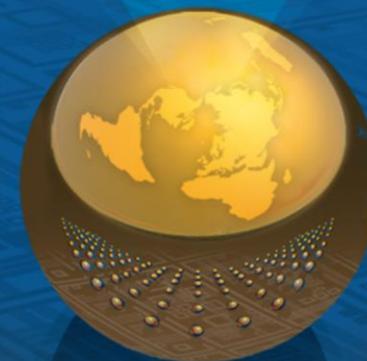


# The Remittances Access Initiative (RAI)

21 June 2022

Antonia Esser



## Financing Facility for Remittances



# RAI background



## IFAD's remittance diagnostic studies

*These diagnostic studies\* found the challenge we are addressing, specifically, that the way in which RSPs implement KYC and CDD is acting as a barrier to remittance access*



## Regulatory assessment

*Cenfri conducted a regulatory assessment to identify opportunities for innovation within the existing regulatory frameworks*



## Cenfri and the RSPs partnership

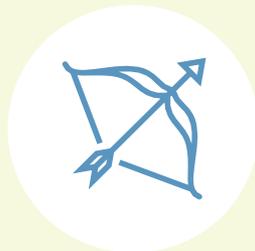
*Cenfri is partnering with two RSPs per country to enhance their CDD frameworks as a means to enhance remittance access and improve the flow of remittances*

# Objective of the initiative



## Objective

Enhance remittance access opportunities for low-income, rural households, and particularly women, by reducing the KYC and CDD barriers facing these customer segments.



## Method

Through **technical assistance**, enhance the CDD frameworks of RSPs, making them more inclusive and better aligned with international best practice, enable opportunities to onboard more individuals, and enhance flow of remittances.



## Key target indicators

Percentage of target group customers that face reduced access barriers.

# Overview of the South African regulatory landscape

## Identity in South Africa

**There is no official definition for identity**

**Institutions are required to apply a risk-based approach** and may determine their customer identification and verification processes

**However**, South Africa holds contradictory regulations that apply to remittances, as **identifiers are prescribed for cross-border remittances**

**Identifiers are prescribed for cross-border remittances.** A valid green bar-coded South African document or Smart identity card (biometric) are some of the only identifiers permitted for foreign nationals and residents of South Africa (Currency and Exchanges Manual for Authorised Dealers, 2021 and for ADLAs in foreign exchange, 2021).

## Additional ADLA requirements

- Transaction limits of R3,000 per day and R25,000 per month for ADLA 3.
- Address needs to be collected, but not verified (Currency and Exchanges Manual for Authorised Dealers in foreign exchange with limited authority, 2021)

# Opportunities for innovation



## Use of identity proxies and identity proofing

The RBA promotes identity proxies, and the regulations allow for risk-rated remote onboarding (Guidance Note 7, 2017).



## Utilize biometrics for more robust due diligence

Biometrics can do away with unnecessary documentation while making them more robust, as the identifier is more unique and more difficult to falsify.

An existing innovation includes the launch of the Online Fingerprint Verification System by the SABRIC.



## The regulation allows for tiered KYC

Identity proofing allows financial institutions to open limited/restricted accounts for customers who do not necessarily meet the typical CDD requirements (Guidance Note 7, 2017).

# Challenges experienced by RSPs

## Challenges within the scope of this initiative

-  **Remote onboarding** currently only available via mobile applications
-  Some RSPs use **manual processes** for identity verification
-  Difficulties in **verifying foreign IDs** and passports
-  Consumer and agent **fraud**
-  Onboarding, training and placement of **agents**
-  Customers **struggling to utilise digital applications** owing to low digital literacy rates or limited capability/capacity phones

## Challenges that fall outside the scope of this initiative, but are being considered separately

-  **Restrictive rules based CDD** for ADLA licensed RSPs
-  Customers required to **bring in ID every time** they conduct a transaction, as per ADLA requirements irrespective of digital identification
-  **Low transaction limits** inhibit migrants from sending large remittances home
-  **Expired identity documents** cannot be used as a valid identifier

# Questions

# Thank you

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## About Cenfri

Cenfri is a global independent economic impact agency and non-profit enterprise that bridges the gap between insights and impact in the financial sector. It collaborates with its partners to foster economic growth and sustainable development in emerging and developing markets in Africa and beyond. Cenfri's people are driven by a vision of a world where all people live their financial lives optimally to enhance welfare and grow the economy. Its core focus is on generating insights that can inform policymakers, market players and donors who seek to unlock development outcomes through inclusive financial services and the financial sector more broadly.

## About IFAD's Financing Facility for Remittances

Since 2006, IFAD's multi-donor Financing Facility for Remittances (FFR) aims to maximise the impact of remittances on development, and to promote migrants' engagement in their countries of origin. Through the financing of almost 70 projects in over 40 countries, the FFR is successfully increasing the impact of remittances on development by promoting innovative investments and transfer modalities; supporting financially inclusive mechanisms; enhancing competition; empowering migrants and their families through financial education and inclusion; and encouraging migrant investment and entrepreneurship. The FFR is cofinanced by IFAD, the European Union, the Grand-Duchy of Luxembourg, the Ministry of Foreign Affairs of Spain and the Swedish International Development Cooperation Agency (Sida).



## Financing Facility for Remittances



# An overview of the IFAD program and successes to date

Learnings from the 7 countries of interest



## Engaging RSPs

*How we approached RSPs*

- 1. Build database:** Identify and research all potential RSPs in country of interest
- 2. RSP selection criteria:** Assess all RSPs against the criteria
- 3. RSP selection:** Select 2 RSPs in each country to participate in the programme



## Examples of interventions

*In-country examples*

- System Printed Receipts
- Digital ID database
- Customer profile
- Enhancing risk assessment
- Simplified due diligence products



## General learnings

*Challenges, successes and learnings*

- **Slow uptake of digitization** from RSPs and regulators
- **Adoption of the risk-based approach** slow in the remittance business
- **Financial incentives** are often required to make changes for financial inclusion
- **Digital interventions** are more resource-intensive but can hold great gains