



3rd Public - Private Sector Dialogue (PPSD)

2 – 3 September 2016

Elephant Hills Resort Hotel

Victoria Falls

Zimbabwe

SUMMARY REPORT

SUMMARY OF THE 3RD ESAAMLG PUBLIC PRIVATE SECTOR DIALOGUE

On 2nd - 3rd September 2016, the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) held its 3rd Sub-Saharan Africa Public/Private Sector Dialogue (PPSD) at the Elephant Hills Resort Hotel, in Victoria Falls, Zimbabwe. The Dialogue, which was launched by the incoming President of the ESAAMLG Council of Ministers, Hon. Patrick Chinamasa, Minister of Finance and Economic Development of Zimbabwe, was attended by Finance Ministers from the ESAAMLG Region, the FATF Executive Secretary, participants drawn from public and private sectors and representatives from the Cooperating Nations and Organizations (CONSUNS) and the West African Anti-Money Laundering Group (GIABA).

The agenda for the PPSD covered a range of topics including de-risking in the ESAAMLG Region, financial inclusion data indicators and measurements, digital financial services, and illicit financial flows. In particular, the dialogue's main objective was to address the challenges faced by the financial sector in addressing the growing phenomenon of de-risking and continuing to promote financial inclusion without compromising the integrity of the implementation of the FATF recommendations. The PPSD was designed to help facilitate the development and implementation of robust anti-money laundering and combating the financing of terrorism (AML/CFT) regimes in Sub-Saharan Africa. It offered a unique opportunity to engage with key policy officials and business stakeholders in emerging African markets, which represent seven of the ten fastest growing economies in the world. In particular, some of the PPSD's objectives were to:

1. Raise awareness about, and commitment to, robust AML/CFT regimes as a necessary foundation for sustainable economic growth in Africa, and;
2. Exchange good practices and other technical knowledge on implementation of effective AML/CFT regimes, including in the face of commonly occurring challenges in Sub-Saharan Africa.

The PPSD provided an unparalleled opportunity to develop a deeper understanding about the benefits of maintaining secure and transparent financial systems and combating illicit financial flows, gain a deeper technical grasp of implementation of robust AML/CFT regimes, and establish new relationships throughout the continent and across the globe.

The key findings from both Ministerial Roundtable/Plenary Session and Break-out Groups

1. The key issue of concern raised was the effect of de-risking on financial inclusion efforts, access to international markets and currencies, liquidity management, investment and overall economic growth. There was general consensus that de-risking is a market failure and that there is an immediate need to comprehensively address de-risking within the ESAAMLG region.

2. The proportionate application of AML/CFT standards in the regulation and supervision of financial institutions helps countries to accommodate a diverse range of financial systems and providers of financial services, including those with the potential to reach financially excluded and underserved customers. In practice, this means that supervisors should pursue a risk-based approach in carrying out their own supervisory activities and likewise ensure that the institutions they supervise have systems in place to assess and respond to the relative risk of their clients, products and services. It was further noted that member countries can also take advantage of the FinScope Survey tool to collect data and to measure the level of financial inclusion in their own countries. Credible data over a number of years is required in order to obtain meaningful statistics.
3. There is need to ensure that policy and regulation is enhanced to encourage the use of mobile technologies in well-regulated markets as a means of promoting financial inclusion and reducing cash based transactions. With the increased attention to terrorism financing, players in digital financial services must take cognisance of the challenges digital financial services create due to anonymity of payments and transactions including the velocity/ speed with which transactions are executed. Not only must the risks associated with these products be understood and mitigated, but also, it is critical for the policy and regulation around digital financial services to be based on a comprehensive national and institutional AML/ CFT risk assessment. There is therefore the need for both regulators and the private sector to dialogue and partner in the development and regulation of digital financial services.

With regards to de-risking, it was recommended that Correspondent Banks should reconsider their decisions to conduct wholesale de-risking in view of the far reaching implications particularly on developing economies. Respondent banks were encouraged to establish relationships with more than one correspondent bank for their primary currencies to mitigate against the effect of sudden termination of their business operations while regulators should consider engaging with home authorities of global banks to enhance appreciation of supervisory goals and create partnerships in compliance enforcement.

De-risking Survey

In view of these adverse consequences and pursuant to the Dialogue outcomes, the ESAAMLG Task Force of Senior Officials approved proposals to conduct a survey on de-risking, focusing on ESAAMLG member countries. The survey seeks to achieve the following objectives:

- i. To determine the existence, nature and extent of the changing trends in de-risking;
- ii. To establish the drivers and impact of de-risking on countries within the ESAAMLG region;

- iii. To examine how institutions and customers affected by de-risking have responded to the phenomenon and whether or not these responses have or may further increase ML/ TF risks;
- iv. To ascertain the appropriate level of Know Your Customer's Customer (KYCC) that should be applied within a risk based approach;
- v. To establish the extent to which national risk assessments (NRAs) can be used to address the phenomenon;
- vi. To examine the impact of de-risking on financial inclusion efforts.

The survey targets both the private and public sector players including but not limited to banking, insurance, securities, co-operative societies, MVTs, forex bureaus and relevant regulatory authorities. The survey questionnaires were circulated to member countries and responses will be collated, assessed and analysed before the report is discussed by the Task Force of Senior Officials during the plenary meetings in April 2017.

ESAAMLG would like to thank all those who participated in the Dialogue and appreciate their continued cooperation and partnership. The Rapporteur Reports of the PPSD Ministerial Roundtable and the Break-Out Sessions are attached herewith.

[3rd ESAAMLG PPSD 2016 - Summary and Recommendations of Break Out Group A on Financial Inclusion Data Indicators and Measurement.pdf](#)

[3rd ESAAMLG PPSD 2016 - Summary and Recommendations of Break Out Group B on Digital Financial Services.pdf](#)

[3rd ESAAMLG PPSD 2016 -Summary and Recommendations on the De-risking Plenary Session.pdf](#)