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## Terms of Reference | Review of Implementation and Financial Inclusion Impact of Risk Based AML/CTF

RFP ID:

October 2020

**Prepared by FinMark Trust**

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### FinMark Trust

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## About FinMark Trust

FinMark Trust is an independent non-profit trust whose purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration'. We pursue our core objective of making financial markets work for the poor through two principle programmes. The first is through the creation and analysis of financial services consumer data to provide in depth insights on both served and unserved consumers across the developing world. The second is through systematic financial sector inclusion and deepening programs to overcome regulatory, supplier and other market level barriers hampering the effective provision of services. Together, these programmes unlock financial inclusion and sector development through a symbiotic relationship between rigorous data collection and research activities. Our work can be found in South Africa, throughout the SADC region and the global arena.

## Background

Amendments to the Financial Inclusion Centre Act that came into effect in October 2017 introduced a change from the previous rules based approach to managing money laundering (ML) and terrorism financing (TF) risk and instead moved to a risk based approach, particularly with respect to customer due diligence (CDD).

FinMark Trust recognised that a move to risk based approaches was both a risk to and an opportunity for financial inclusion. On the one hand, there was a risk that non-bank FSPs would not have sufficient resourcing available to fully implement a risk based CDD on a per client level and would ultimately de-risk by exiting the market for low value transactions. Alternatively, the move away from rigid rules based KYC requirements opened up the opportunity for greater financial inclusion by allowing lower KYC documentation requirements and promoting remote on-boarding of clients. FinMark Trust thus worked with a number of FSPs to develop a mechanism for implementing risk based approaches to managing ML/CF risk and partnered with institutions to develop new innovations around remote onboarding.

FinMark Trust thus requires a consultant to assist in conducting a market assessment of the extent to which the financial services industry has implemented risk based approaches to managing ML/TF risks and the impact that a move to risk based ML/CF has had on the financial inclusion of poor and vulnerable consumers in South Africa.

## **SCOPE OF WORK & RESPONSIBILITIES:**

Assessment of the impact of RBA on the financial inclusion of poor and vulnerable populations in South Africa. This will include:

- Baseline of KYC requirements before the introduction of RBA and their impact on financial inclusion of consumers with a particular focus on poor, rural and migrant segments
- Assessment of market responses to RBA across various FSP segments including banks, ADLAs, FinTechs, credit providers and other non-bank FSPs
- A scan of innovations and developments with regards to CDD and KYC
- An assessment of the extent of implementation of risk based approach within various segments of the financial services industry including
  - Banking
  - Insurance
  - Non-bank credit providers
  - ADLAs
  - FinTechs
- An assessment of the impact of RBA on KYC standards and how this has impacted financial inclusion of consumers with a particular focus on poor, rural and migrant segments

### **Technical Competencies Required**

- Bidding consultants must demonstrate their knowledge of South African and international ML/TF regulation
- Demonstrated experience in assessing ML/TF compliance of FSPs
- Demonstrated knowledge of the financial services market in South Africa including the various licensing and regulatory regimes applicable to financial services
- Demonstrated track record of successfully executed research projects of appropriate magnitude

### **The Successful Candidate Should Have at Least:**

- Minimum of Honours degree but Master's degree would be an advantage
- 5 - 10 years' experience at a senior level within a regulatory/supervisory role at relevant statutory bodies or senior compliance role at a large financial services provider

## Contents of Proposal

- Statement of qualifications of firm(s)
- Name and CV of staff members responsible (i) for overseeing the work; (ii) for undertaking the work.
- Proposed methodology and approach to the work. Please note that significant consideration will be given to the proposed methodology when evaluating proposals.
- Fee proposal and costs estimate, indicating the basis of calculation of fees.
- Capacity empowerment is a key objective of FMT. In rendering the service, the consultant must endeavour to achieve this goal. The proposal must comment on the manner in which the consultant intends to give effect to the capacity empowerment objective.

## Proposal Submission

Proposals are to be submitted to Farai Muronda at [faraim@finmark.org.za](mailto:faraim@finmark.org.za)

Please include "Review of Implementation and Financial Inclusion Impact of Risk Based AML/CTF" in the subject line.

Closing Date: 12 noon **Monday, 30 November 2020**