



Options for Regulatory Frameworks

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Main Issues

- ❑ Remittance flows are an important source of external funds for many countries
 - ❑ Such flows may go through informal remittance systems
 - ❑ Informal remittance providers may pose a particular risk of misuse for money laundering (ML) and the financing of terrorism (FT)
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The Need to Address the ML/FT Risks

- ❑ The FATF special recommendation for a regulatory framework
 - ♣ Bring informal providers into formal arena
 - ♣ Not impede flows nor drive remittance underground
 - ❑ Correct weaknesses in formal sector and raise competitiveness to attract a bigger share of remittance flows
 - ❑ Improve information and data on remittance flows and systems
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Work of the Fund

- ❑ Help countries to implement FATF recommendations for remittance systems
 - ❑ Reviewed a sample of countries that have issued specific regulations
 - ♣ looked at problems of recipient countries that are cash-based economies
 - ❑ Part of broader work program on AML/CFT assessments and technical assistance
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Options for Regulatory Framework

☐ Registration or Licensing system

- ♣ depends on domestic circumstances and regulatory practices
- ♣ FATF recognizes that oversight should be flexible, effective and commensurate with risk of misuse

☐ AML/CFT requirements and preventive programs

☐ Credible sanctions for noncompliance



Some Lessons

□ Implications and tensions

- ♣ registration—raises few barriers and may encourage participation; requires resources for monitoring
- ♣ licensing—filters providers and may discourage participation; protects integrity and soundness

□ Possible to alleviate tensions by the conduct of risk-based analysis on the potential for misuse of remittance systems



Some Lesson (continued)

- ❑ Remittance providers should be consulted before regulations and requirements are introduced
 - ❑ Requirements to be clear and simple
 - ♣ for application process, background checks, on- and off-site monitoring, and compliance programs
 - ♣ annual renewal to facilitate close contacts
 - ❑ To be proportionate, prudential requirements seems unnecessary
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Issues for Discussions

- ❑ Customer identification
 - ♣ Problems for undocumented workers
 - ❑ The need for record keeping
 - ♣ format; frequency of reports
 - ❑ Reporting suspicious activities
 - ♣ Training; awareness raising; quality reports
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Issues for Discussions (cont.)

☐ Sanctions

- ♣ for not joining formal regime
- ♣ for non-compliance with requirements

☐ Consumer protection aspects

- ♣ prevent fraud; encourage transparency in charges

☐ Supervisory issues

- ♣ Resources; capacity; use of SROs; external audits; cross-border cooperation
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Issues for Discussions (cont.)

- ❑ Access of remittance providers to banking and payment services
 - ♣ transparency in settlement systems
 - ❑ Perceived risks for banks doing business with remittance providers
 - ♣ Need for bank and remittance supervisors to coordinate activities; assurance of oversight
 - ❑ Greater outreach and education
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