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FIGI Symposium

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#financialinclusion

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KYC Registries and Solutions



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Context



• **Conducting KYC and CDD is significantly relevant to advance financial inclusion objectives and preserve financial stability.**

FATF recommendations

• Financial sector participants traditionally rely on existing credentials to identify individuals and legal entities (e.g. national id documents, tax identification numbers, passports, social security credentials).

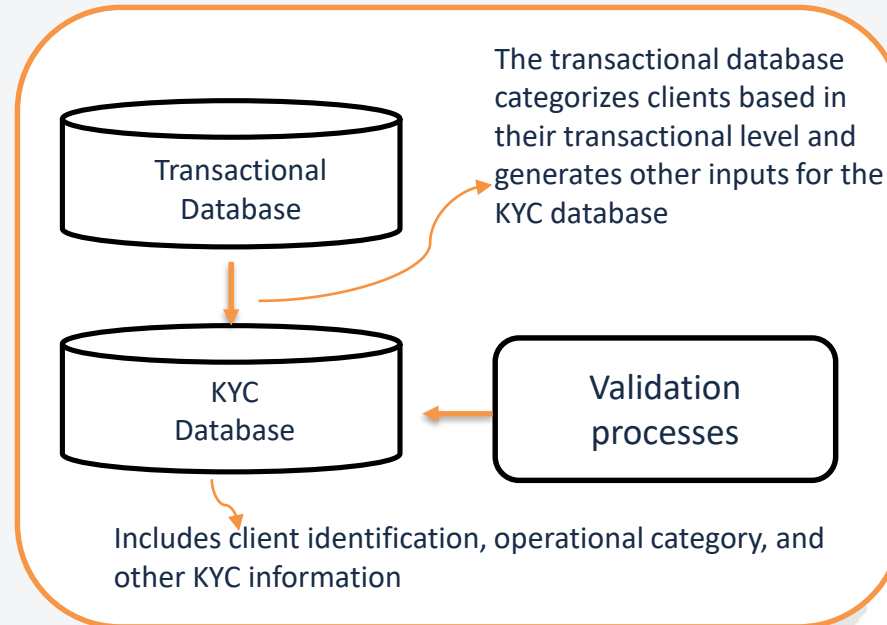
• Credentials are siloed, there is no interoperability between ID systems and not always credentials are reliable sources of accurate data

• The growth of digital financial services, increased regulatory requirements about clients and their counterparties in different levels such as tax AML/CFT, trading, credit have triggered the seek for alternative digital and cost-effective ways of conducting know-your customer (KYC) and Costumer Due Diligence (CDD)

MEXICO



Centralized Databases



Authorities have access to the databases' contents

National Authorities

As the databases will uniquely identify each client and every transaction, the integrated databases will have precise information on each client's operational level.

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LEGAL AND REGULATORY FRAMEWORK

AML/CFT laws and regulations:

- Law no. 80 for 2002 and its Executive regulations.
- General regulations for banks (reporting, record keeping, internal systems, compliance function, ..etc) Issued by the Central Bank.

CDD and risk management requirements issued by EMLCU.

Comprehensive KYC rules for banks issued in 2008 and updated in 2011.

CHALLENGES APPLYING KYC

Varying quality of application.

- Affects bank's resources.
- Updating customer data.
- Requires a branch visit.
- Obstacles to some categories of customers (refugees, expats, small businesses, housewives, ..)



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POLICY EFFORTS

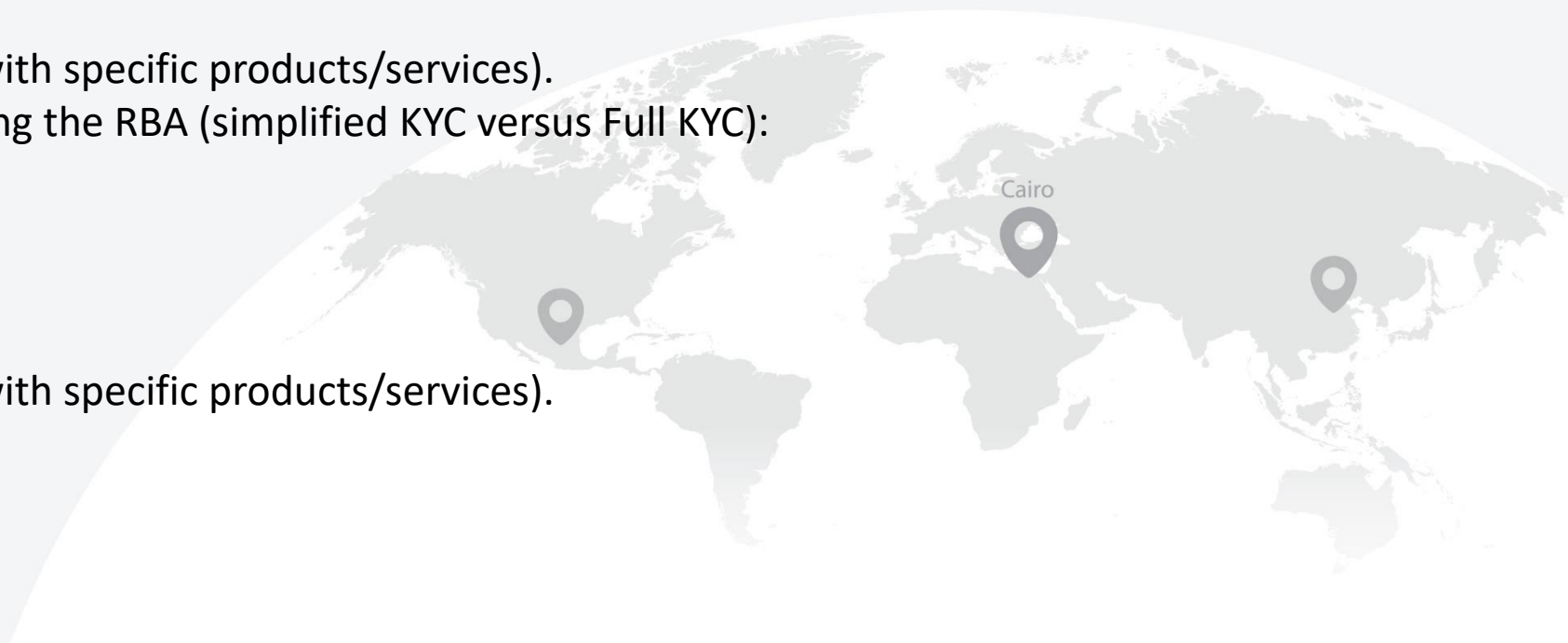
Applying the RBA (simplified KYC versus Full KYC):

Areas of implementation:

- Mobile Payments
 - Aman
 - VSLAs
 - Financial inclusion products (linked with specific products/services).
 - Prepaid cards (still in process)
- Applying the RBA (simplified KYC versus Full KYC):

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POLICY EFFORTS

A set of predetermined thresholds and services limitations:

- Daily transactions not exceeding USD 340.
- Monthly transactions not exceeding USD 2800 for natural persons or USD 5600 for legal persons.
- Maximum balance for any single account not exceeding USD 560 at any point of time.
- Maximum balance for all accounts of a single customer at a bank not exceeding USD 560 at any point of time.

Simplification features:

- The possibility to use agent banking in conducting KYC - examples:

- MNOs.
- Post offices.
- Microfinance institutions.

- Fewer documents to verify customer's identity.

- Less data required when conducting domestic mobile transfers.

- The possibility to update customers' data and documents using electronic means.

- Permitting banks not to request the purpose and intended nature of the business relationship when quite obvious.



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E-KYC

Formation of a committee:

- The Central bank is the general overseer.
- Members from the private sector.
- Academia.
- EMLCU.

Two subgroups:

- Business
- Technical.

Benefits

- A single banking registry for KYC.
- Financial inclusion.
- Reducing compliance costs.
- Raising the quality of the process.

Challenges

- Choosing the right platform.
- Reliance on a non digital national ID.
- Access to some required databases.
- Legal aspects (digital signatures, liability, ...)

Way Forward

- Applying e-KYC for to lower risk Mobile payments and prepaid cards' customers.
- Expanding to all other customers when the platform is fully completed.

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