



# GLENBROOK

**Driving Financial Inclusion from the Middle:  
How Mojaloop can support DFSPs in  
reaching the last mile**

July 21, 2020

# Executive Summary

The push to digital during COVID-19 coupled with global movement for risk-based account opening presents an opportunity for payment platforms to contribute

- COVID-19 has disrupted the traditional pathways to open a new account, magnified by the 133 countries who have launched or expanded G2P disbursement programs
- However, within that disruption is an opportunity for change and transformation for customer due diligence (CDD), historically a barrier to financial inclusion
- While there is no one-size-fits all solution, there are common elements that contribute to an industry's ability to reach the most vulnerable
- Countries with streamlined CDD processes in place and those that were adjusted on an emergency basis, collectively opened 60+ million new transaction accounts during the pandemic
- Uneven implementations of CDD among DFSPs highlights the need for the involvement of additional players, namely schemes
- Payment platforms which often have more mature technology that their participants and manage complex integrations can help foster this financial inclusion progress

# Components of Customer Due Diligence (CDD)

CDD allows banks to understand its clients and the source(s) of their funds to prevent use of the account for fraudulent and illicit purposes

What's historical been called KYC, has evolved to CDD, encompassing the following.

## **Account opening**

- Identification and verification
- Beneficial ownership
- Risk assessment and profiling

## **Throughout Customer Relationship**

- Transaction monitoring
- Periodic review

## **Account Closing**

- Account Exiting

Driven by Financial Action Task Force (FATF), the global standard setter for combating money laundering (ML) and the financing of terrorism and proliferation

# Evolution of CDD

The combination of international standards and local implementations have created opportunities for new methods of account onboarding



## Closed CDD regimes (Pre-2008)

No alternatives available to full CDD.  
Limited use of non-bank financial institutions.

## Risk-Based Approach (2008)

FATF introduces the RBA, allowing for financial regulators and banks to determine their own processes relative to proven risk.

## Mexico Tiered CDD (2009-2011)

Mexico becomes the first major market to implement a no-ID account.  
FATF assesses this as a deficiency in their ML/TF monitoring.

## FATF SDD and Financial Inclusion (2012-2013)

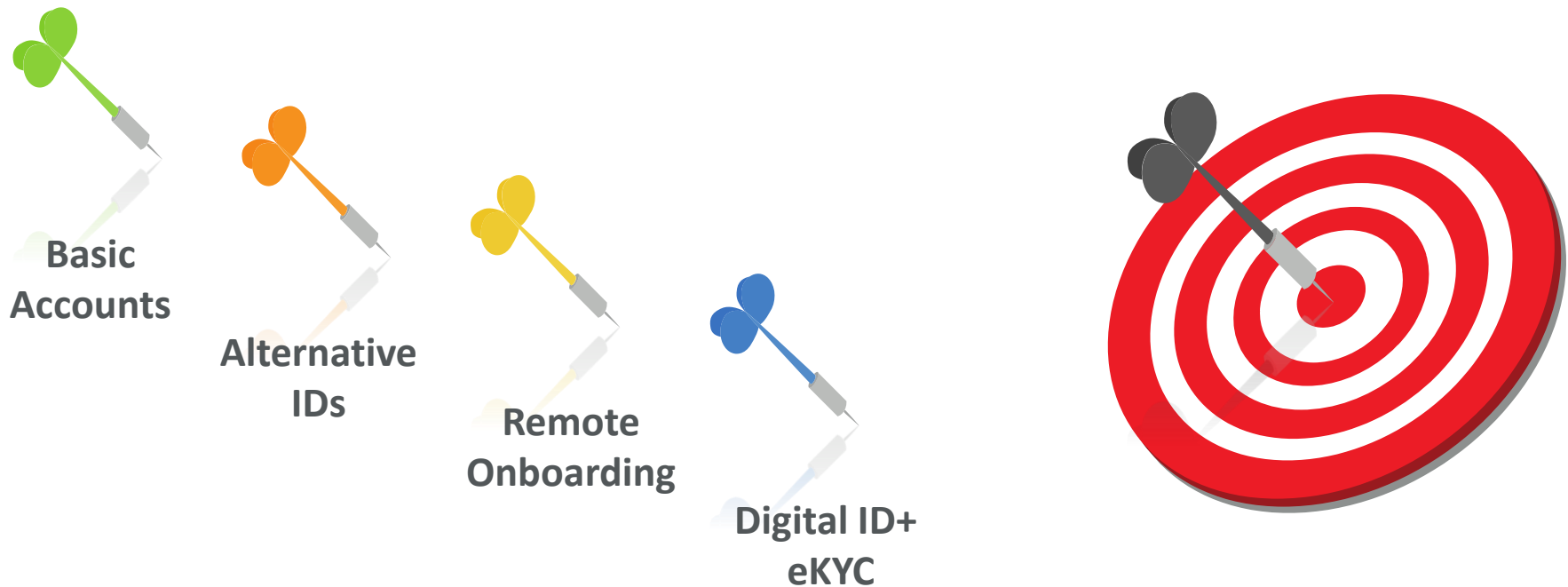
Outlined conditions for risk-adjusted approaches.  
Growing recognition that financial inclusion is a critical part to a monitoring structure.

## Growth of SDD Usage (2015+)

SDD regimes launch in countries around the world (e.g. Colombia, India, Bangladesh), with significant diversity in approaches.

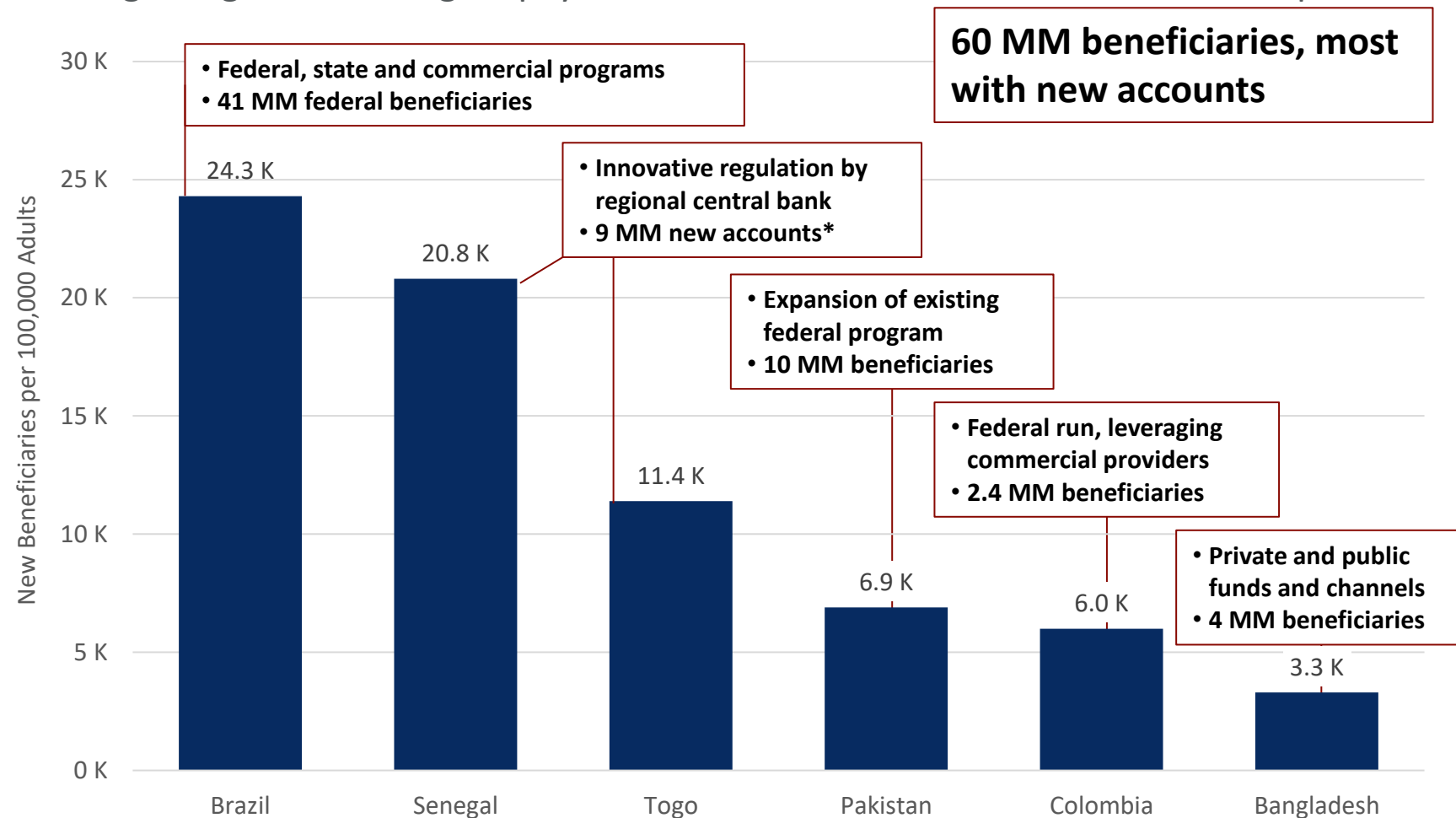
# Getting to Scale

The domestic environment will determine which solutions are impactful to bring new users and associate volume onto a new scheme



# Progress to Financial Inclusion during COVID

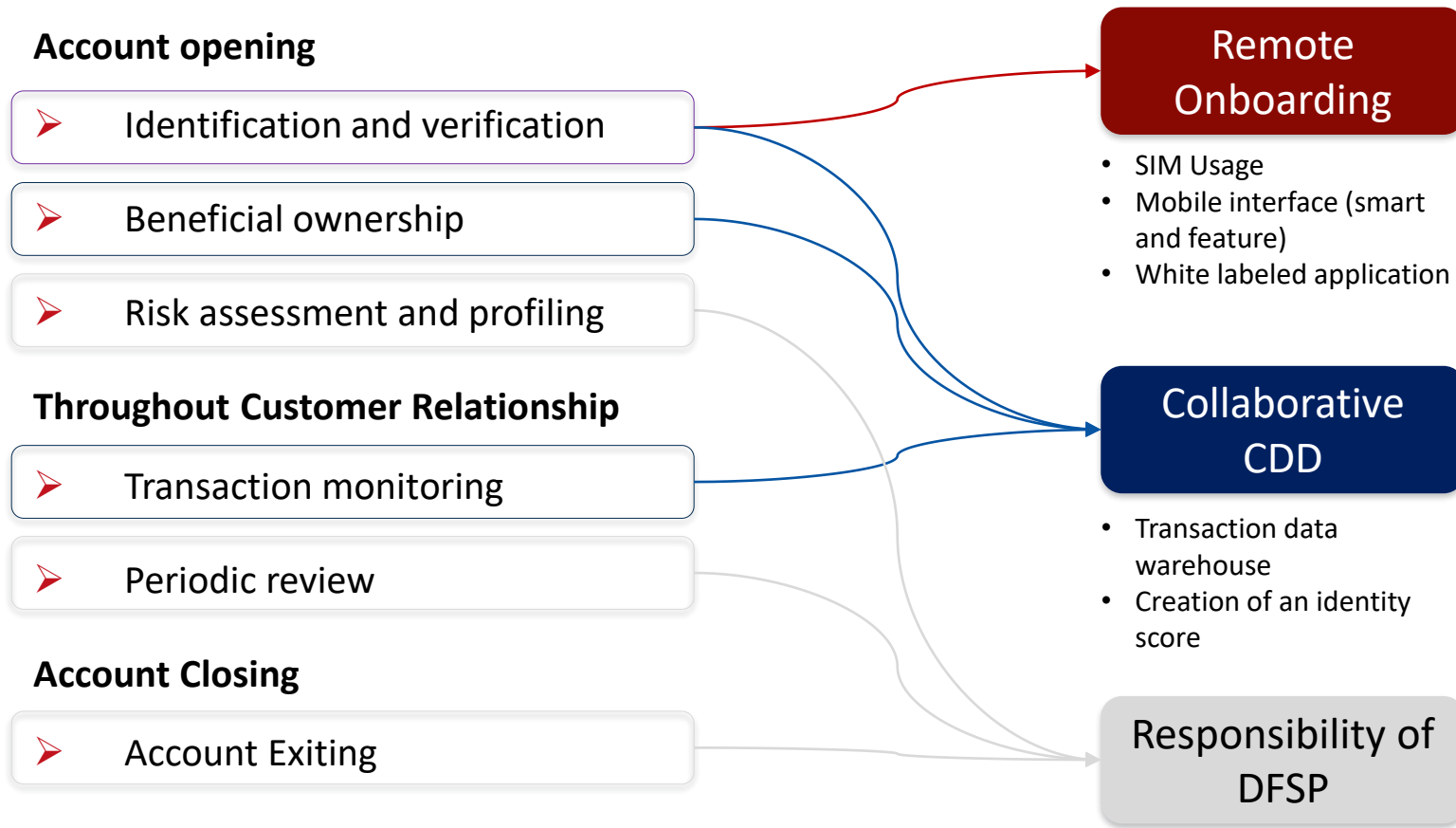
Adults gaining access to digital payment solutions attributable to COVID-19 responses



\* Represents total new accounts within the WAMU region, unrelated to a disbursement program

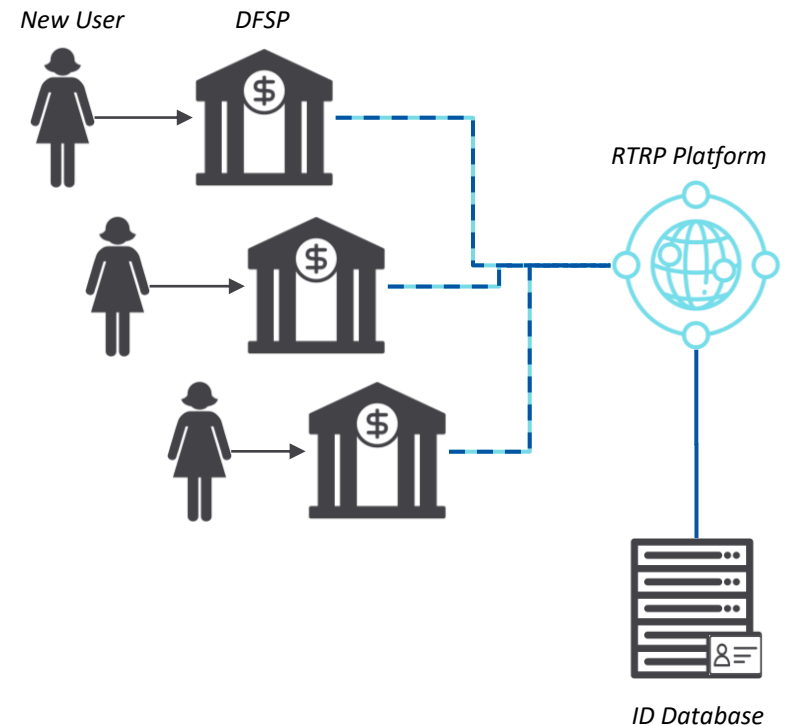
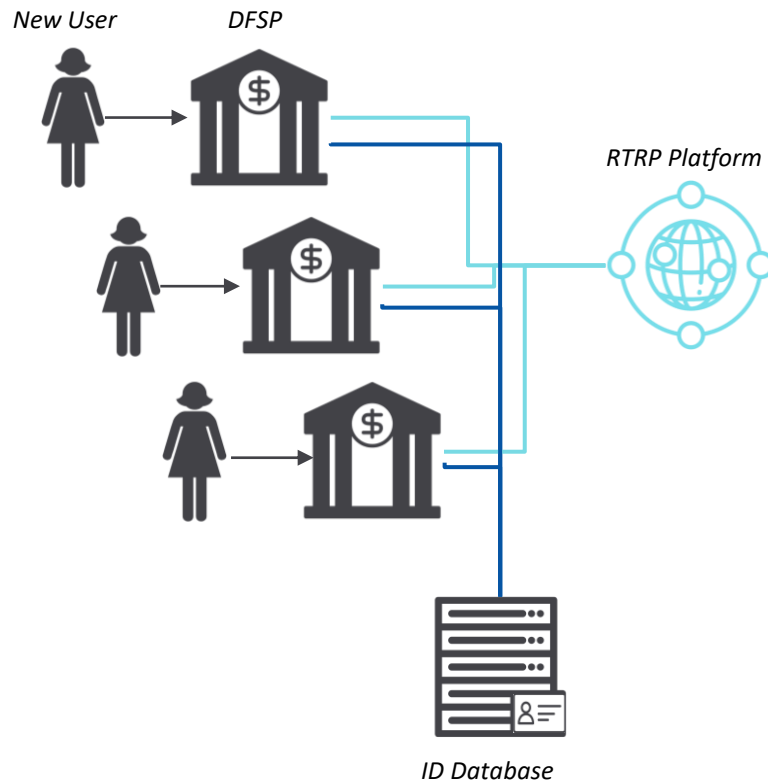
# Network as a Catalyst for Onboarding

By supporting aspects of CDD, a scheme can help participants (especially new) solve for a lack of connectivity and/or depth of customer data



# Illustrative Diagram for Linking ID Infrastructure

Creating efficiencies via a single-integration point







To learn more about pathways for onboarding, see our recent white paper

Emergency Disbursements During COVID-19: Regulatory Tools for Rapid Account Opening and Oversight

<https://www.findevgateway.org/paper/2020/07/emergency-disbursements-during-covid-19-regulatory-tools-rapid-account-opening-and>