DE-RISKING AND THE GREAT UNBANKING CHALLENGE

In July 6th & 8th the Economist published two articles that, again, raised the de-risking threat discussion to new levels. The July 6th article was entitled "**The great unbanking**[1] - Swingeing fines have made banks too risk-averse - *It is time to rethink anti-money-laundering rules"* and the July 8th one: "**Rolling up the welcome mat**[2] - A crackdown on financial crime means global banks are derisking - *Charities and poor migrants are among the hardest hit"*. For us in the "low-income financial services provider's sector"[3] the challenges, from regulatory pressures, rise in compliance costs and most of all, de-risking, are a survival issue.

This article is a broad view of de-risking, my opinions on some of the most recent developments that I have been reading, hearing and witnessing recently as we prepare for the "De-Risking Forum" on Nov 30 at IMTC WORLD 2017 in Miami. For detailed analysis on de-risking, its causes and the implications for FIs, you can find many great articles & documents online.[4]

DE-RISKING IN NORTH AMERICA & EUROPE

De-risking keeps hitting hard Money Service Businesses, mostly International Money Transmitters and Foreign Exchange Services Providers and Cash-Dependent Financial Services Providers as well as fintech start-ups. The critical issue in both regions is that most of the larger commercial banks are headquartered there and not only they are de-risking themselves, but they are forcing their correspondent banks to de-risk local businesses. There are many news coming out and I will choose just a few to make my point:

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[1] http://econ.st/2tCsI1L
[2] http://econ.st/2unVNwC
[3] Our sector is called by many names globally, from Financial Services for the Poor (http://bit.ly/2uNm8VM), Alternative Financial Services (http://bit.ly/2unYC0z), Financial Services for the Low-Income Consumer (http://bit.ly/2trPaGy) and other similar names. Although the sector is mainly compromised by NBFIs (Non-Banking Financial Institutions) both traditional brick & mortar and fintech firms, there are also Community Banks, Coop Banks, Rural Banks, Small Commercial Banks & Saving Banks that have as their mission to provide financial services for the poor.
[4] I suggest you read the following reports:

- Nov. 2015 report "*Understanding Bank Derisking And Its Effects On Financial Inclusion*" by Tracey Durner and Liat Shetret from the Global Center on Cooperative Security : http://bit.ly/2vOxZjc ;
- October 2015 World Bank *Report on the G20 survey in de-risking activities in the remittance market*: http://bit.ly/2uNPnYL
- December 2015 Report by Manuel Orozco, Laura Porras and Julia Yansura from the Inter-American Dialogue "*Bank Account Closures: Current Trends and Implications for Family Remittances*": http://bit.ly/2uqcExa
- Blanket De-Risking of Money Services Businesses by Kristin Pullar, Vice President, Internal Audit AML at Western Union: http://bit.ly/2tSvRpc

- In the country that has been the source of the global de-risking, the United States, smaller banks are slowly, but surely, opening bank accounts to MSBs in the US, but they are being very specific about the companies that they want to bank[5].

- The situation in Canada seems to be worse than in the US and many licensed companies and start-ups have not found local banks to provide them with bank accounts to help them operate. The Canadian Money Service Business Association[6] last year sent a letter to Jeremy Rudin, the head of Canada's Office of the Superintendent of Financial Institutions (OSFI). "*Without risk of money laundering or reputational damage, we can only assume that the decision to close these accounts relates to the competition that they represent*," association co-chairs Michael Smith and Carinta Mannarelli wrote in the letter to OSFI[7].

- Companies that are surviving with one or maybe two bank accounts are complaining on the rising cost of banking services. Smaller companies are having difficulty covering the "minimum fee" that banks are now imposing on MSBs on top of the high cost of wire transfers, ACH (and the slow movement of funds in the US particularly) that causes the need for higher cash flows.

- Agents are still having difficulty in securing banking services and MTOs are having a difficult time collecting cash from those Agents. In the US some MTOs are receiving digitized cashed checks as a form of settlement with very few banks agreeable to the practice.

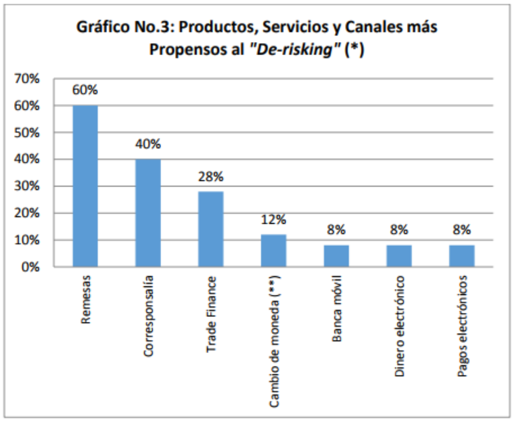
- Smart safes and Armored Car Carrier Services are relieving some of the cash collection difficulties of the Money Transfer Industry but even Armored Car Carriers are having difficulty with bank accounts in the US, for them and for their customers. Small companies say that they still cannot afford the cost of smart safes but some European models are smaller and less expensive and technology is making the costs drop.

- MSB & Payment Institutions associations are trying to confront the issue as we so with the Canadian Association. The MSBA[8] in the US has been very active reaching out to "MSB friendly" banks to understand their policies, procedures, onboarding mechanisms, etc. and help MTOS and MSBs find these banks. The MSBA has an active "Banking Committee" where banks are working with the sector to discuss common issues and find solutions.

[5] Banks are using risk-based approaches to discriminate, some of them avoiding cash based businesses, certain corridors, company size, years in business, type of services provided, etc.
[6] https://canadianmsb.org
[7] Sector-wide 'sweep': Money service firms say banks are giving them the boot http://bit.ly/2vkad2z
[8] MSBA: Money Service Business Association: http://www.msbassociation.org/

DE-RISKING IN MEXICO AND THE AMERICAS

- **ASOCIACIÓN DE SUPERVISORES BANCARIOS DE LAS AMÉRICAS:** ASBA, headed by Rudy Araujo Medinacelli, published in March 2016 a document entitled "**Compliance/Regulatory Risk in Financial Activity (De-Risking) in the Americas**"[9] where ASBA quantifies the effect of de-risking in the region based on a survey done with the Banking Supervisors all of its members. On top of the chart is remittance services with 60%, followed by Correspondent Banking, 40%, Trade Finance 28%. What is interesting is that the supervisors answered the de-risking survey with their perceptions on the de-risking situation with only two of the 24 country bodies[10] responding that they had done an industry survey. We hope ASBA and the Caribbean Group of Banking Supervisors (CGBS) who met recently[11] and discussed de-risking, as well as other regulatory groups, promote a rule demanding banks to formally inform local regulators when they close a bank account of a licensed or registered financial services provider, informing the reason for the closure.



- The situation is Mexico is critical with payment processors and RSPs having their bank accounts closed. Mexican authorities seem to be unaware of the problem or have not make their concerns public. Our partner Salvador Velazquez has just published a very interesting article on de-risking in Mexico[12] that is worth reading. In the article, he states: "*In my opinion, Mexican financial authorities have expressed some concerns on this regard but in a rather timid way. Neither the SHCP, nor the CNBV, nor the Central Bank, nor CONDUSEF, nor CoFeCE , nor any other national entity have expressed their position, at least publicly, on this issues, so harmful to the remittance industry ; and at the end of the day in the detriment of the Mexicans living in the USA that we need to consider as first class citizens.*"

- It is also interesting to read an interview of Claudia Revilla[13], ProDesarrollo's Director, a microfinance network in Mexico who reported that as October 2016, 236 bank accounts of microfinance entities have been closed in the country. She states that "*Cierre de cuentas es por discriminación, no por riesgo de lavado*" (the reason for the closing of Bank Accounts is discrimination, not money laundering). She also cites instances of banks closing accounts of

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[9]Compliance/Regulatory Risk in Financial Activity (De-Risking) in the Americas http://bit.ly/2uV7mwm Riesgo de Cumplimiento/Regulatorio en la Actividad Financiera ("De-Risking") en Las Américas http://bit.ly/2tsW529

[10] Bahamas, Barbados, Belice, Bolivia, Brasil, Chile, Costa Rica, Ecuador, El Salvador (Banco Central de Reserva & Superintendencia del Sistema Financiero), España, Guatemala, Haití, Honduras, Islas Caimán, Jamaica, México, Panamá, Paraguay, Perú, República Dominicana, Surinam, Trinidad y Tobago, Turcos y Caicos & Uruguay.

[11] The CGBS met in Antigua & Barbuda on 6 – 8 July 2017 (50 regulators from 17 jurisdictions) http://bit.ly/2u8LitB

[12] http://imtconferences.com/las-remesas-familiares-y-el-de-risking-en-mexico-por-salvador-velazquez/ The PDF of this article is here: http://bit.ly/MWC-dersksv

[13] El Economista, Oct 11, 2016 - "Cierre de cuentas es por discriminación, no por riesgo de lavado" http://bit.ly/2eGT6kn

financial services entities that are competing with them. In a private communication with Ms. Revilla she told me that more than 1 million microfinance customers of the network have been affected in a struggle that began 3 years ago; her headway with local authorities to do something to alleviate the situation have not been successful so far, not even in these instances of clear assaults on financial inclusion efforts.

- **CIASEFIM**: At the end of 2016 we informed the creation in South America of CIASEFIM[14], an international commission formed by associations of financial services providers in Brasil, Argentina, Uruguay and Paraguay to look for solutions to the "de-risking" epidemic that is leaving many companies without bank accounts to provide their services. CIASEFIM has been very active, meeting with heads of Central Banks, FATF-GAFI representatives in the region, local regulators, to make them aware of the critical situation their members are facing and come up with feasible solutions. Some very important meetings are scheduled in August with local authorities. Mr. Daniel Trías, member of IMTC's Advisory Board has been actively helping and supporting CIASEFIM with his experience & expertise.

DE-RISKING IN ASIA AND AFRICA

- The situation in Africa, Asia and Oceania is not any different. Some even say that the situation in Africa is far worse than any place else. Gibril Faal, a UK Magistrate, very active in African Diaspora Development, was mentioned in an article[15] describing bank closures of correspondent relations with African money transfer companies as "perverse" and said of de-risking: "*The problem is particularly acute on the African corridors."* Dominic Thorncroft, Chairman of the Association of UK Payment Institutions[16] also stated: "*Some money transfer firms have remained, but the reduction in competition due to correspondent closures could lead to higher rates for consumers. Africa has been particularly badly hit*."

- In Asia is worth commenting that de-risking, which has also hit the RSPs, has had many implications on trade finance[17]. But, as global banks terminate correspondent relationships and exit business sectors, domestic and regional banks are fast expanding to capitalise on the opportunity, especially in the Philippines, India and Indonesia.

- De-risking in Africa by global banks has a direct link with the rise of Chinese importance in the region. It is interesting to note that, in a paper by Amadou Sy and Tao Wang from The Brookings Institution[18] published at the end of 2016, they describe "the unintended consequences of global banks de-risking" such as: "*A number of initiatives are under way to increase the use of the renminbi in Sino-African trade, including the clearing of renminbi business and the opening of individual renminbi accounts in South Africa, as well as the establishment of currency swap agreements with six African countries.*"

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[14] http://imtconferences.com/ciasefim-international-commission-money-transfer-associations/
[15] Africa: Bank de-risking hits money transfer firms http://bit.ly/2vWwq3Q
[16] AUKPI http://www.ukmta.org/Home.aspx
[17] De-risking and its implications on trade finance in Asia Pacific http://bit.ly/2uL34qf
[18] De-risking, renminbi, internationalization, and regional integration http://brook.gs/2uOJbgH

CORRESPONDING BANKING

The Financial Stability Board (FSB)[19] The FSB is monitoring financial stability issues raised by FinTech as well as addressing the effect of de-risking, that "*has negatively impacted correspondent banking. De-risking is not in line with the FATF Recommendations, and is a serious concern to the international community, including the FATF and the FATF-Style Regional Bodies. De-risking can result in financial exclusion, less transparency and greater exposure to money laundering and terrorist financing risks.*"[20]

The **FSB Correspondent Banking Data Report**[21] published recently found that every region of the world has been affected by de-risking: Eastern Europe (-16%), Western Europe (-15%), Oceania (-12%) and the Americas (ex North America) (-8%), being the most affected. in 2016, the Caribbean and several regions within Oceania had high and generally increasing rates of decline of Correspondent Banking Relationships (CBRs), close or above 10%. The Economist published this chart using the FSB's data.

The FSB report follows the International Monetary Fund's June 2016 report "**The Withdrawal of Correspondent Banking Relationships: A Case for Policy Action**"[22] which should be read, especially the notes concerning countries affected, categories of customers and business lines. In the report, the IMF reports that 75% of large global banks had withdrawn from CBRs.

- **DE-RISKING RSPs**: Many local Banks in these regions that are Remittance Services Providers (RSPs) themselves or that are banking RSPs have been threaten by large commercial banks to discontinue remittance and foreign exchange services (or local accounts of RSPs) or lose their corresponding bank accounts.

- **CENTRAL BANK ACCOUNTS FOR NBFIs**: Some Central Banks are extending "central bank account services" to local NBFIs as a result of these de-risking practices that are affecting the provision of financial services for the poor in their countries. We have evidence that Central Banks in the Americas such as Costa Rica, Colombia and Uruguay have granted central bank accounts to NBFIs. One of the problems is that Central Bank Accounts need to be provisioned from funds (US, Euro accounts) coming from an international bank account held by the NBFI in its name.

- **PUERTO RICO'S INTERNATIONAL FINANCIAL ENTITIES**: The Office of the Commissioner of Financial Institutions (OCFI) of the State of Puerto Rico has developed regulation to license International Financial Entities (EFI or **Entidad Financiera Internacional**). The goal of EFIs is to

[19] The FSB was established in April 2009 but succeeded the Financial Stability Forum (FSF) founded in 1999. The G-20 has strengthen the role and functions of the FSB in its meetings in 2011 & 2012 and in 2013 the FSB established itself as a not-for-profit association under Swiss law with its seat in Basel, Switzerland.
[20] Guidance on correspondent banking services - http://www.fsb.org/2016/10/guidance-on-correspondent-banking-services/
[21] FSB Correspondent Banking Data Report: http://bit.ly/2uNJPgP
[22] The Withdrawal of Correspondent Banking Relationships: A Case for Policy Action: http://bit.ly/2uNiJX4

attract United States and foreign investors to Puerto Rico. The IFE Act[23] authorizes entities to engage in specific banking and financial activity in Puerto Rico with non-residents of Puerto Rico. The Act has led to the licensing of 41 entities (as of 6/16/2017)[24] and some of the Banks licensed in Puerto Rico are providing banking services to NBFIs in the Caribbean and the Americas.

- **OPTING FOR EDUCATION**?: Standard Chartered Bank has come up with a novel approach to Correspondent Banking: "**De-risking through education**"[25]. The initiative aims to manage & reduce the financial crime risk in its correspondent banking portfolio in emerging markets and educating local banks on international best practices in financial crime compliance to help them strengthen their AML/CTF controls. They have run more than 38 Academies with more than 2000 Participants from 40 Countries from more than 600 Respondent Banks.

MULTILATERAL EFFORTS TO FIND SOLUTIONS

- **FATF-GAFI**: FATF has continually address de-risking. FATF revised the FATF Recommendations in 2012 to establish the risk-based approach as a fundamental requirement of the FATF standards and since then has discussed the de-risking issue with the private sector in various fora and has sought feedback at the FATF Consultative Forum. In light of continuing concerns about the impact of de-risking on the remittance sector, in a forum in March 2017 in Vienna, Austria[26], FATF chaired special sessions on remittances and de-risking. At our IMTC EMEA 2017 conference in Madrid in May, Remittance Expert Leon Isaacs, provided his insight on the closed-door meetings, one with remittance companies and another with the banking sector. The dialogue continues. There are no easy solutions and we still continue to see regulators being blamed, even though regulators everywhere seem to be siding more and more with RSPs. In a great interview[27] by Mark Taylor, Senior Reporter at Law360 with David Lewis, Executive Secretary of FATF, Lewis said: "*We are seeing them [banks] assess their relationships not just on the basis of AML/CFT risk, but on broader legal and regulatory risk and reputational risk and the commercial appetite along with the geographic appetite*." And remarked: "*As legal experts have pointed out banks will consider several factors prior to making a decision, but it is often a perfectly legal business choice despite claims of competition malpractice*." Some courts, like in Spain, have not agreed with the legal experts Mr. Lewis mentioned.

- **GFRID2017**[28] – IFAD, WORLD BANK & UNDESA: At the Global Forum of Remittances, Investment & Development in New York in June 2017 several of the speakers mentioned de-risking as one of the most pressing factors affecting the industry. Louise Arbour, Special Representative of the

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[23] Act No. 273, also known as the "International Financial Center Regulatory Act" – More information can be found here: http://bit.ly/2ts7r6D
[24] Gobierno de Puerto Rico – Listado - Entidad Financiera Internacional al 6/16/2017: http://bit.ly/2eGn3Rq
[25] De-risking through education - Introduction to Standard Chartered Correspondent Banking Academy Initiative: http://bit.ly/2tEi8r6 . *Note: The name implies that they are teaching local banks to de-risk… although what they are doing is teaching banks to manage risk, I suppose.*
[26] FATF Dialogue with the Private Sector http://bit.ly/2uJ4gKN
[27] FATF chief talks de-risking dangers and correspondent banking: http://bit.ly/2wbHRUu
[28] Global Forum of Remittances, Investment & Development - https://www.ifad.org/web/events/gfrid2017

Secretary-General of the UN for International Migration, Dilip Ratha from the World Bank and Remittance Expert Leon Isaacs asked regulators, the banking sector and everyone present to find solutions to the practice. Louise Arbour stated: "*De-risking", that is, global financial institutions terminating or restricting business relationships with remittance companies and smaller local banks, is often caused by cumbersome regulations intended to combat money laundering and terrorist financing. These measures end up driving remittance flows underground, limiting competition and increasing the costs of transferring remittances. Today, the average cost of sending remittances is about 7.5 per cent, significantly higher than the Sustainable Development target of 3 per cent. It is crucial that financial regulators reduce the oversight requirements over the transfers of small amounts in order to encourage healthy competition among mainstream financial institutions*"[29].

- **THE ALLIANCE FOR FINANCIAL INCLUSION**: De-risking has been on the agenda in the meetings AFI[30] promotes and participates in, and in a late 2016 it published an interesting document entitled: **Stemming the tide of De-Risking through Innovative Technologies and Partnerships**[31]. In the last chapter of the document "*Practical Solutions*", there are nine areas identified that we hope they are worked on and that the de-risked financial service providers, are brought into the dialogue and the solutions become more participative:
    1. Ensuring the most impacted countries have a voice
    2. Global dialogue on constructing a supportive regulatory environment
    3. Overcoming Risk-Reward Dilemma
    4. Broader understanding of how impacted countries address de-risking concerns
    5. Supporting innovation
    6. Global policy work/ guidelines advanced to clarify cross-border regulatory expectations
    7. Impacted countries to improve standards/provide risk information and reassurance
    8. Guidance and policy for identifying/managing risk in correspondent banking relationships
    9. Putting in place customer due diligence (CDD) requirements and KYC utilities

DERISKING AND THE COURTS

- At the GFRID2017 in New York I finally, and briefly, met Robert Bell, CEO of Auckland-based company KlickEx who took Kiwibank to court over the closing of the money remitter's accounts[32]. Robert bought two 130-foot high-speed boats and said in an interview: "The boats are designed so we can run a boat overnight to Tonga with $3 to $5 million in cash on it"[33].

[29] http://bit.ly/2eGzahx
[30] A Bill & Melinda Gates Foundation-funded project, AFI was founded in 2008 to foster the development of financial inclusion policies in developing and emerging countries. The core 6 group members were Bank Indonesia (BI), Bank of Thailand (BOT), Central Bank of Kenya (CBK), Bangko Sentral ng Pilipinas (BSP), Superintendencia de Banca, Seguros (SBS) y AFP de Peru and Comisión Nacional Bancaria y de Valores (CNBV) of Mexico.
[31] Stemming the tide of De-Risking through Innovative Technologies and Partnerships – 2016 http://bit.ly/2valt0z
[32] KlickEx takes Kiwibank to court over it trying to close the money remitter's accounts: http://bit.ly/2vzYnhE and you can hear Robert in this video interview: http://bit.ly/2gVHCdg
[33] RPT-NZ remittance company buying speedboats to move cash around Pacific: http://reut.rs/2vP2nKi

Robert was very optimistic about the legal outcome and has promised to share the results with the industry. We hope we will join us in IMTC WORLD 2017 in November to share his story.

- We are also watching other developments with Money Services Businesses taking bank accounts to court for the closing of bank accounts. We hope to be informing as their cases progress in the legal system. We also hope to invite them to IMTC WORLD to share their story as we did with attorney Antonio Selas[34] and the cases he has managed in Spain. If you know of any de-risking related court case, please let us know.

DIGITAL FINANCIAL SERVICES AND FINTECH

- In May 2017, in his Opening Remarks[35] of the 3rd Pacific Islands Regional Initiative (PIRI) High Level Conference by the Governor of the Central Bank of Solomon Islands, Mr Denton Rarawa in Kokopo, Papua New Guinea (PNG), presented the theme of the event **Digital Financial Services in the face of De-Risking** by signaling "*the concern to central banks in the region and other parts of the world of the closure of banking relationships with entities in our countries*" and the use of financial technology as possible solutions to the problem. The Governor also mentioned the "*meetings in Washington last month with the Federal Reserve Bank of New York and US Treasury officials where we discussed the issue of de-risking*".

- Meridian International Center, a nonprofit, global leadership organization in Washington, DC. held a meeting in March 2017 of representatives from foreign embassies, government & the private sector entitled "**Taking a risk with Digital Finance: when big banks leave Latin America & the Caribbean, governments leverage fintech to assist the poor**"[36]. The report is interesting especially on the emphasis of "*the unintended consequences of de-banking in Latin American and the Caribbean*" (such as the decrease in transparency and the use of informal channels) and the "*the high cost of banking [as the cause} to the increasing shift toward informal finance*".

- **DIGITAL FINANCIAL SERVICES OBSERVATORY**[37]: Michael Wechsler and Dr. Leon Perlman of the DFSO at the Columbia Business Scholl in New York, are conducting research examining the impact of international de-risking, such as it may impact upon banking, remittance, mobile money, and money transfer services, customer due diligence and its effect on financial inclusion. This initiative is made possible by the Bill & Melinda Gates Foundation. A meeting presenting an initial report will be held at the DSFO in New York in October. We have been introducing them to people in our sector that can provide them with first-hand information.

- In the second part of the interview[38] that reporter Mark Taylor did with David Lewis, Executive Director of FATF (first part discussed before in this article), the reporter states: "*A troubled relationship between financial institutions and fintechs has brewed as the former fight to stop*

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[34] You can check his presentations in IMTC: http://imtconferences.com/es/?wpfb_dl=203 and http://imtconferences.com/es/?wpfb_dl=228

[35] Opening Remarks by Mr Denton Rarawa http://bit.ly/2uOnpw1

[36] Regional session of The Digital Finance Future: Inclusive and Global Economic Growth series http://bit.ly/2tsTYf1

[37] The DFS Observatory At Columbia University: https://dfsobservatory.com/

[38] FATF on fintechs versus banks, virtual currencies, risk appetite and why regulation isn't a rush job http://bit.ly/2eZjGFr

the latter undercutting profits." Lewis added: "*There are reasons why the banks don't want to engage with them, they will have general conversations, but it is difficult for fintechs to get through the door and speak to a bank, so that is a real challenge.*"

- In a document[39] by ECLAC (CEPAL in Spanish) in April 2017, Robert Crane Williams of the Caribbean Knowledge Management Centre, explains the "**Prospects for blockchain-based settlement frameworks as a resolution to the threat of de-risking to Caribbean financial systems**". Although he doesn't see the resolution coming soon he states: "*De-risking and the associated loss of correspondent banking relationships are acute and current problems that are causing damage to Caribbean economies. Adoption of a net payment-oriented blockchain – whether open or permissioned – would reduce reliance of Caribbean banks on correspondent banks for money transfers.*" Robert points out in the article the critical issues to that need to be solved. I do believe we will see more of these developments coming soon.

THE DE-RISKING SILVER LINING

The English poet John Milton coined the phrase "silver lining" in Comus: A Mask Presented at Ludlow Castle in 1634 and "There's a silver lining to every cloud" is a proverb that I always have in my thoughts when I look for "pros" in different challenging situations. And the De-Risking Epidemic does have its "silver linings" that I want to point out:

- NBFIs are becoming very creative in finding ways to move funds around relying some in ancient settlement mechanisms, hawala-type schemes, where funds are compensated on both sides of a transactions, without the need to move funds across borders. Finding businesses and individuals that need the funds on each side of corridors has always being an art.
- Foreign Exchange companies are becoming large players providing international money transfer solutions to MTOs and other firms by providing better-than-bank rates on local currency made available in remittance-receiving markets. Taking away wire transfer costs, providing speedier settlement flows and offering great exchange rates can be the key for a total shift in the remittance market.[40]
- Aggregators are providing services to local MTOs whose banks do not allow them to send international wire transfer services therefore they are not able to establish direct settlement mechanisms with foreign RSPs. These aggregators are specializing themselves in some regions or corridors and act mainly as payment processors.
- Regulators are beginning to understand the need for information on de-risking in their own jurisdictions in order to act on facts and not information they hear or read in reports or articles like this. As one regulator told me: "*If a bank closes an account of a licensed company that we audit I think is fair that we are informed, especially when we license both entities*". I think is time that regulators make rules so that they are informed.

[39] Prospects for blockchain-based settlement frameworks http://bit.ly/2vfp2Cv published by ECLAC - Economic Commission for Latin America and the Caribbean - http://www.cepal.org/en/

[40] Information provided by Money Transfer consultant Salvador Velazquez, a partner in Mohr World Consulting Americas. https://mohr.world

- Technology developments are being ignited by the de-risking epidemic, not only in the KYC, AML & CTF sectors but also in the operational and business development sides with the emergence of solutions that can transform substantially the financial services industry.
- The perception of unbanking and financial inclusion is shifting and regulators and governments are looking at NBFIs, alternative financial service providers, especially fintech firms, Digital Financial Services Providers (DFSPs) and Mobile Money Operators (MMOs) as solutions to the withdrawal of banks from providing services to low-income sectors of the population (as they concentrate on high revenue financial services). As a society, we must stop believing that financial inclusion must come from the Banking Sector[41]. New partnerships and new working arrangements with technology at its center can produce better outcomes for the future of a more inclusive world.
- This more inclusive financial world is mainly fueled by the change that mobile is bringing into the financial services landscape. Two articles have caught my eye:
    - In an article[42] by Blake McCall, Financial Analyst at Let's Talk Payments (LTP) he uses the concept of TechFin firms[43], notably the GAFAM (Google, Apple, Facebook, Amazon, and Microsoft) companies, established technology companies that have begun to compete in the finance industry and offer their own FinTech solutions. With crucial partnerships emerging, this is an important development that might change the financial services industry.
    - MMOs are dominating the mobile financial services landscape in Africa & Asia and GSMA reports[44] close to 300 live services in close to 100 countries, with mobile money available in 66 per cent of low- and middle-income markets and 174 million active accounts worldwide. In December 2016 alone, mobile money services processed 1.3 billion transactions, averaging around 30,000 transactions a minute.

The lobbying of the Banking Industry in a number of jurisdictions to keep MMOs & TechFin firms out of the space or forcing them to make deals with banks, has taken many forms and regulators & politicians have had to broker deals or side with one or another, but I don't have yet any evidence of banks de-risking MMOs & TechFin firms. That would we a clash of giants.

[41]Financial inclusion is a term that is evolving. The "unbanked" are not necessarily financially excluded and GSMA's MMU (Mobile Money for the Unbanked) programme "*has been supporting mobile money services to provide convenient, safe and affordable financial services to the underserved, thereby increasing financial inclusion*". In many jurisdictions, the boundaries between Banks and Non-Banks is gradually changing.

[42] How Tech Giants Took Over the Mobile Payment Market http://bit.ly/2vYqirI

[43] Jack Ma, founder of Alibaba, Alipay, Ant Financial (buying Moneygram), coined the term in late 2016: "*TechFin is to rebuild the [financial] system with technology. What we want to do is to solve the problem of a lack of inclusiveness.*" Maybe Blake should have included in his article Mr. Ma's companies too.

[44] Latest GSMA report highlights success of mobile money with over half a billion accounts worldwide http://bit.ly/2ucvZzW