

# The Perception of **ML Risks** and the Use of New Technologies: The Case of m-transactions



- *Next Generation Access to Finance: Gaining Scale and Reducing Costs with Technology and Credit Scoring* -

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# Topics for discussion

- 1.** World Bank's Research on "Risk assessment and mitigation responses for ML/FT"
- 2.** Convergence of Services and AML/CFT Controls for TelCos and Financial Institutions
- 3.** New Framework for determining ML/TF risks of m-phones
- 4.** Evolution of service moves away from traditional controls
- 5.** M-transfers / Remittances: Reduce cost, Increase convenience and speed
- 6.** Conclusions



# **1 Upcoming Paper on Mobile-Financial Services: Hope not Hazard**

WB's contribution to policymakers' discussions on the development of mobile financial services in a safe and sound AML/CFT environment

South Africa  
The Philippines  
Brazil  
Hong Kong  
Malaysia  
Macau  
South Korea

**The Mobile Financial Services (m-FS) and the perceived ML/FT risks**

**Proposed Paradigm for ML/TF Risk Analysis for m-FS**

**Managing Risks of the Different Uses of Mobile Phones for Financial Services**

**Analysis of risk mitigation**

**Conclusions on perception, actual and mitigation for ML/FT risks**

**Policy Recommendations to policy makers, TelCos, financial institutions and regulators**



## 2. TelCos and Financial Institutions: Current convergence of Services should also be on AML/CFT controls

- New **convergence** mobile business among Financial Institutions and TelCos.
  - Financial Institutions acting like TelCos
  - TelCos acting like Financial Institutions
- Criminals and Terrorists may use **non-traditional methods**
  - Could take advantage of holes in regulations for non-financial institutions such as TelCos
- Convergence of **service** requires convergence of **controls**
  - No channel is free from abuse
  - ML/TF controls are not the responsibility of a single provider but the responsibility of all providers involved in financial services

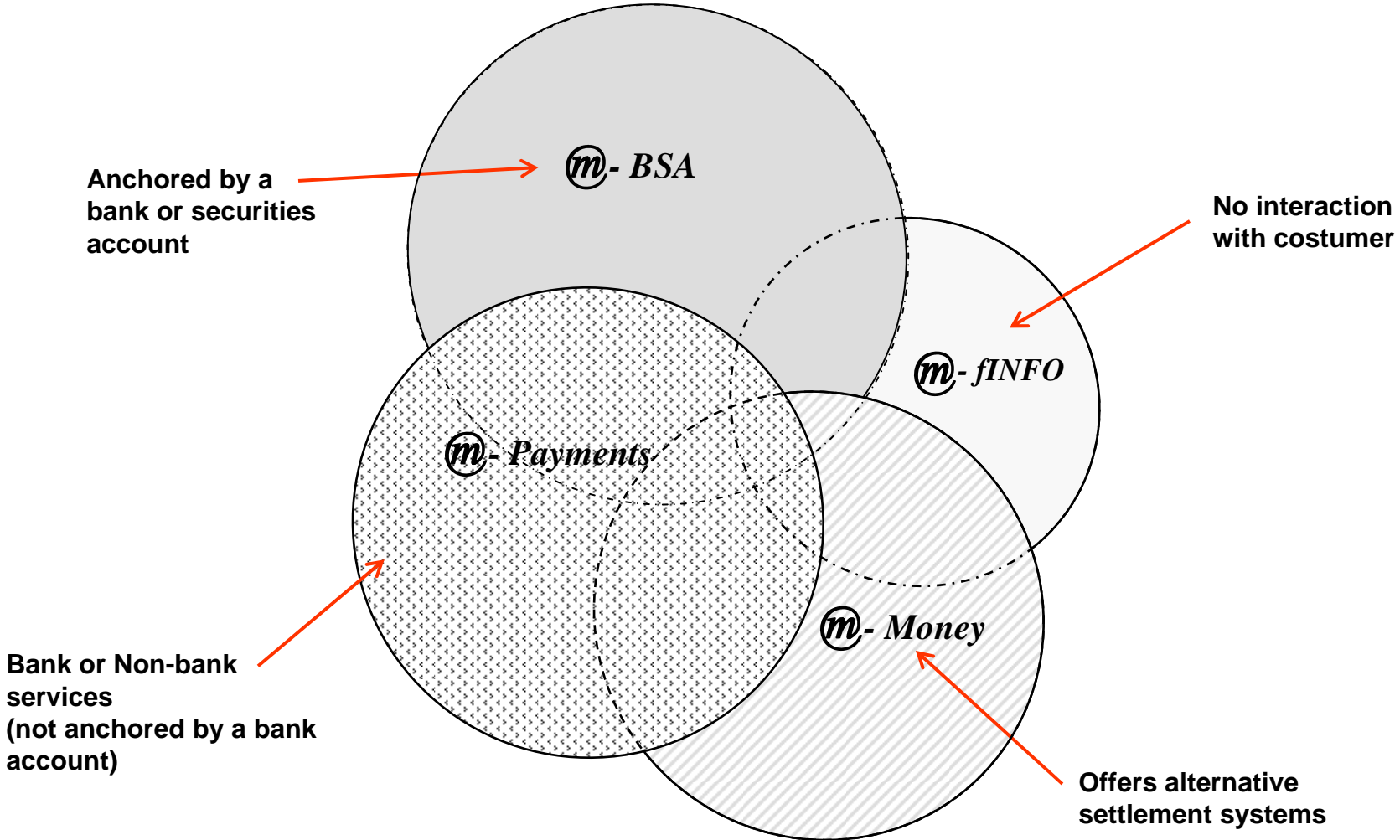


# 3. New Framework for determining ML/TF risks of mobile phones

- Provider-based models for AML/CFT risk analysis difficult to make on a global basis.
  - Capacity of providers in each country is different
  - Level of convergence depends on market conditions
- Therefore, risk is determined by type of service. These include:
  - **Mobile Financial Information**
    - ❑ Gives access to view personal financial information (no transaction)
    - ❑ Examples: see account balance, daily stock price, etc.
  - **Mobile Bank and Securities Accounts**
    - ❑ Allows access to bank/securities account for transactions
    - ❑ Examples: send money from bank account, settle bills through account.
  - **Mobile Payments**
    - ❑ Permits user to make transactions without a bank account
    - ❑ Example: use of non-financial institution to make purchases, remittances
  - **Mobile Money**
    - ❑ Empowers user to work in electronic money through mobile phone
    - ❑ Example: use of airtime as intermediary currency for any transaction



# 4. Evolution of service moves away from traditional controls



**m-fINFO**  
Mobile Financial Information

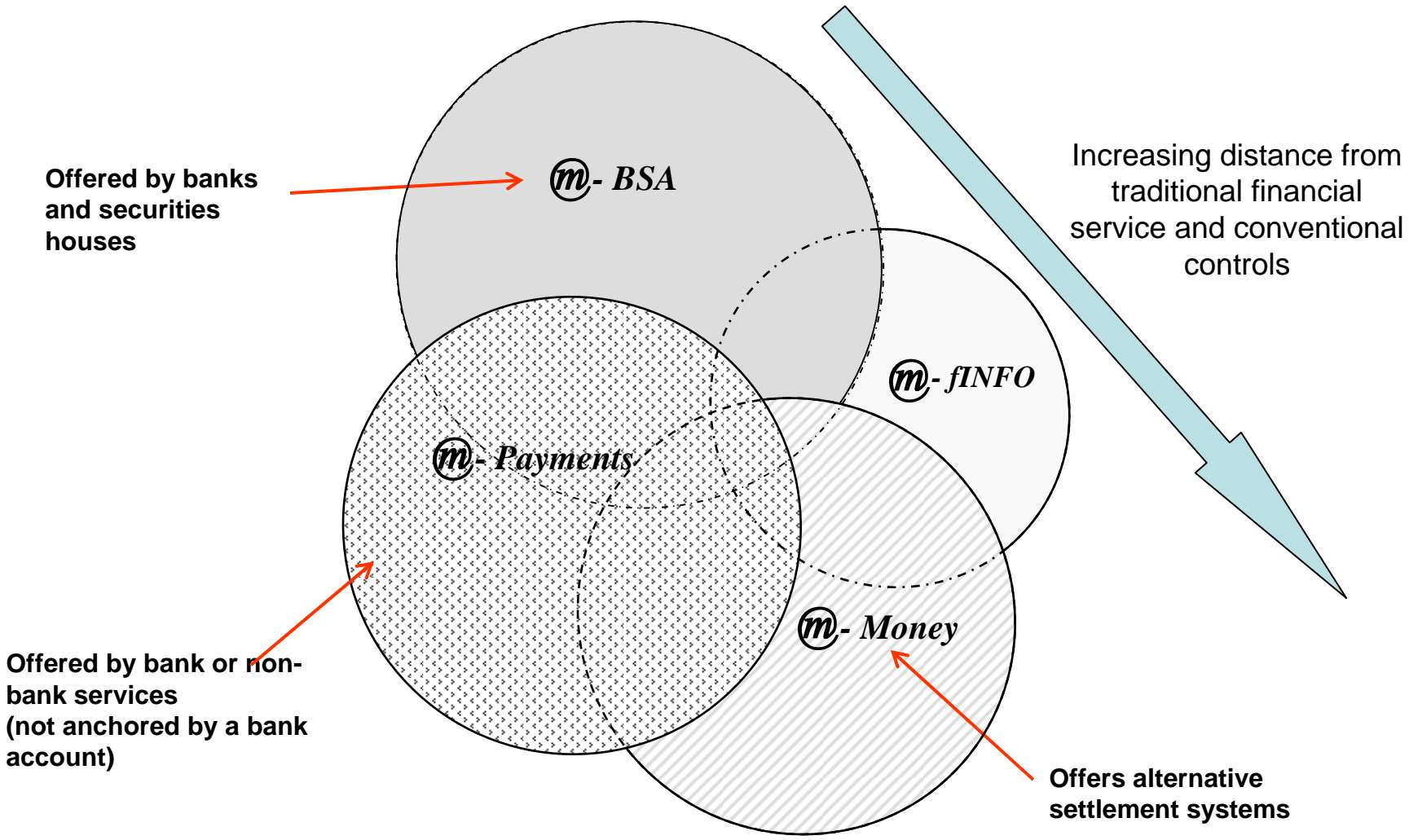
**m-BSA**  
Mobile Banking and Securities  
Accounts

**m-Payments**  
Mobile Payments

**m-Money**  
Mobile Money



# 4. Evolution of service moves away from traditional controls



*m*-fINFO  
Mobile Financial Information

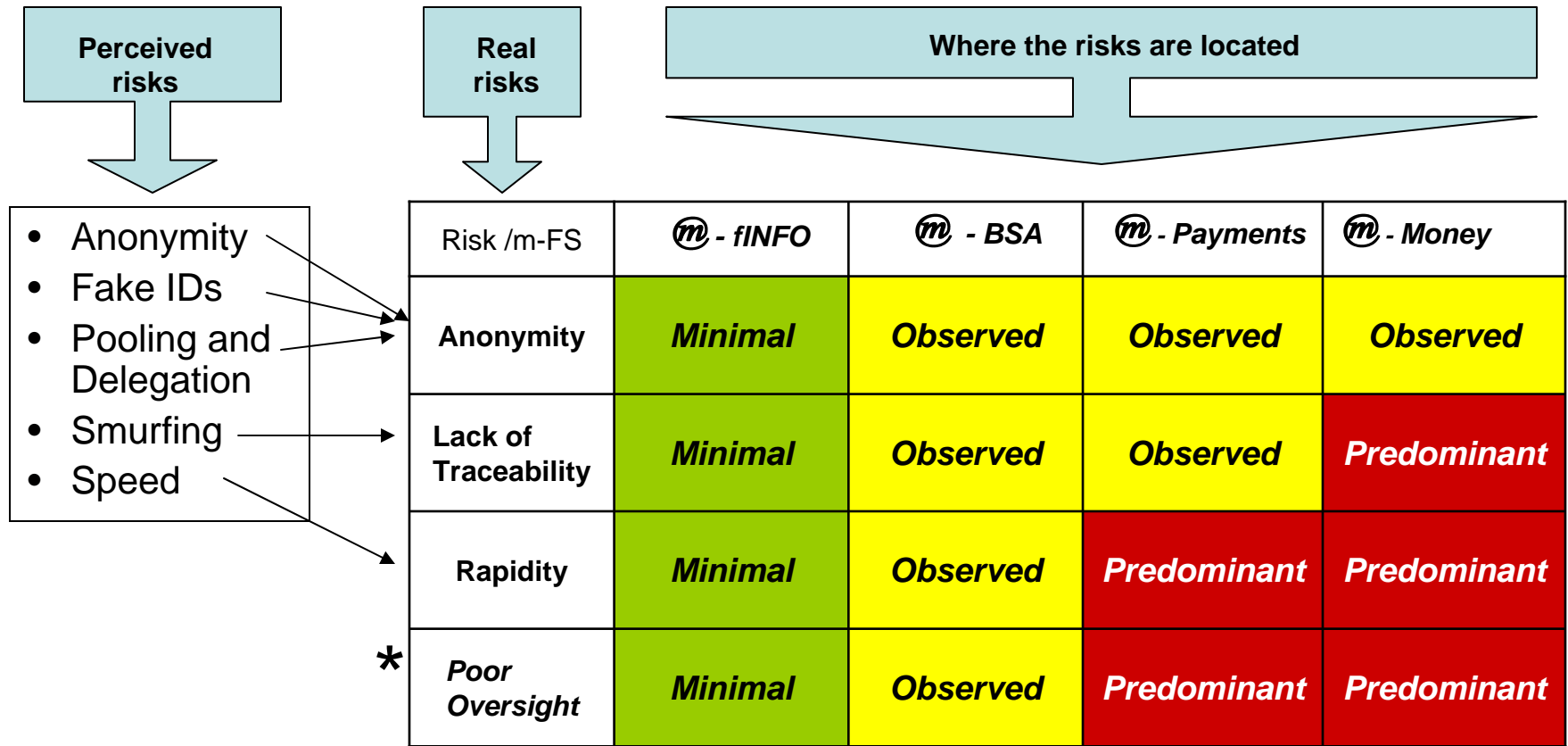
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*m*-Money  
Mobile Money



# 4. m-Financial Services could pose unique risks of ML/TF



Mobile phones for FS pose a new type of ML risk:

**Ubiquity + Rapid Settlement**



Greater Need for AML/CFT Controls



# 5. M-transfers / Remittances: Reduce cost, Increase convenience and speed

Technology may not resolve all problems for remittance transfers but could address their key aspects

- Reduce cost,
- Increase convenience, and
- Speed

## For AML/CFT could

- Support KYC procedures
- Increase traceability (record keeping)
- Monitoring of remittance transfers

As more persons use formal financial services, more information is potentially available to combat ML and FT

Does not resolve the issues of

- Undocumented workers
- Financial education
- Lack of trust on financial institutions
- Distribution of cash in rural areas

## Do not guaranty financial inclusion

However, financial inclusion and formalizing of remittance transfers could be supported by the use of new technologies



## 6. Conclusions

- Mobile technology could pose significant ML risks in its uses to access **financial services**
- **Service-based risk analysis** most effective because of convergence of TelCo and financial institutions
- **Mobile services may require new approaches** for regulatory controls.
- Soon-to-be-published **World Bank paper** on mobile financial services to make recommendations on risk analysis and mitigation responses





**Thank you for your attention**

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