); the payment service provider license (e.g. electronic money issues); and the issuers of a payment instrument license (e.g. payment cards, electronic devices, paper-based instruments). As stated under Section 10 of the NPS regulations, institutions operating under one of these licenses can apply at the Bank of Uganda for a modification of their existing license and if they are successful with that modification request, they can offer services within a different category of the license. Moreover, Section 29 of the NPS regulations determines that cross-border payment services can only be offered with a written approval issued by the Bank of Uganda.

The Bank of Uganda established a regulatory sandbox framework for payment innovations. The Bank of Uganda together with the Uganda

Communications Commission (UCC) have been regulating mobile money providers as a shared responsibility. Since May 2020, the supervisory responsibility has been passed to the Bank of Uganda (Rubatsimbira, 2020). The recently enacted NPS Act makes provisions for the establishment of a regulatory sandbox framework under the sections 16, 17 and 18, which led to the development of the NPS Sandbox Regulations. The aim of the regulatory sandbox is to test innovative financial products or services without obtaining a license under this act. Among other documents, a testing plan, a business plan, a risk management plan and an exit plan are required to apply for a sandbox. The applications will be processed through the Bank of Uganda and will be assessed against the following minimum requirements, as stipulated under Section 4.2 of the NPS Sandbox Regulations

- that innovation is genuine;
- that the sandbox has consumer benefits and safeguards;
- the readiness for testing; and
- the suitability of the exit plan.

The application should be processed in 69 days after the submission of the application.

SCOPE FOR KYC AND CDD INNOVATION

Removal of unnecessary CDD requirements. The most recent version of the AML Act does not make specific provisions regarding which customer details have to be captured. This means that FSPs can unilaterally define the customer details they want to capture, such as address or occupation details. Hence, there is room to implement a risk-based approach, requiring less details for low-risk customers. In practice, however, some banks in Uganda require proof of address in the form of utility bills or letters of introduction for all account openings and other transactions with financial Institutions (DMA Global, 2020c). Accordingly, RSPs should review their current KYC and CDD processes and implement a risk-based approach regarding the capturing of customer details, including the removal of the proof of address.

Implementation of remote identity proofing. Most banks, MTOs and MNOs require that customers come in in person and present a physical ID. Some institutions are offering remote identity proofing for lower-value accounts, which can then be upgraded when the respective customers come in in person to present their physical IDs (stakeholder interviews, 2021). Adopting remote identity proofing for remittances is in line with the current regulatory framework in Uganda but regulatory uncertainty exists. The concept of identity could allow for digital identity solutions as a document can be an electronic document and a customer's identity can be verified by using "reliable and independently sourced documents, data, or information," which does leave room for using digital IDs or identity proxies. Mobile numbers, for instance, are a robust ID proxy that could be relied upon for remote onboarding purposes. There are limited provisions regarding non-face-to-face relationships, which offer significant leeway for institutions on how to implement it. However, the

RSPs might be unsure how to interpret it and may require more guidance on how the existing legislation should be adopted in practice. This uncertainty can lead to a perception that the implementation of non-face-to-face procedures is too risky from a regulatory compliance point of view. Moreover, the use of databases for verification is not mentioned in the regulatory framework, which leaves RSPs with regulatory uncertainty as to whether this is allowed or not. Clarifying these regulatory uncertainties and guiding RSPs in implementing remote identity proofing can help overcome these challenges. It would most likely be highly beneficial to integrate the use of mobile phone numbers as a proxy ID in the remote identity proofing processes, if this is possible from a regulatory perspective.

Leverage innovative infrastructure projects to enable KYC and CDD innovations. The primary identifier document, the NIC, is a digital ID. However, infrastructural challenges regarding accessing the database information exist. Helping RSPs overcome these challenges, if possible, will be key. The Bank of Uganda, in collaboration with the Uganda Bankers' Association and Financial Sector Deepening Uganda, signed a contract with the fintech company Laboremus Uganda to develop a digital ID verification system to be used by all banks and other licensed financial service providers in the country (Bank of Uganda, 2020). The project is expected to be finalized by the end of 2021 or the beginning of 2022. Stakeholders other than banks are interested in joining this initiative and might be included in the project at a later stage (stakeholder interviews, 2021). Another relevant project is related to SIM card registration and verification. The UCC signed a partnership with FSD Uganda and Crypto Savannah for the deployment of blockchain technology for SIM card registration and verification. This project will further enhance the robustness of mobile phone numbers as proxy IDs. It is expected to be finalized within the next six to 12 months (stakeholder interviews, 2021). An active collaboration with the KYC and CDD innovation projects and guiding RSPs in leveraging them for their KYC and CDD processes could facilitate the implementation of KYC and CDD innovations among RSPs.

Improve KYC and CDD processes for refugees. There is limited guidance regarding how to conduct KYC and CDD processes for refugees and there are gaps in the validation process of refugee ID cards (GSMA, 2020 b). Refugee ID cards are biometric and are connected through the refugee identity number with the Biometric Identity Management System (BIMS) database that is managed by the United Nations High Commissioner for Refugees (UNHCR) (World Bank, 2018). The Office of the Prime Minister, which is responsible for issuing attestation letters to refugees and the UCC, in collaboration with the UNHCR, began working at the end of 2019 to develop a longer term biometric solution to mitigate the risk of fraud in the future (GSMA, 2020 b). This biometric solution and the BIMS database could be leveraged by RSPs for conducting KYC and CDD processes for refugees. Moreover, providing regulatory certainty regarding KYC and CDD requirements and identity verification for refugees will be crucial to improve the current processes.

Bibliography

AFI, 2013. *Uganda's Biometric and Smart Card Financial Card System*. Available at: https://www.afi-global.org/sites/default/files/publications/01_2_can_biometrics_advance_financial_inclusion_uganda.pdf.

AFI, 2019. *KYC Innovations, Financial Inclusion and Integrity in Selected AFI Member Countries*. Available at: https://www.afi-global.org/sites/default/files/publications/2019-03/KYC-Innovations-Financial-Inclusion-Integrity-Selected-AFI-Member-Countries.pdf.

Africa Digital Rights' Hub LBG, 2020. *Ghana's Identity Ecosystem*. Asylum Down, Accra, Ghana: Africa Digital Rights' Hub Publishing, 2020.

African Centre for Strategic Studies, 2018. *Gambia's Road to Democratic Reform*. Available at: https://africacenter.org/spotlight/gambia-road-to-democratic-reform/.

African Development Bank Group, 2020a. *Gambia Economic Outlook*. Available at: https://www.afdb.org/en/countries/west-africa/gambia/gambia-economic-outlook.

African Development Bank Group, 2020b. *The Gambia: Country Diagnostic*. Available at: https://www.afdb.org/sites/default/files/documents/projects-and-operations/gambia_cdn_final_report_september_2020.pdf.

Amar InfoTech, 2018. *Why Digital Address System Ghana Post GPS Become Popular?* Available at: https://www.amarinfotech.com/why-digital-address-system-ghana-post-gps-become-popular.html.

Anon., 2018. Kenya Immigration. Available at: https://www.immigration.go.ke/application-procedure-kenyan-passport/.

ANRT, 2014. *Identification of Mobile Subscribers: The New Measures*, s.l.: s.n.

Aujourd'hui, 2021. *More than 5.2 million new generation CNIEs in 2021 a successful bet for the DGSN*. Available at: https://aujourdhui.ma/actualite/plus-de-52-millions-de-cnie-nouvelle-generation-en-2021-pari-reussi-pour-la-dgsn. [Accessed 23 March 2022].

Association of African Central Banks (AACB), 2019. *Draft Report of the Experiences and Initiatives of AACB Member central Banks in Fintech and Cyber Security. Rwanda: 42nd Ordinary Meeting of the Assembly of Governors*. Available at: https://www.aacb.org/sites/default/files/ANNEX%2011%20%20REPORT%20IN%20FINTECH%20AND%20CYBER%20SECURITY_0.pdf.

Atinka, 2017. *What is the National Digital Property Address System? – Bawumia Explains*. Available at: https://www.atinkaonline.com/fm/what-is-the-national-digital-property-address-system-bawumia-explains/.

BAM, 2007. Dahir n° 1-07-79 du 28 rabii I 1428 (17 avril 2007) portant promulgation de la loi n°43-05 relative à la lutte contre le blanchiment de capitaux. [Online]. Available at: https://www.imolin.org/doc/amlid/Morocco/Marocco_Loi_n_43-05_relative_a_la_lutte_contre_le_blanchiment_de_capitaux_2007.pdf. [Accessed 23 March 2022].

BAM, 2012. Cirular No. 2/G/2012. [Online]. Available at: https://www.utrf.gov.ma/pdf/BKAM/circulaire-obligation%20de%20vigilance%20BAM-18%20avril%202012.pdf. [Accessed 23 March 2022].

BAM, 2012. Directive No. 3/G/12. [Online]. Available at: https://www.apsf.pro/DOCS/TEXTES%20LEG%20ET%20REG/DGBAM-3G2012-COND-EXERCICE-STF.pdf. [Accessed 23 March 2022].

BAM, 2016a. Circular No. 6/W/16. [Online]. Available at: https://www.apsf.pro/DOCS/TEXTES%20LEG%20ET%20REG/CEC_2016-06-01/C-6-W-16-etablissement-paiement.pdf/. [Accessed 23 March 2022].

BAM, 2016b. Circular No. 7/W/16. [Online]. Available at: https://www.apsf.pro/DOCS/TEXTES%20LEG%20ET%20REG/CEC_2016-06-01/C-7-W-16-modalite-exercice-services-paiement.pdf. [Accessed 23 March 2022].

BAM, 2017a. Circular No. 5/W/2017. [Online]. Available at: https://apsf.pro/wp-content/uploads/2016/09/Circulaire-n%C2%B0-5-W-17-Obligation-de-vigilance.pdf. [Accessed 23 March 2022].

BAM, 2017. Circular No. 5/W/2017. [Online]. Available at: http://apsf.pro/wp-content/uploads/2016/09/Circulaire-n%C2%B0-5-W-17-Obligation-de-vigilance.pdf. [Accessed 23 March 2022].

BAM, 2018. AFI – STRATÉGIE NATIONALE D'INCLUSION FINANCIERE – Synthesis Note. [Online]. Available at: https://www.afi-global.org/wp-content/uploads/2020/12/SNIF-maroc-.pdf. [Accessed 23 March 2022].

BAM, 2018. Circular Letter LC/BKAM/2018/70. [Online]. Available at: https://www.bkam.ma/content/download/612251/6778239/version/1/file/LC-BKAM-2018-70.pdf. [Accessed 23 March 2022].

BAM, 2018. Decision No. 392/W/2018. [Online]. Available at: https://www.bkam.ma/content/download/612250/6778237/version/1/file/D%C3%A9cision+N%C2%B0392-W-2018.pdf. [Accessed 23 March 2022].

BAM, 2019. Directive No. 3/W/2019. [Online]. Available at: https://www.bkam.ma/content/download/746623/8468993/Directive n%C2%B0 3W2019 relative %C3%A0 la mise en place de l%E2%80%99approche bas%C3%A9e sur les risques, en mati%C3%A8re de vigilance.pdf. [Accessed 23 March 2022].

BAM, 2019. National Financial Inclusion Strategy – No.1. [Online]. Available at: https://www.afi-global.org/wp-content/uploads/2020/12/rapportannuel-SNIF2019-1.pdf. [Accessed 29 March 2022].

BAM, 2020. BAM – National Financial Inclusion Strategy. [Online]. Available at: https://www.finances.gov.ma/Publication/dtfe/2022/rapport-strategie-nationale-if2020.pdf. [Accessed 23 March 2022].

BAM, 2020. Circular Letter No. 1/DSB/2020. [Online]. Available at: https://www.bkam.ma/ar/content/download/746622/8468991/Lettre%20circulaire%20n%C2%B01%20DSB%202020%20arr%C3%AAtant%20les%20modalit%C3%A9s%20d%E2%80%99application%20des%20dispositions%20de%20la%20circulaire%20n%C2%B05%20W%202017.pdf. [Accessed 23 March 2022].

BAM, 2021. Directive No. 6/W/2021. [Online]. Available at: https://www.bkam.ma/content/download/729050/8333822/Directive n%C2%B0 6W21 Mesures %C3%A0 l'echelle du groupe.pdf. [Accessed 23 March 2022].

BAM, 2021. Promulgating Law No. 12-18 amending and supplementing the Penal Code and Law No. 43-05 on the fight against money laundering. [Online]. Available at: http://www.sgg.gov.ma/BO/bo_fr/2021/BO_7018_fr.pdf. [Accessed 23 March 2022].

BAM, n.d. Strategy. [Online]. Available at: https://www.bkam.ma/en/About-us/Strategy. [Accessed 23 March 2022].

Bank of Ghana, 2022. *Notice to All Licensed Financial Institutions and the General Public, Notice No. Bg/Gov/Sec/2022/01, Use of Ghana Card for All Financial Transactions*. Available at: *https://www.bog.gov.gh/wp-content/uploads/2022/01/BOG-Notice-BG-GOV-SEC-2022-01-Notice-on-Use-of-Ghana-Card-for-all-Financial-Transactions-2.pdf*

Bank of Ghana, 2021. *Press Release: Bank Of Ghana Sandbox Pilot*. Available at: https://www.bog.gov.gh/wp-content/uploads/2021/02/PRESS-RELEASE-BANK-OF-GHANA-SANDBOX-PILOT.pdf.

Bank of Uganda Ministry of Finance, Planning and Economic Development, 2017. *National Financial Inclusion Strategy 2017-2022*. Available at: https://www.bou.or.ug/bou/bouwebsite/bouwebsitecontent/publications/special_pubs/2017/National-Financial-Inclusion-Strategy.pdf.

Bank of Uganda, 2019b. *Directive on Maintenance of Depositor Records*. Available at: https://archive.bou.or.ug/archive/opencms/bou/bou-downloads/supervision/Circulars_and_Guidance_Notes/2019/All/DIRECTIVE-ON-MAINTENANCE-OF-DEPOSITOR-RECORDS-1.pdf.

Bank of Uganda, 2020. *Remarks by the Executive Director Supervision at the Joint Media Brief for the NIRA e-KYC Project*. Available at: https://www.bou.or.ug/bou/export/sites/default/mediacenter/Otherspeeches/2020/Jan/NIRA-eKYC-MEDIA-BRIEF-Final-Speech-by-EDS.pdf.

Bank of Uganda; Ministry of Finance, Planning and Economic Development, 2017. *National Financial Inclusion Strategy 2017-2022*. Available at: https://www.bou.or.ug/bou/bouwebsite/bouwebsitecontent/publications/special_pubs/2017/National-Financial-Inclusion-Strategy.pdf.

Barclays, n.d. Available at: https://www.barclays.in/content/dam/barclays-in/documents/download-forms/kyc/Importance_of_KYC.pdf. [Accessed 29 March 2022].

BCEAO, 2020. *Annual Report 2019*. Available at: https://www.bceao.int/sites/default/files/2020-11/Rapport%20annuel%20situation%20inclusion%20financie%CC%80re%20UEMOA%20-%202019.pdf.

Beyers, N., Gray, J., & Hougaard, C., 2018. *Regulation for Innovation*. Available at: https://cenfri.org/wp-content/uploads/2018/01/Regulating-for-innovation_Cenfri-FSDA_January-2018_updated-15-March-2018.pdf.

Biomeric Update, 2022. *Difficulties In Registration for Ghana's Digital ID Worries Lawmakers*. Available at: https://www.biometricupdate.com/202202/difficulties-in-registration-for-ghanas-digital-id-worries-lawmakers.

Burth, C., 2018. *Uganda Launches Biometric Program to Verify Identities of 1 million Refugees*. Available at: https://www.biometricupdate.com/201803/uganda-launches-biometric-program-to-verify-identities-of-1-million-refugees.

BusinessTech. 2020. *South Africa To Update ID System – Here's What You Should Know*. Available at: https://businesstech.co.za/news/government/450131/south-africa-to-update-id-system-heres-what-you-should-know/.

Capital Markets Authority, 2018. *Regulatory Sandbox Policy Guidance Note*. Available at: https://dfsobservatory.com/sites/default/files/Regulatory%20Sandbox%20Policy%20Guidance%20Note%20-March%202019.pdf.

Caribou Digital, 2019. *Kenya's Identity Ecosystem*. Available at: https://www.cariboudigital.net/wp-content/uploads/2019/10/Kenyas-Identity-Ecosystem.pdf.

Central Bank of Kenya, 2009. *Proceeds of Crime and Anti-Money Laundering Act*. Available at: https://frc.go.ke/downloads/category/2-acts-and-regulations.html.

Central Bank of Kenya, 2010. *Guideline on Agent Banking*. Available at: https://dfsobservatory.com/sites/default/files/Guideline-on-Agent-Banking-CBKPG15_0.pdf.

Central Bank of Kenya, 2013a. *Anti-Money Laundering Regulation for the Provision of Mobile Payment Services*. Available at: https://www.centralbank.go.ke/images/docs/NPS/Regulations%20and%20Guidelines/Regulations-Mobile-Money-AML-Regulations.pdf.

Central Bank of Kenya, 2013d. *Guideline on Anti-Money Laundering and Combating the Financing of Terrorism*. Available at: https://www.centralbank.go.ke/images/docs/legislation/prudential_guidelines_2006.pdf.

Central Bank of Kenya, 2014. *The National Payment System Regulations*. Available at: https://dfsobservatory.com/sites/default/files/NPSRegulations2014.pdf.

Central Bank of Kenya, 2020. *Kenya National Payments System Vision and Strategy*. 2021-2025. Available at: https://www.centralbank.go.ke/wp-content/uploads/2020/12/CBK-NPS-Vision-and-Strategy.pdf.

Central Bank of Kenya; KNBS; FSD Kenya, 2019. *2019 FinAccess Household Survey*. Available at: https://www.centralbank.go.ke/uploads/financial_inclusion/2050404730_FinAccess%202019%20Household%20Survey-%20Jun.%2014%20Version.pdf.

Central Bank of The Gambia, 2012. *Anti-Money Laundering Act*. Available at: https://www.cbg.gm/banking-supervision.

Central Bank of the Gambia, 2021. *Financial Inclusion*. Available at: https://www.cbg.gm/financial-inclusion.

CGAP, 2017. *Regulatory Framework for DFS in Côte d'Ivoire*. Available at: https://www.cgap.org/research/publication/regulatory-framework-dfs-cote-divoire.

CGAP, 2020. *Why a Regulatory Sandbox? Insights from Regulators in Kenya, Morocco and Philippines*. Available at: https://www.cgap.org/events/why-regulatory-sandbox-insights-regulators-kenya-morocco-and-philippines. [Accessed 23 March 2022].

CIA, 2021. *The World Factbook: Ghana*. Available at: https://www.cia.gov/the-world-factbook/countries/ghana/.

CIA, 2021. *World Factbook – Senegal*. Available at: https://www.cia.gov/the-world-factbook/countries/senegal/#people-and-society.

Communications Authority Kenya, 2018. *Press statement on findings of the forensic audit on registration of SIM cards*. Available at: https://ca.go.ke/wp-content/uploads/2018/09/Press-Statement-on-Forensic-Audit-on-SIM-Card-Registration1.pdf.

Cooper, B., Esser, A., and Peter, R. T., 2018a. *Market Barriers to Remittances in Sub-Saharan Africa (SSA), No. (2): pp. 1–41*. Available at: https://cenfri.org/wp-content/uploads/2018/06/2018.08.03_Volume-2_Market-barriers-to-remittances-in-sub-Saharan-Africa-scoping-study_Cenfri-FSDA.pdf.

Cooper, B., Rusare, M., van der Linden, A., Ferreira, M., 2018b. *Biometrics and Financial Inclusion A Roadmap for Implementing Biometric Identity Systems In Sub-Saharan Africa*. Available at: https://cenfri.org/wp-content/uploads/2018/03/Biometrics-and-financial-inclusion_Cenfri-FSDA_March-2018-2.pdf.

Cooper, B., Esser, A., Peter, R. T., & Mohamod, S. L., 2018c. *Exploring barriers to remittances in sub-Saharan Africa series. Volume 3. Remittances in Uganda.* Available at: Cenfri: https://cenfri.org/wp-content/uploads/2018/04/Volume-3_Barriers-to-remittances-in-Uganda_FSDA_October-2018.pdf.

Cooper, B., Perez, L. M., Esser, A., Allen, M., Hlophe, N., & Ferreira, M., 2019. *ID proxy initiatives across. An analysis*. Available at: https://cenfri.org/wp-content/uploads/An-analysis-of-ID-proxy-initiatives-across-the-globe_Cenfri_BankServAfrica.pdf.

Cooper, B., Rusare, M., Ferreira, M., & van Vuuren, L. J., 2020a. *Identity Proofing for COVID-19 Recover: Guidance for Regulators, FSPs and Market Facilitators.* Available at: https://cenfri.org/wp-content/uploads/Identity-proofing-for-COVID-19-recovery.pdf.

Cooper, B., Rusare, M., & Ferreira, M., 2020b. Inclusive Integrity Toolkit. Available at: https://cenfri.org/publications/inclusive-integrity-toolkit/.

Cooper, B., Rusare, M., Ferreira, M., & Gatwabuyege, F., 2020c. *De-risking and illicit financial flows. The role of regional economic hubs*. Available at: https://cenfri.org/wp-content/uploads/De-risking-and-illicit-financial-flows.pdf.

D'Aiello, L., 2018. *The Case of the Gambia: A template for democratic transition*? Available at: https://www.fpri.org/article/2018/08/the-case-of-the-gambia-a-template-for-democratic-transition/.

Danish National ID Centre, 2020. *The Gambia: ID cards, passports and birth registration*. Available at: https://nidc.dk/-/media/B8D4B70A09D645B8A06181C56FD1ED01.pdf.

Department of Home Affairs. *Applying for a South African Visa*. Available at: http://www.dha.gov.za/index.php/applying-for-sa-visa#:~:text=Visitors'%20visas%20are%20for%20international,of%2090%20days%20or%20less.&text=You%20must%20ensure%20that%20you%20apply%20for%20the%20correct%20visa%2Fpermit.

Department of Home Affairs. *Civic Services: General Information About South African Passports*. Available at: http://www.dha.gov.za/index.php/civic-services/travel-documents.

Department of Home Affairs. *Immigration: Refugee Status & Asylum*. Available at: http://www.dha.gov.za/index.php/immigration-services/refugee-status-asylum.

Didenko, A., 2017. *Regulatory challenges underlying Fintech in Kenya and South Africa*. Available at: https://www.biicl.org/documents/1814_regulation_of_fintech_in_kenya_and_south_africa_v_1.pdf.

DMA Global,2020a. *RemitScope Africa: Ghana Country Diagnostic*. Available at: https://remitscope.org/africa/pdfs/Ghana_Diagnostic_RemitSCOPE_Africa.pdf.

DMA Global, 2020b. *RemitScope Africa: Kenya Country Diagnostic*. Available at: https://remitscope.org/africa/kenya.

DMA Global, 2020c. RemitScope Africa: *Uganda Country Diagnostic*. Available at: https://remitscope.org/africa/uganda.

DMA Global, 2020d. *RemitScope Africa: The Gambia Country Diagnostic*. Available at: https://remitscope.org/africa/pdfs/Gambia_Diagnostic_RemitSCOPE_Africa.pdf.

DMA Global, 2020e. *RemitScope Africa: Senegal Diagnostic*. Available at: https://remitscope.org/africa/senegal.

ESAAMLG, 2016. *Anti-money laundering and counter-terrorist financing measures. Uganda. Mutual Evaluation Report*. Available at: https://esaamlg.org/reports/2ND-ROUND-MUTUAL-EVALUATION-REPORT-OF-THE-REPUBLIC-OF-UGANDA_1.pdf.

ESAAMLG, 2018. *First Round Mutual Evaluations-Post Evaluation Progress Report of Kenya*. Available at: https://esaamlg.org/reports/Progress%20Report%20Kenya-2018.pdf.

ESAAMLG, 2020. *Anti-money laundering and counter-terrorist financing measures. Uganda. 5th Enhanced Follow-Up Report & Technical Compliance Re-Rating*. Available at: https://esaamlg.org/reports/5th%20FUR%20Uganda-%20December%202020%20.pdf.

EU, 2020. *EU policy on high-risk third countries*. Available at: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-supervision-and-risk-management/anti-money-laundering-and-counter-terrorist-financing/eu-policy-high-risk-third-countries_en.

FATF, 2010. *Improving Global AML/CFT Compliance: update on-going process – October 2010*. Available at: https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/improvingglobalamlcftcomplianceupdateon-goingprocess-october2010.html. [Accessed 23 March 2022].

FATF, 2012. *The FATF Recommendations*. Available at: https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf. [Accessed 29 March 2022].

FATF, 2013. *FATF Public Statement, 18 October 2013*. Available at: https://www.fatf-gafi.org/documents/documents/fatf-public-statement-oct-2013.html. [Accessed 23 March 2022].

FATF, 2020a. *Digital Identity*. Available at: http://www.fatf-gafi.org/media/fatf/documents/recommendations/Guidance-on-Digital-Identity.pdf.

FATF, 2020b. *The FATF Recommendations*. Available at: http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf.

FATF, 2021. *Jurisdictions under Increased Monitoring*. Available at: https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-february-2020.html.

FATF, 2021. J*urisdictions under Increased Monitoring* – June 2021. Available at: https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-june-2021.html#senegal.

FATF-GAFI, 2009. *Mutual Evaluation Report: South Africa*. Available at: https://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20South%20Africa%20full.pdf.

FATF, 2022. *Jurisdictions under Increased Monitoring – March 2022*. Available at: https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-march-2022.html#:~:text=When%20the%20FATF%20places%20a,as%20the%20%E2%80%9Cgrey%20list%E2%80%9D. [Accessed 23 March 2022].

FinExtra, 2020. *Kenya Central Bank Governor: 'Regulators Should Be The Most Innovative People Of All'*. [Online] Available at: https://www.finextra.com/newsarticle/37117/kenya-central-bank-governor-regulators-should-be-the-most-innovative-people-of-all. [Accessed 10 March 2021].

FinMark Trust. 2019. *FinScope Consumer Survey. Making Access Possible.* Available at: https://finmark.org.za/system/documents/files/000/000/147/original/FinScope-Gambia_Pocket-guide-28-11-2019_Final.pdf?1594135120.

Financial Intelligence Centre, 2012. *Anti-money laundering and counter-terror financing legislation.* Available at: https://www.fic.gov.za/Documents/FIC%20Act%20Booklet%20202012.pdf.

Financial Intelligence Centre, 2017. *Guidance note 7.* Available at: https://www.fic.gov.za/Documents/171002_FIC%20Guidance%20Note%2007.pdf.

Financial Intelligence Centre, 2019. *Fintech Scoping in South Africa.* Available at: https://www.fic.gov.za/Documents/WB081_Fintech%20Scoping%20in%20SA_20191127_final%20(002).pdf.

Financial Intelligence Centre, 2021. Mutual Evaluation Report for South Africa. Available at: https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-South-Africa.pdf.

FRED, 2022. *Remittance Inflows to GDP for Morocco.* Available at: https://fred.stlouisfed.org/series/DDOI11MAA156NWDB. [Accessed 28 March 2022].

FSD Kenya, 2018. *The Combination of a Regulatory Sandbox and a One-Stop-Shop Regulatory Helpline is What the Kenyan Fintech Market Needs to Continue Innovating.* Available at: https://www.fsdkenya.org/blog/groundbreaking-new-policy-and-regulatory-initiatives-may-spur-more-fintech-innovation-in-kenya/.

FSD Uganda, 2018. *FinScope Uganda. Topline Findings Report.* Available at: https://fsduganda.or.ug/wp-content/uploads/2018/10/FinScope-Uganda-Survey-Report-2018.pdf.

Gam Switch, 2020. *Gam Switch Concept.* Available at: https://gamswitchgm.com/#:~:text=Gamswitch%20provides%20platforms%20to%20host,and%20eventually%20core%20banking%20applications.

Ghana Ministry of Communications, 2019. *Press Release: Ministry of Communications to Streamline SIM Registration.* Available at: https://moc.gov.gh/sites/default/files/downloads/Press%20Release.pdf.

Ghana Ministry of Finance, 2020. *Digital Financial Services Policy.* Available at: https://mofep.gov.gh/sites/default/files/acts/Ghana_DFS_Policy.pdf.

Ghana Web, 2020. *5.9 million Ghanaians Registered for Ghana Card So Far – NIA.* Available at: https://www.ghanaweb.com/GhanaHomePage/business/5-9-million-Ghanaians-registered-for-Ghana-Card-so-far-NIA-830293.

GIABA, 2008. *Mutual Evaluation Report: The Gambia.* Available at: https://www.giaba.org/reports/mutual-evaluation/Gambia.html.

GIABA, 2014. *Eighth Follow Up Report: The Gambia.* Available at: 847_8th FUR The Gambia – English.pdf (giaba.org).

GIABA, 2018. *Anti-Money Laundering and Counter-Terrorist Financing Measures – Ghana, Second Round Mutual Evaluation Report.* Available at: https://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/GIABA-Ghana-MER-2018.pdf.

GIABA, 2018. *Senegal Mutual Evaluation Report.* Available at: https://www.giaba.org/media/f/1099_ENG%20-%20Final%20MER%20Senegal%20May%202019%20Rev82219.pdf.

GSMA, 2019. *Digital Identity Country Profile: Uganda.* Available at: https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2019/02/Digital-Identity-Country-Report-Uganda.pdf.

GSMA, 2020a. *Reimagining Identity Ecosystems In Sub-Saharan Africa With Mobile: The case of Benin, Ghana, Kenya and Uganda*. Available at: https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2020/12/Reimagining-identity-ecosystems-in-Sub-Saharan-Africa-with-mobile.pdf.

GSMA, 2020b. *The State of Mobile in Ghana's Tech Ecosystem*. Available at: https://www.gsma.com/mobilefordevelopment/blog/the-state-of-mobile-in-ghanas-tech-ecosystem/#:~:text=By%20the%20end%20of%202019,is%20at%2044.8%20per%20cent.&text=As%20of%20the%20third%20quarter,(as%20of%20Q3%202019).

GSMA, 2020c. *Proportionate regulation in Uganda: A gateway for refugees accessing mobile services in their own name*. Available at: https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2020/03/Uganda_Case_Study_Web_Spreads.pdf.

GSMA, 2021. *Access to Mobile Services and Proof of Identity 2021: Revisiting SIM Registration and Know Your Customer (KYC) Contexts during COVID-19*. Available at: https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2021/04/Digital-Identity-Access-to-Mobile-Services-and-Proof-of-Identity-2021_SPREADs.pdf.

Heitzig, C., 2020. *Figure of the week: Remittance flows to sub-Saharan Africa expected to slow after years of growth*. Available at: https://www.brookings.edu/blog/africa-in-focus/2020/06/25/figure-of-the-week-remittance-flows-to-sub-saharan-africa-expected-to-slow-after-years-of-growth/.

Hultin, N., 2008. *Voter Registration Cards, Political Subjectivity, and trust in Paper in the Gambia*. Available at: https://www.researchgate.net/publication/329009042_Voter_Registration_Cards_Political_Subjectivity_and_Trust_in_Paper_in_the_Gambia.

IDFD, 2019. *South Africa: ID case study*. Available at: http://documents1.worldbank.org/curated/en/315081558706143827/pdf/South-Africa-ID-Case-Study.pdf.

IFAD, 2022. *MobileRemit Africa*. Available at: https://www.ifad.org/en/web/knowledge/-/mobile-remit-africa.

IMF, 2018. *What is Driving Women's Financial Inclusion Across Countries*? Available at: https://www.imf.org/~/media/Files/Publications/WP/2018/wp1838.ashx.

IMF, 2021. *World Economic Outlook Database*. Available at: World Economic Outlook Database

International Development Research Centre, 2020. *Women's Financial Inclusion in Senegal*. Available at: https://idl-bnc-idrc.dspacedirect.org/handle/10625/59155.

Interviews, S., 2022. Morocco RSP pitch calls [Interview] (March 2022).

Ken Research Private Limited, 2019. *South Africa Domestic and International Remittance Market Outlook to 2023 – By Channels Used (Banking Channels, Retailers, ADLAs & MTOs and Others), Remittance Corridors (Inbound-Outbound and Rural-Urban)*. Available at: https://www.researchandmarkets.com/reports/4911935/south-africa-domestic-and-international?utm_source=dynamic&utm_medium=BW&utm_code=x39tf8&utm_campaign=1345959+-+South+Africa+Domestic+and+International+Remittance+Market+Outlook+2013+to+2023+-+By+Channels+Used+%26+Remittance+Corridors&utm_exec=jamu273bwd.

Kenya Immigration, 2018. Available at: https://www.immigration.go.ke/application-procedure-kenyan-passport/.

Kingdom of Morocco General Secretariat of the Government, 2020. *Draft decree n° 2.20.521*. Available at: http://www.sgg.gov.ma/Portals/0/conseil_gouvernement/CR/2020/CR_CG_12.08.2020_fr.PDF?ver=2020-09-04-165206-093.

Le 360, 2021. *National Population Register: The Pilot Phase Has Started In Rabat*. Available at: https://fr.le360.ma/societe/registre-national-de-la-population-la-phase-pilote-a-demarre-a-rabat-252239.

Lexisma, 2021. *Publication in BORM No. 7026 of Decree No. 2-21-633 relating to the organization of the National Financial Intelligence Authority*. Available at: https://www.lexisma.info/2021/10/07/publication-au-borm-n-7026-du-decret-n-2-21-633-relatif-a-lorganisation-de-lautorite-nationale-du-renseignement-financier/#:~:text=La%20cr%C3%A9ation%20de%20l'Autorit%C3%A9,de%20traitement%20du%20renseignement%20financi.

Klapper, L., Ansar, S., Hess, J. and Singer, D. 2019. *Sub-Saharan Series: How Digital Solutions can Bolster Women's Financial Inclusion in Sub-Saharan Africa. The World Bank Group*. Available from https://globalfindex.worldbank.org/sites/globalfindex/files/referpdf/FindexNote3_062419.pdf.

Kuwonu, F., 2017. *Increased Remittances Will Have Greater Impact on Development*. Available at: https://www.un.org/africarenewal/magazine/august-november-2017/increased-remittances-will-have-greater-impact-development.

MENA FATF, 2019. *Anti-Money Laundering and Counter- Terrorist Financing Measures, Kingdom of Morocco: Mutual Evaluation Report*. Available at: http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/MENAFATF-Morocco-Mutual-Evaluation-2019.pdf. [Accessed 23 March 2022].

Migration Data Portal, 2021. *Migration Data in the Southern African Development Community (SADC)*. Available at: https://migrationdataportal.org/de/node/2937.

Mlaba, K., 2020. *5 Shocking Facts That Show Why South Africa Is the 'Most Unequal Country in the World'. Global Citizen*. Available at: https://www.globalcitizen.org/en/content/facts-why-south-africa-most-unequal-country-oxfam/#:~:text=In%202019%2C%20the%20World%20Bank,almost%2070%25%20of%20the%20resources.

Mobile Money Africa, 2019. *Ghana: Govt Orders SIM Card Re-Registration From Jan to June 2020*. Available at: https://mobilemoneyafrica.com/blog/ghana-govt-orders-sim-card-re-registration-from-jan-to-june-2020.

National Council for Law Reporting, 2012. *Registration of Persons Act*. Available at: http://kenyalaw.org/kl/fileadmin/pdfdownloads/Acts/RegistrationofPersonsActCap.%20107.pdf.

N. Dowuona & Company, 2021. *Ghana's Anti-Money Laundering Act 2020, Act 1044*. Available at: https://www.ndowuona.com/insights/105-anti-money-laundering-act-2020-act-1044.

National Planning Commission, 2012. *National Development Plan 2030*

National Treasury, 2020. *All-inclusive financial sector for all (Draft for consultation)*. Available at: http://www.treasury.gov.za/comm_media/press/2020/Financial%20Inclusion%20Policy%20-%20An%20Inclusive%20Financial%20Sector%20For%20All.pdf.

NTSA, 2016. Available at: https://ntsa.ecitizen.go.ke/index.php?id=2; https://www.ntsa.go.ke/site/?page_id=146.

OECD, 2022. *ODA Levels in 2021- Preliminary data, Detailed Summary Note*. Available at: https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/ODA-2021-summary.pdf.

Our Future-make it Work. Available at: https://www.gov.za/sites/default/files/gcis_document/201409/ndp-2030-our-future-make-it-workr.pdf.

Oxford Business Group, 2020. *Banking: Morocco 2020*. Available at: https://oxfordbusinessgroup.com/morocco-2020/banking. [Accessed 23 March 2022].

Oxford Business Group, 2021. *Morocco Financial Services and Technology – Focus Report*. Available at: https://oxfordbusinessgroup.com/sites/default/files/blog/specialreports/960853/MA_Financial_Services_Focus_Report.pdf. [Accessed 23 March 2022].

Quartz Africa, 2022. *Ghana's Process for Adding Banking to Its Biometric Card is a Flawed One*. Available at: https://qz.com/africa/2117872/ghana-card-being-linked-to-banking-is-frustrating-ghanaians/.

Red Mangrove Development Advisors, 2020. *Managing Agricultural Risk Through Remittances: The Case of Senegal*. Available at: https://www.ifad.org/documents/38714170/42268565/agric_risks_senegal_e.pdf/04ebb286-c003-76fe-6eaa-73c3577f2004.

RemitSCOPE, 2019. *Morocco Diagnostic*. Available at: https://remitscope.org/africa/pdfs/Morocco_Diagnostic_RemitSCOPE_Africa.pdf.

RemitSCOPE, 2022. *Morocco*. Available at: https://remitscope.org/africa/morocco.

Republic of Uganda, 2013. *Anti-Money Laundering Act*. Available at: https://www.parliament.go.ug/cmis/views/ebeb449b-f89c-4959-bbc7-fc12fbc15462%253B1.0.

Republic of Uganda, 2017. *Anti-Money Laundering (Amendment) Act*. Available at: https://www.fia.go.ug/sites/default/files/2020-06/Anti-Money%20Laundering%20%28Amendment%29%20%20Act%202017.pdf.

Republic of Uganda, 2020. *The National Payment Systems Act*. Available at: https://www.bowmanslaw.com/insights/dispute-resolution/uganda-the-national-payments-systems-act-2020-becomes-law/.

Rose, R., Ortiz-Ospina, M., 2018. *Measuring Progress Towards the Sustainable Development Goals*. Available at: https://sdg-tracker.org/inequality.

Rubatsimbira, D. K., 2020. *Financial Innovation in Uganda: Evolution, Impact and Prospects. Working Paper No. 24/2020*. Available at: https://www.bou.or.ug/bou/bouwebsite/bouwebsitecontent/research/BoUworkingPapers/research/BouWorkingPapers/2020/BoU_WP24_2020-Financial-Innovations-in-Uganda-Evolution-Impact-and-Prospects-.pdf.

Rusare, M., Cooper, B., Ferreira, M., Gatwabuyege, F., 2020. *De-risking in Africa: Illicit Financial Flows and Regional Economic Hubs*. Available at: https://cenfri.org/publications/derisking-illicit-financial-flows-regional-economic-hubs-africa/.

Saleh, M., 2022. *Remittance Outflows from Morocco 2010-2020 – Statista*. Available at: https://www.statista.com/statistics/1268936/remittance-outflows-from-morocco/. [Accessed 23 March 2022].

Stakeholder, 2022. *Pitch calls: Moroccan RSPs* [Interview] (March 2022).

Sawaneh, E., 2016. *TIN Number Registration in Gambia – 4 Simple Procedures*. Available at: https://businessingambia.com/tin-number-registration-gambia/#:~:text=Tax%20Identification%20Number%2C%20commonly%20called,and%20cross%20check%20taxpayers'%20information.

StatsSA, 2021. Available at: https://www.statista.com/statistics/1174727/bank-account-owners-.

TechnoServe. 2016. *Domestic remittances in South Africa: leverageing the dynamic marketplace to boost financial inclusion.* Available at: https://www.technoserve.org/wp-content/uploads/2016/11/South-Africa-domestic-remittances-report.pdf.

The Independent, 2021. *Uganda rolls out National Single Registry for social protection.* Available at: https://www.independent.co.ug/uganda-rolls-out-national-single-registry-for-social-protection/.

The Republic of Uganda, 2020. *National Strategy for Combating Anti Money Laundering and the Financing of Terrorism and Profileration. FY 2020/21-FY 2025/25.* Available at: https://esaamlg.org/reports/Uganda_National_AML/CFT_%20Strategy_%20Sept2020.pdf.

UNICEF, 2021. *Birth Registrations.* Available at: https://data.unicef.org/topic/child-protection/birth-registration/.

Uganda Communications Commission, 2020. *Uganda Communications Commission Operational Guidelines on SIM Card Registration in Uganda.* Available at: https://www.ucc.co.ug/wp-content/uploads/2020/12/All-Telecoms.Operational-Guidelines-on-simcard-registration..pdf.

UNESCO, 2017. *Morocco 2017 Report.* Available at: https://en.unesco.org/creativity/governance/periodic-reports/2017/morocco.

UNESCO, 2017. *Morocco Digital Strategy 2020.* Available at: https://en.unesco.org/creativity/policy-monitoring-platform/strategie-maroc-digital-2020.

UNHCR, 2007. Morocco: The National Identity Card, Including the Information on It and The Process for Obtaining The Card and a Replacement Card – Refworld. Available at: https://www.refworld.org/docid/469cd6d01e.html.

United Nations, 2021. Chased Away and Left to Die. Available from: https://chrgj.org/wp-content/uploads/2021/06/CHRGJ-Report-Chased-Away-and-Left-to-Die.pdf.

United Nations Commissioner for Refugees, 1965. *Gambia Nationality and Citizenship Act, Cap 82.* Available at: https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/87120/98984/F902603753/GMB87120.pdf.

United Nations Development Programme, 2020. *Human Development Report.* Available at: https://www.google.com/search?q=UNDP&rlz=1C1EJFC_enZA879ZA879&oq=UNDP&aqs=chrome..69i57j69i60.1035j0j7&sourceid=chrome&ie=UTF-8.

Valtech. *Central Bank of The Gambia: An Automated Supervision Process.* Available at: https://www.valtech.com/work/central-bank-of-the-gambia/.

Vision 2030, n.d. *Economic and Macro Pillar.* Available at: http://vision2030.go.ke/economic-pillar/.

World Bank Group, 2017. *The state of identification systems in Africa.* Available at: https://openknowledge.worldbank.org/bitstream/handle/10986/28310/119065-WP-ID4D-country-profiles-report-final-PUBLIC.pdf?sequence=1&isAllowed=y.

World Bank, 2018. Available at: http://documents1.worldbank.org/curated/en/921761542144309171/pdf/132011-REVISED-PUBLIC-ID4D-Uganda-Diagnostic-12282018.pdf.

World Bank, 2018a. Rural population growth (annual %) – Morocco. Available at: https://data.worldbank.org/indicator/SP.RUR.TOTL.ZG?locations=MA.

World Bank, 2018. *ID4D Country Diagnostic: Morocco.* Available at: https://id4d.worldbank.org/sites/id4d/files/2018-04/Morocco_ID4D_Diagnostic_Web404018.pdf.

World Bank, 2018. *ID4D Country Diagnostic: Uganda*. Available at: http://documents1.worldbank.org/curated/en/921761542144309171/pdf/132011-REVISED-PUBLIC-ID4D-Uganda-Diagnostic-12282018.pdf.

World Bank, 2018a. *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*. World Bank: Washington, DC.

World Bank, 2018b *G20 Digital Identity Onboarding*. Available at: https://www.gpfi.org/sites/gpfi/files/documents/G20_Digital_Identity_Onboarding.pdf.

World Bank. 2018c. *Jobs and inequality*. Available from: http://pubdocs.worldbank.org/en/798731523331698204/South-Africa-Economic-Update-April-2018.pdf.

World Bank, 2018d. *ID4D Country Diagnostic: Uganda*. Available at: http://documents1.worldbank.org/curated/en/921761542144309171/pdf/132011-REVISED-PUBLIC-ID4D-Uganda-Diagnostic-12282018.pdf.

World Bank, 2019a. *Sub-Saharan Africa Series: Identification, Financial Inclusion and Development in Sub-Saharan Africa*. Available at: https://globalfindex.worldbank.org/sites/globalfindex/files/referpdf/FindexNote4_062419.pdf.

World Bank, 2019. *Country Diagnostic of Senegal*. Available at: https://documents1.worldbank.org/curated/en/814111559645179494/pdf/Country-Diagnostic-of-Senegal.pdf.

World Bank, 2019. *Morocco Fact Sheet*. Available at: https://thedocs.worldbank.org/en/doc/616321550490336165-0280022019/original/MoroccoDPF2019Factsheeteng.pdf. [Accessed 23 March 2022].

World Bank, 2019. *Morocco: Financial Inclusion and Digital Economy Development Policy Financing*. Available at: https://www.worldbank.org/en/news/factsheet/2019/02/19/financial-inclusion-and-digital-economy-development-policy-financing. [Accessed 23 March 2022].

World Bank, 2019b. *South Africa Overview*. Available at: https://www.worldbank.org/en/country/southafrica/overview.

World Bank, 2019c. *Population ages 0-14 (% of total population)*. Available at: https://data.worldbank.org/indicator/SP.POP.0014.TO.ZS.

World Bank, 2019d. *Population, total – Kenya*. Available at: https://data.worldbank.org/indicator/SP.POP.TOTL.

World Bank, 2019c. *Rural population (% of total population) – Kenya*. Available at: https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS?locations=KE.

The World Bank. 2020. Overview. Available at: https://www.worldbank.org/en/country/gambia/overview.

World Bank, 2020a. *Annual Remittances Data*. Available at: https://www.worldbank.org/en/topic/labormarkets/brief/migration-and-remittances.

World Bank, 2020b. *Kenya's Economic Update*. Available at: http://documents1.worldbank.org/curated/en/957121606226133134/pdf/Kenya-Economic-Update-Navigating-the-Pandemic.pdf.

World Bank, 2020c. *Republic of The Gambia, Overcoming a No-Growth Legacy Systematic Country Diagnostic*. Available at: http://documents1.worldbank.org/curated/en/782131589568063735/pdf/The-Gambia-Systematic-Country-Diagnostic.pdf.

World Bank, 2021. *Personal remittances received (% of GDP) – South Africa*. Available at: https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?end=2019&locations=ZA&start=2011.

World Bank, 2021. *Program Document for a Proposed Loan in the Amount Of EUR 372.6 million to The Kingdom Of Morocco for The Second Financial and Digital Inclusion Development Policy Financing*. Available at: https://documents1.worldbank.org/curated/en/798401624240940310/pdf/Morocco-Second-Financial-and-Digital-Inclusion-Development-Policy-Financing.pdf.

World Bank, 2021. *Remittance Flows Register Robust 7.3 Percent Growth in 2021*. Available at: https://www.worldbank.org/en/news/press-release/2021/11/17/remittance-flows-register-robust-7-3-percent-growth-in-2021.

World Bank, 2021. *Remittance Flows Register Robust 7.3 Percent Growth in 2021*. Available at: https://www.worldbank.org/en/news/press-release/2021/11/17/remittance-flows-register-robust-7-3-percent-growth-in-2021.

World Bank, 2022. *Moroccan Economic Growth Could Accelerate with the Full Implementation of Broad-Based Reforms*. Available at: https://www.worldbank.org/en/news/press-release/2022/01/11/moroccan-economic-growth-could-accelerate-with-the-full-implementation-of-broad-based-reforms.

World Bank, 2022a. *The Global Findex Database 2022*. Available at: https://www.worldbank.org/en/publication/globalfindex/Data.

World Bank 2022b. *A War In A Pandemic Implications of The Ukraine Crisis and COVID-19 On Global Governance of Migration and Remittance Flows*. Available at: https://reliefweb.int/report/world/migration-and-development-brief-36-war-pandemic-implications-ukraine-crisis-and-covid.

World Food Program, 2022. *The Gambia Country Brief*. Available at: https://www.wfp.org/countries/gambia#:~:text=The%20Gambia's%20poverty%20rate%20remains,such%20as%20drought%20and%20floods.

World Savings and Retail Banking Institute, 2019. *Young People in Africa Research Showing Opportunities for Financial Service Providers in Morocco, Nigeria and Senegal*. Available at: https://www.wsbi-esbg.org/SiteCollectionDocuments/0587_ESBG_BRO_CENTRALREPORT (004).pdf.

Youinou, G., 2017. *The Gambia: Risk and Compliance Report*. Available at: http://knowyourcountry.info/files/gambiaamlsep2014_1.pdf.

The **International Fund for Agricultural Development (IFAD)** is a specialized agency of the United Nations and as an international financial institution. IFAD's mandate is to invest in rural people to eradicate poverty in developing countries. Working with poor rural people, governments, donors, non-governmental organizations and many other partners, IFAD focuses on country-specific solutions, which can involve increasing poor rural people's access to financial services, markets, technology, land and other natural resources.

www.ifad.org

IFAD's US$65 million multi-donor **Financing Facility for Remittances (FFR)** aims at maximizing the impact of remittances on development and promote diaspora engagement in migrants' countries of origin. Through advocacy, innovative projects and partnerships, initiatives promoted by the FFR have contributed to a raised awareness on the link between remittances diaspora investment and development, and its transformative impact in rural areas.

www.ifad.org/ffr

The **Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa (PRIME Africa)** is a EUR 15 million initiative funded by the European Union and implemented by IFAD's FFR, aimed at improving the management of remittances and their use for development impact in selected African countries.

www.ifad.org/en/prime-africa

Cenfri is a not-for-profit think tank and development consultancy based in Cape Town and Kigali. Through its work, Cenfri contributes to building welfare-enhancing digitalised economies and sustainable economic growth in emerging markets. Cenfri collaborates with partners to deliver impact through research, innovation strategies, capacity-building, technical assistance and convening. Cenfri has worked across more than 40 countries in Africa, Latin America and Asia, and partners with IFAD in implementing the Remittance Access Initiative in the PRIME Africa countries.

www.cenfri.org

International Fund for Agricultural Development
Financing Facility for Remittances
Via Paolo di Dono, 44 – 00142 Rome, Italy
Tel: +39 06 54592012 – Fax: +39 06 5043463
Email: remittances@ifad.org
www.ifad.org/ffr

ISBN 978-92-9266-319-3

FFR DONORS

Investing in rural people
LUXEMBOURG AID & DEVELOPMENT
MINISTERIO DE ASUNTOS EXTERIORES Y DE COOPERACIÓN
cooperación española
Sweden Sverige