

ADDRESSING CUSTOMER DUE DILIGENCE OBLIGATIONS TO PROMOTE ROHINGYA FINANCIAL INCLUSION



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EXECUTIVE SUMMARY

Cash based interventions (CBI) in the Rohingya Crisis Response have the potential to strengthen sector and multi-sector strategies to respond to the emergency needs of the refugee and host population. It is acknowledged that CBI allows beneficiaries a wider and more dignified choice of assistance, based on their preferences, It can better support local markets and enhance communities' economic recovery, preparedness and resilience. The effective and appropriate use of cash and voucher programming require strong inter and intra agency coordination and communication with several stakeholders from different sectors, working groups and private sector engagement. CBI specifically requires working in close collaboration with local authorities to ensure an enabling environment suitable for CBI, promotes a "do no harm" approach, and ensure protection mainstreaming.

The Cox Bazar Cash Working Group (CWG) was activated in November 2017 to provide a technical platform for collaboration, harmonisation of appropriate and efficient cash and voucher programming and dissemination of learnings across multiple sectors within the Rohingya Crisis Response. Cox Bazar CWG is supported by the National Cash Working Group (NCWG) that was formed to strengthen collaboration on CBI both for disaster preparedness and response across Bangladesh. In many global emergencies, CBI has been delivered through digital mechanisms, such as bank cards and mobile money, often preferred over vouchers and direct cash delivery. CBI operations rely on private sector financial and mobile cash transfer innovations and capabilities to enable provision of digital transfers. This can ensure transparency and increased controls, promote accountability, be more cost-effective/efficient for larger-scale programmes and can also facilitate access to financial services among recipients. In refugee contexts, however, CBI delivery through digital systems can be challenging and is conditional upon satisfying *Know Your Customer* (KYC) and customer due diligence requirements often established at a national level. In many cases, refugees are unable to satisfy KYC requirements either due to their status or because they do not have the required documentation. This is currently the case for the Rohingya refugee population residing in Bangladesh.

This report, therefore, seeks to demonstrate that viable solutions exist for meeting national regulations in the context of Bangladesh, and outlines successful examples in different refugee contexts whereby alternative KYC approaches have been established for refugees successfully. It further demonstrates that by identifying and assessing the risks and concerns around money laundering and financing of terrorism (ML/FT) in relation to the Rohingya population in Bangladesh, many of these perceived 'risks' can be managed and mitigated through customising the policies of financial service providers (FSP). The report finally highlights recommendations for the Bangladesh authorities and FSPs in relation to enabling access to financial services for the Rohingya population.

Cash Based Interventions

- Cash-based interventions (CBIs) have the potential to make the response cost-efficient, scalable and generally have the most widespread benefits for local economies. According to the delivery mechanism mapping¹, a number of potential options, including digital solutions are available to deliver cash transfers at different scales in Cox's Bazaar.
- Financial inclusion for the Rohingya population is critical to improving service delivery and can make cash and market-based programming cost efficient while helping to minimise non-regulated services linked to a shadow economy.

¹ Delivery Mechanism Mapping for Cash Based Interventions (CBI) in Cox's Bazar, Bangladesh, December 2017:
<https://reliefweb.int/report/bangladesh/delivery-mechanism-mapping-cash-based-interventions-cbi-cox-s-bazar-bangladesh>

Regulatory Environment

- Know Your Customer (KYC) principles have been implemented worldwide to prevent the use of financial systems in money laundering or financing terrorism schemes which Financial institutions and Financial Services Provider (FSP) must respect.
- Bangladesh Financial Authority, through its Financial Intelligence Unit, has adopted these principles which pose a significant barrier to financial inclusion for both Bangladeshi nationals and Rohingya populations, who cannot comply with this obligation².
- The obligation to perform relevant KYC processes aims to ensure a clear identification of the potential client and requires the performance of several background checks on a potential client's identity to ensure that there is no particular risk in allowing access to financial services.

Beneficiary Identification

- Know Your Customer (KYC) requirements for FSPs represent an obstacle for digitalising CBIs for Rohingyas as they are not able to provide a valid and official proof of identification that complies with national regulations.
- Rohingyas have, however, been registered several times by different agencies, including the Bangladesh Ministry of Home Affairs (MoHA), The Refugee Relief and Repatriation Commissioner (RRRC) with the support of United Nations High Commissioner for Refugees (UNHCR).
- These registration processes have provided valid proof of identity for the population as they have been conducted by competent authorities or international agencies. Some include biometric solutions which is the most accurate means for identification.
- Solutions for refugees' financial inclusion have already been tested and validated in Europe, Asia and the Middle-East in similar contexts and could be easily replicable to the Rohingya refugee response.

Rohingya's Money Laundering and Financing Terrorism Risk Assessment

- **For prospective Rohingyas clients**, 'KYC' principles will be part of a Risk Based Approach assessing ML/FT risks to decide whether a financial institution can provide its services to this population.
- Regarding their obligations, financial institutions will have to realise KYC verifications and ensure that there is no specific ML/FT risk to accept Rohingyas as clients. Bangladesh Financial Intelligence Unit (FIU) provides a complete methodology to assess ML/FT risk in Bangladesh. Even if there are several methodologies for risk assessments – each of them potentially accurate, it seems logical to follow local FIU's guidance.
- Based on this approach, it is possible to assess the risk level of Rohingya customers and to determine potential threats for financial service providers who are considering offering their services.

² Namely, the regulations require one of three documents to meet KYC requirements: 1. Copy of National ID Card; 2. Copy of Citizenship Certificate; or 3. Copy of Driving License/Passport. (<http://www.cashlearning.org/downloads/mfsinbangladeshapril2015.pdf>)

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Possibility to grant the Rohingya population access to basic financial services

- The risk table included in this report shows that it is feasible to grant Rohingya's access to financial services through appropriate risk mitigation measures.
- Rohingya's ML/FT risk will be limited if their access is restricted to basic financial services such as cash deposit, local money transfer, electronic payments and mobile banking. FSPs can invest in developing tailored services that meet the need of Rohingya refugee clients.
- Dedicated Customer Due Diligence measures should be adopted by FSPs for the Rohingya population, particularly for ongoing transaction monitoring, and in proportion with the type of service to be accessed.
- The financial services perceived as 'riskiest' could be restricted to avoid financial criminality schemes (i.e. international wire transfers) and thresholds can be set to detect unusual and suspicious activities.

ACRONYMS

AML – Anti Money Laundering

BaFin –German financial Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*)

BFIU – Bangladesh Financial Intelligence Unit

CBI – Cash Based Intervention

CDD – Customer Due Diligence

CFT – Combatting Terrorism Financing

CWG – Cash Working Group

DFS – Digital Financial Services

FATF-Financial Action Task Force

FI – Financial Institution

FIU – Financial Intelligence Unit

FSP – Financial Services Providers

FT – Financing Terrorism

JRP – Joint Response Plan

KYC – Know Your Customer

ML – Money Laundering

MoHA – Ministry of Home Affairs

NGO – Non-Governmental Organisation

PEP – Politically Exposed Person

RBA – Risk Based Approach

RRRC – Refugee Relief and Repatriation Commissioner

UN – United Nations

UNHCR – United Nations High Commissioner for Refugees

WFP – World Food Program

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INTRODUCTION: CASH-BASED INTERVENTIONS (CBIS) IN THE HUMANITARIAN RESPONSE TO THE ROHINGYA CRISIS AND THE IMPLICATIONS OF KNOW YOUR CUSTOMER (KYC) OBLIGATIONS

Since August 25th, 2017, coordinated attacks in North Rakhine and subsequent security force operations have resulted in a heavy death toll and huge population displacement. Over 700,000 Rohingyas³ have crossed the border from Myanmar into Bangladesh, particularly to the coastal *upazilas* (sub-districts) of Teknaf and Ukhiya in Cox's Bazar District⁴, joining an estimated 200,000 Rohingya who have sought shelter in Bangladesh, arriving in waves over the past decades. Talks over the prospect of repatriation continue but the United Nations High Commissioner for Refugees (UNHCR) states that no returns should be considered without the questions of citizenship, rights and restitution being addressed. UNHCR, and the Government of Bangladesh signed a (MoU) relating to voluntary returns of Rohingya refugees once conditions in Myanmar are conducive and establishing a framework of cooperation between UNHCR and Bangladesh on the safe, voluntary, and dignified returns of refugees in line with international standards. While at this time UNHCR does not have access to any areas of return, it believes conditions in Rakhine State are not yet conducive to a safe environment for refugees.

In Cox's Bazaar refugee camps, the pre-existing poor living conditions in the makeshift settlements have created an extra strain on the earliest migrants, the host communities and humanitarian actors with limited resources. It is estimated that at least 80 percent of the overall Rohingya refugee population are highly to entirely reliant on life-saving assistance. UN agencies, international organisations, and local and international non-government organisations (NGOs) are combining efforts to pledge USD 951m for humanitarian assistance to provide emergency assistance to 1.3 million people, as discussed in the Joint Response Plan (JRP)⁵. In focus group discussions conducted by Oxfam, many households have reported that selling jewelry, borrowing money and buying food on credit⁶ were essential means to sustain their survival. Since refugees do not have work rights⁷, Oxfam mentions that reselling humanitarian assistance to access cash is inevitable as in-kind assistance is not sufficient to meet their complex needs. In addition, corrosive coping mechanisms such as sex and human trafficking, exploitation, survival sex, child marriage, and drug abuse are also reported to be proliferating in the camps⁸. The situation remains critical, and as the monsoon season approaches there will be increased risks of disease outbreak, landslides and flash floods. Therefore, life-saving emergency response continues to be the priority of 2018.

The majority of humanitarian assistance in Cox's Bazaar is provided through in-kind which can be costly and pose logistical constraints, particularly with the forthcoming rains. Implementing partners in Cox's Bazaar recognise that Cash-based interventions (CBIs) have the potential to meet a wide range of needs in a flexible manner, and to address some of the gaps that sector specific assistance cannot meet, while having wider benefit for the local economy. According to the delivery mechanism mapping⁹, several potential options, including digital are available to deliver cash transfers at different scales in Cox's Bazaar, however access for the Rohingya population is limited

³ <http://www.unhcr.org/news/press/2018/4/5ad061d54/bangladesh-unhcr-agree-voluntary-returns-framework-refugees-decide-conditions.html>

⁴ *Bangladesh refugee emergency*, Population Info-graphic as of 01 March 2018, UNHCR.

⁵ Joint Response Plan for Rohingya Humanitarian Crisis: March to December 2018, Available at :

<http://www.unocha.org/sites/unocha/files/JRP%20for%20Rohingya%20Humanitarian%20Crisis%202018.PDF>

⁶ Rohingya Emergency Vulnerability Assessment (REVA) - Cox's Bazar, Bangladesh, December 2017 - World Food Programme.

⁷ *Removing Barriers to Expand Access to Finance for Refugees*, Micol Pistelli (financial inclusion expert at the United Nations High Commissioner for Refugees), March 2017.

⁸ Rapid Protection, Food Security and Market Assessment, November 2017, Oxfam. Situation Report: Rohingya Refugee Crisis Cox's Bazar | 25 March 2018

⁹ Delivery Mechanism Mapping for Cash Based Interventions (CBI) in Cox's Bazar, Bangladesh, December 2017 :

<https://reliefweb.int/report/bangladesh/delivery-mechanism-mapping-cash-based-interventions-cbi-cox-s-bazar-bangladesh>

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largely due to the Rohingya population's inability to provide appropriate identification and proof of address that would enable FSPs to comply with Know Your Customer¹⁰ regulations.

Digital financial services (DFS) have revolutionised the financial sector landscape in Bangladesh by making banking easy, however this has failed to be an inclusive process as some conditions continue to financially exclude some population groups. The ultra-poor and unbanked groups such as the Rohingya population often suffer disproportionately in their ability to offer proof of identify, based around birth certificates and passports, and proof of address. According to World Bank, globally over a billion (17.7 per cent) of the world's population remain without access to official Know Your Customer (KYC)¹¹. Refugees' financial inclusion can significantly improve service delivery and make cash and market-based programming cost efficient while helping to minimise illegal services linked to a shadow economy. KYC requirements which protect financial services from money laundering, financing terrorism, and other forms of criminality issues have imposed risk assessments which represent significant barriers for refugees who have been displaced multiple times or who have never possessed any official documentation. However, there are multiple solutions which have been implemented successfully in different countries, offering the possibility to assess money laundering and terrorism financing risks without discriminating the aforementioned cohort. Similarly, this report argues that through conducting risk analysis and identifying appropriate and proportionate mitigation measures, FSPs in Bangladesh can offer tailored financial services to the Rohingya population during their displacement while managing risks.

¹⁰ Delivery Mechanism Mapping for Cash Based Interventions (CBI) in Cox's Bazar, Bangladesh, December 2017 :

<https://reliefweb.int/report/bangladesh/delivery-mechanism-mapping-cash-based-interventions-cbi-cox-s-bazar-bangladesh>

¹¹ World Bank: Identification For Development (Id4D) Global Dataset 2016, <<https://datacatalog.worldbank.org/dataset/identification-development-global-dataset> >

1. ADDRESSING FINANCIAL CRIMINALITY IN A REFUGEE CRISIS CONTEXT

The war on terrorism has brought about new efforts aimed at strengthening the systems and procedures of financial institutions to prevent international criminality. However, tightening of regulations in the financial sector works against the economic integration of refugees¹². A financial institution's excessive exposure to subjects involved in criminal activities can heighten reputational and legal risks which pose a threat to the stability of the whole institution. However, there are parameters that can be implemented by financial institutions to monitor cash transactions, which provide control on all transactions by identifying the origin of the financial operation. Aside from the obvious humanitarian and development benefits which increased access to financial services would provide, promoting financial inclusion could also help in reducing the use of unregulated financial systems. It could consequently help to minimize the risk of financial criminality in refugee crisis contexts. This is conducive to financial service providers complying to Know Your Customer (KYC) regulations imposed by the international community and local government.

1.1. Can financial inclusion limit criminality risks in refugee camps?

Cash assistance through financial inclusion of refugees has several positive effects like fostering refugee resilience, enabling refugees to accumulate savings in a safe place, accessing financial resources from others (e.g. through receiving remittance payments) and can help build connections between local and refugee communities. From a governmental perspective, it can also help to mitigate some risks that may be of concern. When people are unable to meet their needs adequately, they may rely on informal, and sometimes illegal, coping strategies to survive. Preventing any access to formal financial services may increase the risk of informal economies developing, which subsequently may also increase the risk of criminal behaviors inside the refugee camps.

1.1.1. Limiting the risk of developing a shadow economy

Despite the constraints often placed on refugees by the local regulatory environment, economic systems are still required by, and subsequently developed for, refugees, *"this sometimes takes place in the formal sector or, where it cannot, it may develop within the informal economy. Refugee communities engage in production, consumption, exchange, entrepreneurship, and the development of financial and capital markets."*¹³ There will always be a need for an economic system, and consequently access to a wide range of financial services, as a population aims to find a way to address their complex and diverse needs.

Recent reports from the media show that networks of underground economies are developing in many areas of Cox Bazar refugee camps¹⁴. Globally, the average length of stay in a refugee camp is 17 years, when median duration of exile stands at 4 years¹⁵. During this period, refugee populations would engage in income generating activities to meet their needs, even if this means accepting employment below the market value¹⁶. Findings also demonstrate that informal traders benefit from this situation by engaging refugees in corruptive transactions as

¹² 'The challenge of fostering financial inclusion of refugees', Darvas, Z. (2017), Bruegel. Available at: <http://bruegel.org/2017/12/the-challenge-of-fostering-financial-inclusion-of-refugees/>

¹³ *Refugee Economies, Rethinking Popular Assumptions*, Alexander Betts, Louise Bloom, Josiah Kaplan, and Naohiko Omata, Humanitarian Innovation Project, University of Oxford, June 2014.

¹⁴ Reuters report, <https://widerimage.reuters.com/story/trading-inside-the-rohingya-camps>

¹⁵ *How many years do refugees stay in exile?*, Xavier Devictor, World Bank, Sept.2015.

¹⁶ "Refugee Business: Strategies of Work on the Thai-Burma Border." *Journal of Refugee Studies*. I. Brees, 21.3 (2008): 380-397.

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they cannot access financial services legally¹⁷. By increasing cash-based interventions and financial inclusion, refugees can access a temporary income, which can minimise the resale of in-kind aid and enable better tracking of how cash is spent. For example, post distribution monitoring reports demonstrated that by allowing access to banking services to refugee families in Jordan, supporting agencies had greater visibility on electronic cash disbursements than through cash in envelopes¹⁸. Through greater transparency of commercial activities in the camps, the local government were able to organise the camp economy better and were able to track suspicious transactions which significantly reduced the development of an uncontrolled economy and the criminal behaviours accompanying it¹⁹. Furthermore, since Financial Institutions operating in Bangladesh have the obligation to record all of their transactions for five years²⁰, digital platform monitoring systems will assist them in meeting their responsibility vis-a-vis the Government.

1.1.2. Avoiding criminality schemes inside the camps

According to UNHCR, “threats to the physical security of refugees emanate from a variety of sources, including organised crime, errant military and police forces, local populations and the refugee community itself”. The vulnerability of refugees is magnified where they have limited material and financial resources and their family and community structures have been strained or destroyed²¹. The physical threats to refugees range from theft, assault and domestic violence to child abuse, rape and human trafficking²². Refugee camps may become a breeding ground for criminality which is heightened by poor living conditions and low purchasing power forcing people to find solutions which are not always lawful. Life in camps offers few prospects for refugees, particularly if the population is dependent on assistance and has minimum access to livelihood opportunities, either due to location or government policy. Past refugee crises have shown how criminality can develop in camp settings and how it impacts every aspect of social life. If populations are not able to access money, corruption (to import preferred goods in the camps), shelter allocation (in many locations in Teknaf and Ukhia, refugees have to pay bribes to keep their shelter)²³, and often face violence and drug selling²⁴. If cash-based interventions are increased and financial inclusion is promoted through the use of digital payment systems, affected populations would be able to access money more safely. Digitalising will help overcome the costs of supplying in-kind and physical barriers that have beset, otherwise valuable financial inclusion efforts. Moreover, given that approximately 51 per cent of the Rohingya population are women and girls, digital platforms are in line with the humanitarian protection framework. It could offer the opportunity to rapidly scale-up access to financial services by using retail point of sales, and other broadly available access points to access money safely. In addition, continuing transparency could lessen organised crime in the camps. CBI and greater financial access are not an end mean, but it will assist the Government of Bangladesh to meet its protection duties by extending safer access to receiving basic services.

1.2. Explaining Know Your Customer (KYC) obligations for Financial Services Providers (FSPs)

Global finance is exposed to risks such as money laundering, terrorism financing, dealing with sanctioned persons or other forms of financial criminality. Competent authorities and financial institutions have developed a Risk-Based Approach (RBA) to prevent the use of financial systems by criminals. RBA requires financial institutions to complete a KYC process based on identified risks in relation to their clients' profiles.

¹⁷ “Refugee Camp Economies”, Werker, E.

¹⁸ “Using biometrics to bring assistance to refugees in Jordan”, UNHCR Innovation, Aug. 30, 2016.

¹⁹ “Using biometrics to bring assistance to refugees in Jordan”, UNHCR Innovation, Aug. 30, 2016.

²⁰ Art. 24, Money Laundering Prevention Act, 2012

²¹ Addressing refugees security, United Nations higher commissioner for refugees, <<http://www.unhcr.org/4444afc80.pdf>>

²² Addressing refugees security, United Nations higher commissioner for refugees, <<http://www.unhcr.org/4444afc80.pdf>>

²³ Information provided through Key Informants interviews with Site Management partners.

²⁴ “Stateless Rohingya refugees sucked into booming Bangladesh drug trade”, Krishna N. Das, Reuters, February 28, 2017.

1.2.1. From a 'Risk Based Approach' to a 'Know Your Customer' policy

1.2.1.1. Risk Based Analysis (RBA)

The Financial Action Task Force (FATF)²⁵ plays a supervisory role for competent global organisations in charge of setting standards in the implementation of regulatory and operational measures for combating the use of the international financial system for criminal purposes. FATF defines RBA as an obligation for countries and competent authorities and financial institutions to “identify, assess and understand the Money Laundering/Terrorism Financing (ML/FT) risks to which they are exposed and take Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) measures commensurate to those risks to mitigate them effectively”²⁶. Bangladesh is an official member of Asia/Pacific Group on Money Laundering (APG), the FATF-style regional body for the Asia/Pacific region. The Bangladesh government adopted these Risk-Based Approach principles and ensures application through its Central Bank and its Financial Intelligence Unit, as the competent agency to respond to money laundering issues. This approach supposes that financial service providers must assess their clients' ML/FT risk to decide if they should grant them access to their financial services. Then based on the risk level, financial institutions take appropriate due diligence measures to monitor and control their clients' activities. Under the Money Laundering Prevention Act of 2012, Bangladesh Financial Institutions have an obligation to follow RBA principles, which involves setting greater controls for riskier clients.

1.2.1.2. Know Your Customer and Customer Due Diligence obligations for financial institutions

Know Your Customer (KYC) and Customer Due Diligence (CDD) are linked to meet RBA requirements. KYC refers to the clients' identification process and CDD to the specific research and points of control realised on the bank's customers. In common language, KYC and CDD equally refer to the processes set up to fight against money laundering, financing of terrorism and other financial crimes. Under KYC/CDD terms, banks are required to establish a complete profile of their customers to assess their ML/FT risk level. Based on this risk, banks will be able to determine a CDD level that will apply to the customer. Traditionally banks have 3 CDD levels: low, standard, and enhanced (imposing higher points of control considering the risk).

To comply with their KYC obligations, banks must:

1. Prove the identity of the account's beneficiary through personal identification and address.
2. Realise vetting on clients' information, which consists in detailed background checks.

Bangladesh's “Money Laundering Prevention Act” of 2012 defines the 3 basic CDD requirements that have to be undertaken for every customer:

1. Customer identification and identity verification
2. Understanding the purpose of the relationship
3. Scrutinising transaction to ensure they are coherent with the client's profile

A minimum vetting process supposes to check if the name of the account's beneficial owner appears on sanctions lists and if the client may be considered as a potential politically exposed person (“PEP”)²⁷. Automatic systems scan official sanctions and PEP lists to find potential clients' names.

To determine the appropriate level of due diligence, the bank will be looking for “red flags” related to:

- Location, occupation or nature of business
- Purpose of the relationship with the financial service provider

²⁵ <http://www.fatf-gafi.org/>

²⁶ *Risk-Based Approach guidance for the banking sector*, FATF, October 2014.

²⁷ FATF definition for PEP: “A politically exposed person (PEP) is an individual who is or has been entrusted with a prominent function. Many PEPs hold positions that can be abused for the purpose of laundering illicit funds or other predicate offences such as corruption or bribery. Because of the risks associated with PEPs, the FATF Recommendations require the application of additional AML/CFT measures to business relationships with PEPs.”

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- Expected pattern of activity in terms of transaction types and volumes, and frequency
- Expected origin of payments and methods of payment
- Adverse and negative information related to the client.

If those checks disclose any specific risk (PEP, criminal sentence etc.) or suspicious activities, the CDD level will be raised. A higher CDD level imposes specific measures to the financial institution, including closer monitoring of the client's activities and transactions and increased frequency of KYC reviews.

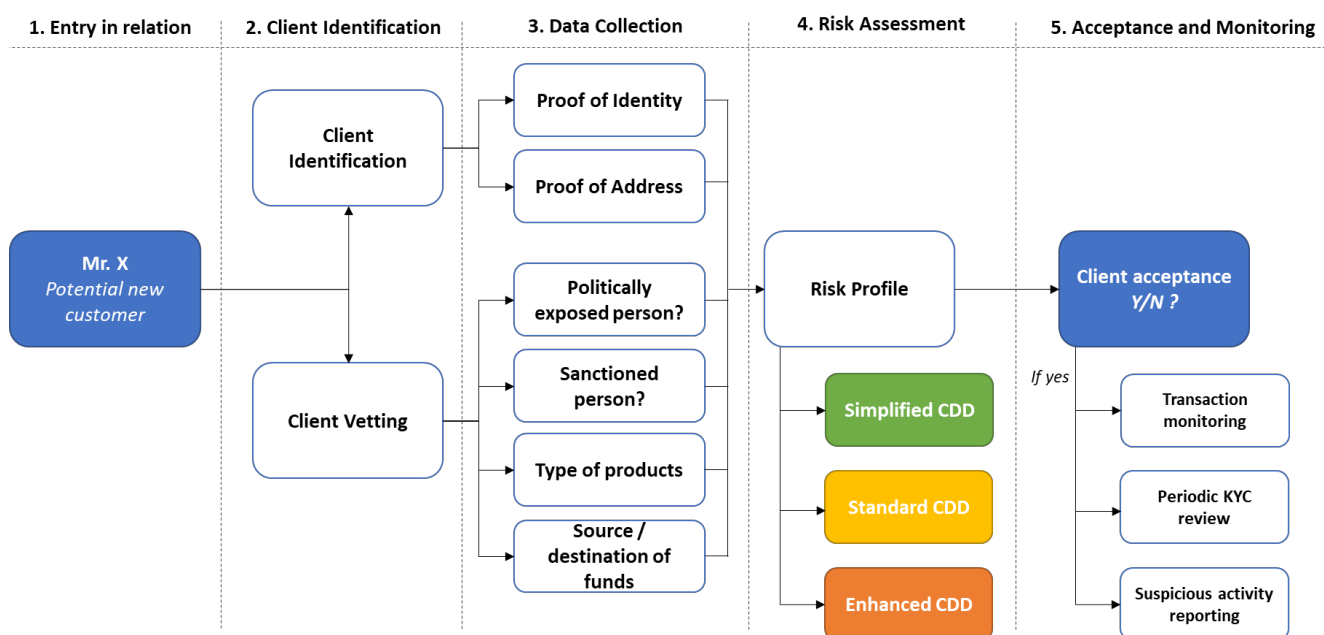


Figure 1. Know Your Customer Process

1.2.2. Money laundering, terrorism financing and financial crime risks: A definition

RBA and KYC principles have been set up to fight financial criminality, particularly money laundering and financing of terrorism and the ill-gotten gains. Criminals are using every means offered by the financial sector to transfer money, hide suspicious source and destination of funds, but also to hide the identity of the ultimate beneficial owners.

1.2.2.1. Money Laundering

United Nations defines money-laundering as a method used by criminals to disguise “illegal origins of wealth and protect their asset bases to avoid the suspicion of law enforcement agencies and prevent leaving a trail of incriminating evidence”. It includes making benefits from an illegal action and then trying to hide these illegally sourced funds to avoid any incrimination in the future. Money laundering schemes follow four steps:

1. Collection of money from illegal actions;
2. Placement in the financial system;
3. Layering by multiplication of offshore and inshore financial operations;
4. Integration in the legal economy;

Authorities cannot easily prove the illegitimate source of funds and criminals will be able to reintroduce the money in the ‘legitimate’ economy.

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1.2.2.2. *Financing of Terrorism*

Terrorism financing can take different forms. It may involve funds raised from legitimate and legal sources (personal donations, profits from businesses or non-profit organisations), but also from criminal sources (human or drug trafficking, smuggling, extortion, stolen assets etc.).

Methods are similar to money laundering, as terrorists use financial systems to move funds and the same techniques to hide the source and the identity of the funds ultimate beneficiaries. Using these methods, terrorists will be able to receive money anonymously.

The most common methods used by terrorists to transfer money are²⁸:

- Funds transfer through Banks
 - Money Value Transfer Systems that could be traditional agents (e.g. Western Union), or electronic (e.g. Paypal, crypto-currencies etc.).
- Physical transportation of cash

1.2.2.3. *Other current forms of criminality*

The term 'financial criminality' covers a wide range of illegal actions using banking and financial services. Most commonly known as 'white collar crimes' due to their non-violent methods, it can be any kind of criminal conduct relating to money or to financial services or markets.

The most frequent forms of financial criminality are: 1) Fraud (credit card or cheque fraud, bank or insurance fraud, securities fraud; 2) Tax evasion; 3) Embezzlement and 4) Bribery

²⁸ *Emerging Terrorist Financing Risks*, FATF, October 2015.

2. CUSTOMER DUE DILIGENCE FOR THE ROHINGYA POPULATION: OBSTACLES AND SOLUTIONS

Digital financial services are increasingly being used to deliver cash transfers in refugee contexts, and depending on local circumstances, they can offer a way to promote financial inclusion among displaced populations. Digital payments also connect individuals to the broader economy and can strengthen informal insurance networks. Evidence from refugee contexts has demonstrated that, electronic networks allow families to expand their “community” and can help households to overcome unexpected income shocks by accessing money or support from a community wider than those physically proximate²⁹. Research in Kenya found that ATM cards with reduced transaction fees were very popular amongst women as it gave them flexibility to withdraw the amount of cash required, in comparison to receiving payments at once through over-the-counter (OTC) mechanisms³⁰. Governments also benefit from digitalised payments by improving the traceability of the payment process and recording the amount of payments beneficiaries receive. An example of its benefits in India includes social security pension (SSP) payments provided digitally recording lower incidences of bribery than manual cash payouts.

In Cox’s Bazaar, Cash-based interventions (CBIs) can benefit from the use of digital platforms, which would streamline cash distributions and ease scale-up to address the needs of the Rohingya refugee population. This could be applicable to streamlining payments of cash for work participants, as well as delivering multi-purpose cash transfers and sector focused cash assistance at a greater scale. By using existing infrastructure and established financial institutions to deliver cash assistance (i.e. through mobile money transfers, prepaid cards, smart cards etc.), recipients would be able to access cash transfers in a safer and more dignified manner while reducing the risk and operational requirements (e.g. staffing, frequent physical distributions) for humanitarian agencies. However, in order for actors to use digital delivery mechanisms in partnership with financial institutions, it is essential that FSPs accept providing these services to refugees by implementing a regular due diligence protocol. The following sections argue that this is entirely possible, as the FSP has the ability to (A) identify the person who wants to open an account and (B) to manage the financial crime risk the recipient represents for the institution.

2.1. Verifying the Identify of Rohingya Refugees

2.1.1. Lack of identification documents and solutions used in other countries

As Myanmar does not recognise their citizenship, the Rohingya’s have never received any form of official document to attest their identity. This is a common situation for refugees or asylum seekers who often arrive in a host country without passport, ID, driving license or any identification document. Without valid documentation, opening a bank account will be logically refused by any financial institution. However, countries without national identification have sometimes introduced simplified KYC regulations to increase financial inclusion. This includes restrictions on transaction values (deposit, withdrawal and transfers) which mitigates anti-money laundering (AML) risks. In these cases, if a customer wants to upgrade from a simplified KYC account, then the customer needs to provide full KYC to their financial institution.

²⁹ Unconditional cash transfers < https://www.princeton.edu/~joha/publications/haushofer_shapiro_policy_brief_2013.pdf >

³⁰ Unconditional cash transfers < https://www.princeton.edu/~joha/publications/Haushofer_Shapiro_Policy_Brief_2013.pdf >

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2.1.1.1. *Example from India: biometric solution and e-KYC*

Case-study: The population in rural India does not possess official identification and most are part of an informal economy. They are prevented from proving their address or information and providing revenue statements. In India, these requirements are major barriers to opening bank accounts.

Solution: In 2016, the Reserve Bank of India launched an e-KYC process, a biometric Aadhaar authentication system, eliminating the need for paper documentation. Aadhaar e-KYC is a paperless KYC process, wherein the identity and address of the subscriber are verified electronically. It is used as an alternative to the current KYC process which is done on the basis of physical documents by providing an instant and electronic proof of identity and address³¹. With the consent of the customer, the technology has access to the official government database to obtain information and uses fingerprint and/or Iris identification to conduct biometric identification. By using this data to identify its customer, it complies with financial service providers regulations on KYC requirements. Electronic-KYC services are available to different sectors of the industry: “Banks, Insurance companies, Government Organisations, Passport Offices, Airports, Depository Participants, Payment Gateway Provider, etc”.

2.1.1.2. *Example from Germany: authorisation granted by Financial Authority*

Case study: In 2015, Germany was host to approximately 890,000 asylum seekers³², many of this population arrived without any formal identification documents. The Ministry of Interior and Justice was concerned about the potential risks for the growth of an informal economy if refugees did not have access to financial services.

Solution: BaFin, a German Supervisory Authority, created a transitional system whereby refugees could open a bank account even if they could not satisfy the KYC requirements. An account would be granted to the refugees using the following documents:

- A letterhead and the stamp of a German immigration authority, the document containing the personal details of the refugee (name, place and date of birth, nationality and address); a photograph of the applicant.
- A letter mentioning their arrival in Germany from the immigration authority.

Refugees were granted access to a ‘basic’ account which gives key functions to receive and withdraw payments through direct debits, standing orders, local transfers and the execution of payments using a payment card or similar payment instrument.³³

2.1.1.3. *Example from Jordan: UNCHR biometric registration recognised as valid proof of identity*

Case study: For Syrian refugees living in Jordan, UNHCR has been distributing CBI to refugees through bankcards, whereby using a PIN code refugees could make cash withdrawals. UNHCR was facing several problems: refugees were losing their cards, forgetting their PIN or they were giving their cards to another family when they were leaving to another location.

Solution: UNHCR decided to introduce biometric technologies to overcome these difficulties. By building a partnership with a private bank which has established ATMs with an iris identification system, UNHCR were able to register and identify refugees and to grant them access to ATMs to withdraw cash³⁴. In this case, UNHCR registration was recognized as a valid form of identification.

³¹ *Making It Easier to Apply for a Bank Account, a Study of the Indian Market*, Asli Demirguc-Kunt, Leora Klapper, Saniya Ansar, Aditya Jagati, World Bank Group, sept.2017

³² Federal Office for Migration and Refugees (BAMF).

³³ *BaFin makes opening bank accounts easier for refugees*, Federal Financial Supervisory Authority (BaFin), sept. 2015.

³⁴ *The Common Cash Facility, Partnering for Better Cash Assistance to Refugees in Jordan*, UNHCR, April 2017.

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2.1.2. Documents that can be used to verify Rohingya' identity

In the context of Bangladesh, the Rohingya population can be granted similar access to financial services by satisfying banking requirements through a simplified KYC obligation. A 'good enough' identification could be utilized in the absence of the formal ID normally required by FSPs. A non-exhaustive list of ID options for verifying Rohingya identity in Bangladesh are as follows³⁵:

- World Food Program (WFP) enrolls new arrivals with the help of their SCOPE Platform, using biometrics and family members grouping. SCOPE is a central repository for WFP beneficiary data, which can contain personal details and data such as photos or fingerprints.³⁶



Figure 2. WFP Enrolment Card

- Refugee Relief and Repatriation Commissioner (RRRC) with support of the United Nations High Commissioner for Refugees (UNHCR) have been conducting a family counting exercise for new arrivals issuing a dedicated card to each family. Since early 2018, a linking exercise of data from MoHA card and Family card, enabled RRRC to have access to Family Counting data, linked with individuals, member of the family, with their MoHA unique identifier. This card provides also information about heads of households and their housing locations in the camps, through GPS coordinates.

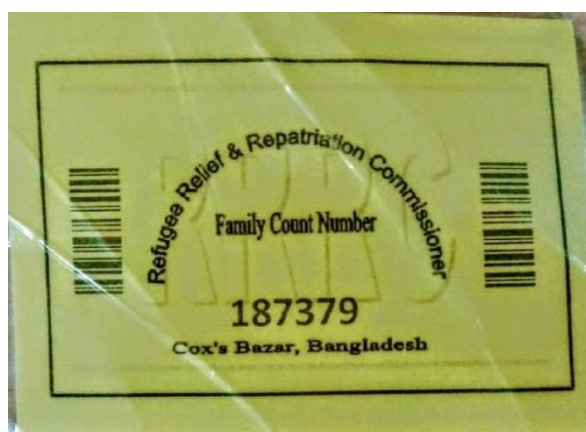


Figure 3. RRRC/UNHCR Registration Card

³⁵ Delivery Mechanism Mapping for Cash Based Interventions (CBI) in Cox's Bazaar, Bangladesh, Dec.2017.

³⁶ WFP SCOPE, March 2017.

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- Bangladesh Ministry of Home Affairs (MoHA) have issued individual cards to identify each Rohingya. Government officials collected biometric data, photographs, and personal details on an individual basis.



Figure 4. MoHA Rohingya registration card

Bangladesh policy makers should consider measures to diversify the type of ID that financial institutions can accept, including the above options, as proof of identification. For instance, in past refugee crisis situations, UNHCR-issued registration cards which have been recognised by the Central Bank of Jordan as an acceptable identification to meet KYC requirements³⁷.

2.1.3. Potential solution for Rohingyas to open a bank account

The Bangladesh Financial Intelligence Unit (FIU) and the Bangladesh Central Bank agency are responsible to analyse and address money laundering/financing terrorism issues and they both stated that undocumented populations '*shall not be precluded from obtaining financial services just because they do not possess evidence of identity or address where they cannot reasonably be expected to do so. In these circumstances, a common-sense approach and some flexibility considering risk profile of the prospective customers without compromising sufficiently rigorous anti-money laundering procedures is recommended.*'³⁸ Registration methods used by international agencies – especially those using biometric identification solutions - can be used to temporarily grant the Rohingya population access to financial services. These cards offer a proof of identity and some use biometric technologies like fingerprint and/or iris recognition ensuring the validity of the document and allows authorities to control the identity of the client. Financial authorities in Bangladesh should recognise these registration cards as a valid proof of identity. However, given that UNHCR have provided all the Rohingya households with a biometric card through the family counting cards exercise, it would facilitate the coordination of CBI assistance among actors if the humanitarian community utilise a unique identifier at both individual and Household level.

Inspired by the German system, the following documents could be accepted as proof of identification to have access to financial services:

- Registration Card issued by UN agency
- Photograph, (if not available on the Registration Card)
- Letter from supporting agency explaining project length and support to cohort.

³⁷ *The Role of Financial Services in Humanitarian Crises*, Mayada El-Zoghbi, Nadine Chehade, Peter McConaghy, and Matthew Soursourian, Access to Finance FORUM, No. 12, April 2017.

³⁸ *Money Laundering & Terrorist Financing Risk Management Guidelines*, Managing core risk in banking, Bangladesh Financial Intelligence Unit, Bangladesh Bank, sept.2015, p.45.

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2.2. Money laundering and financing terrorism risk management in relation to the Rohingya population in Bangladesh

Bangladesh FIU provides guidelines to manage ML/FT risks. If financial institutions are free to set up their own risk management methodology, they must comply with legal and regulatory requirements and international standards.

To conduct a risk assessment in relation to the Rohingya population, it is essential that FSPs follow Bangladesh FIU guidelines and framework in ML/FT risk management, which includes:

- establishing the internal and external context within which the designated service is, or is to be, provided.
- risk identification;
- risk assessment or evaluation;
- risk treatment (mitigating, managing, control, monitoring and periodic reviews).³⁹

To assist FSPs in this process, the following section therefore outlines (i) an understanding of the context and the effective Rohingya population ML/FT risk; and (ii) proposes an objective risk assessment methodology based on Bangladesh FIU guidelines.

2.2.1. Context and risk mitigation of the banking relationship with Rohingya refugees

The Bangladesh government FIU agency's recommendation is to analyse the context, to identify and address the risk.

Elements of context:

Target Cohort: Based on figures from the latest Rohingya population counting released in March 2018⁴⁰ the total population residing in Bangladesh is 865,230 refugees with the following characteristics:

- There are 199,008 families
- The standard family size is between 4 and 5 persons.
- Children represent 55% of the population

According to the aforementioned data, the risks involved in allowing the Rohingya refugee population financial access will be comparatively low. Given the high percentage of persons of concern and children amongst the potential beneficiaries, the likelihood of involvement in terrorist activities or money laundering schemes is relatively low⁴¹. This data supposes that in most of cases, financial services will be managed by the head of household, and in some cases children (head of household) with the support of the protection case management teams. This indicates that granting financial service access to the eligible target represent low money laundering risks.

Minimising the risks of thriving shadow economy: when the population cannot find law-abiding ways to meet its needs, it tends to engage with informal channels to source cash. There is a high risk of people smuggling and bribery and other forms of criminality (violence, trafficking etc) that can develop as people have very low purchasing power. By giving cash through legal channels, refugees will be able to access money safely and implementing partners will be able to conduct cash distributions through digital financing mechanisms. This will

³⁹ *Money Laundering and Terrorist Financing Risk Assessment Guidelines for Banking Sector*, Bangladesh Financial Intelligence Unit, Bangladesh Bank, Jan. 2015, p.6

⁴⁰ Bangladesh refugee's emergency, Population Infographic, UNHCR, March 2018.

⁴¹ Simonovsk and Nikoloska, J Forensic Anthropol 2016, <Profiling of High Risk Profiles of Clients in Order to Prevent Money Laundering and Terrorism >

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minimize the risks of money laundering and financial crimes and increase staff security by removing the need for agencies themselves to handle large sums of cash through cash in hand activities.

Money laundering and financial criminality: The risk of money laundering is linked with the risk of criminal benefits from illegal activities. In a refugee context, the risk of money laundering is low due to the high poverty of the population and limited contact with the host population living outside the camps. The risk of making profits from criminality is low, but possible. Limited access to goods can create organised trafficking, smuggling and an environment for corruption. To further mitigate the risks of criminality, financial institutions can set a threshold whereby the system generates alerts if one or several cash deposits are being credited or withdrawn within a specific time period by the same person.

Financing terrorist activities: Given that Rohingya households are living below the survival minimum expenditure basket, they are an easy target for fraudulent activities. To mitigate those risks, all transfers from a CBI beneficiary account to Myanmar should be flagged by financial service providers and referred to the supporting agency. All international transfers to other destinations should be carefully investigated thoroughly before being approved.

Source of funds: Rohingya refugees are currently not entitled to work rights and until they can have a business licence, Rohingyas' legitimate source of funds will be from humanitarian agencies. Therefore, there is no particular ML/FT risks related to the source of their funds. If large sums of money are deposited, the FSP should inform the supporting agency. FIs in Bangladesh also have an obligation to report suspicious cash operations and transactions to the BFIU.⁴²

Financial services: From a banking perspective, refugees' needs, at present, are relatively elementary. Financial institutions willing to engage Rohingya refugees will propose basic banking services such as cash deposit, e-payments, and money transfers. These services represent the lower ML/FT risk regarding the risk scale of different banking products.

Sanctioned persons: The majority of the Rohingya population comprise of families and children which reduces the risk of sanctioned persons. However, like in any CDD process, sanction and criminal lists should be checked by the FSP to exclude this potential risk as required by Bangladesh law⁴³.

Politically exposed persons: As Rohingyas are not recognised as citizens of Myanmar, they do not have political rights. The risk of finding politically exposed persons within the Rohingya population in Bangladesh is minimal. To minimise the risk, the name of the beneficiary should be checked in the PEP list by the FSP as required by Bangladesh law⁴⁴.

2.2.2. Money laundering and financing terrorism risk assessment of the Rohingya population

Following Bangladesh FIU, Rohingyas' ML/FT risk may be assessed considering their personal and financial situation, but also the banking products they may want.

Risk assessment methodology:

The FIU of Bangladesh recommends adopting the following risk assessment method:

$$\text{'Likelihood of occurrence'} \times \text{'Impact'} = \text{'Risk level'}$$

⁴² Bangladesh Money Laundering Prevention Act of 2012, Art.17, (2).

⁴³ Money Laundering & Terrorist Financing Risk Management Guidelines, Bangladesh Bank, Sept. 2015, p.65.

⁴⁴ *Idem*, p.46.

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Risk level will be assessed regarding potential ML/FT risks occurring and the seriousness of the impact it may have (e.g. criminality or terrorist action financing, loss for the financial institution, reputational risk etc.).

Table 1. Likelihood of occurrence scale:

Frequency of occurrence	Likelihood of a Money laundering or Terrorism financing risk
Very Likely	It will occur: the financial institution is going to face this situation several times in short period of time
Likely	High probability that it will happen
Unlikely	Low probability, but it may happen

Table 2. Impact Scale

Consequence of the situation	Likelihood of a Money laundering or Terrorism financing risk
Major	Huge consequences: major damage or effect. Serious terrorist act or money laundering scheme.
Moderate	Moderate level of money laundering or terrorism financing impact.
Minor	Low probability, but it may happen

Figure 5. Risk Matrix

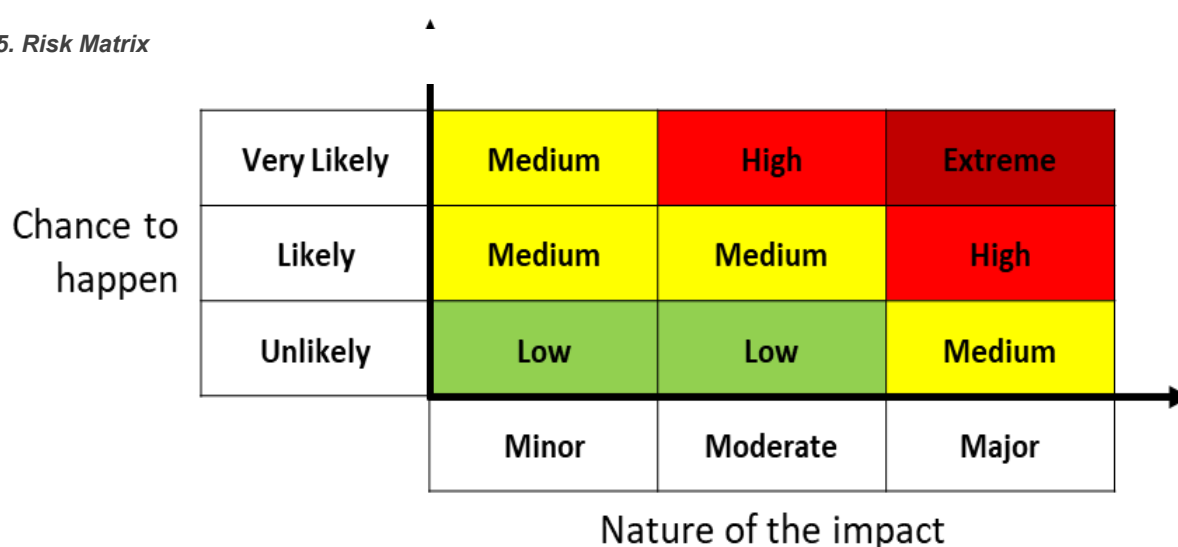


Table 3. Risk Score

Consequence of the situation	Likelihood of a Money laundering or Terrorism financing risk
Extreme	Risk almost sure to happen and/or to have very serious consequences. Response: do not allow transaction to occur.
High	Risk likely to happen and/or to have very serious consequences. Response: do not allow action until risk reduced
Medium	Possible this could happen and/or have moderate consequence Response: do not allow action until risk reduced
Low	Unlikely to happen and/or have minor or negligible consequences. Response: Accept the operation.

The below outlines the specific ML/FT risks in relation to the Rohingya population's situation:

Table 4. ML/FT risks in relation to the Rohingya population's situation

Risk Group	Situation	Appreciation of the risk
Customer behaviour	New Customer	Rohingya population will be considered as a new customer. This category represents a higher risk as the FI is supposed to analyse the purpose of the relationship. However, for Rohingyas the risk is mitigated as the population is looking for basic financial services.
	Customer who brings in large number of used notes and/or small denominations	This situation can happen within communities like Rohingyas for various reasons, e.g. informal small loans from relatives, petty trade, incentive payments for casual work. It does not entail a criminal scheme. FSP will have to raise their due diligence level in that case (frequency of deposits, amounts, etc.).
	Customer or group of customers making lots of transactions to the same individual or group	Crowd funding or family/friends financing a large cash project. This situation may happen occasionally, FSPs will have to monitor closely to avoid fraudulent activities.
	Customer conducting their business relationship or transactions in unusual circumstances	Rohingya population do not have the right to work or engage in business activities. This risk must be excluded.

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Product	Cash Deposit	Refugee source of fund will be international humanitarian assistance. However, cash deposits must be allowed and will probably occur. FSPs should monitor and then act depending on the amounts and the frequency of deposits.
	Credit card/ Prepaid cards/ Other forms of dematerialized payments	These forms of payments represent a major opportunity to respond to population needs and must be offered by the FSP. They are one of the most secure payment systems and can be easily monitored.
	Mobile money transfers	Mobile banking is a common solution for refugees in other contexts. This represents another secure way for refugees to access humanitarian assistance. Electronic payments can be easily monitored and do not represent particular ML/FT risks when accounts only consist of emitting and receiving payments.
	Local wire transfers	Local wire transfers are important to facilitate exchanges between persons. They do not represent specific ML/FT risk.
	International wire transfers	International wire transfers should be restricted due to the risk of terrorism financing in a cross-border area.
Business practices		Rohingya population do not have the right to work or engage in business activities. This risk must be excluded.
Country / Jurisdiction		Rohingya population comes from Myanmar which is recognized for its high criminality / corruption risks and is blacklisted on international sanction list. However, the Rohingya population is located in camps outside Myanmar with no connection to the home country.

2.2.3. Rohingyas' money laundering / financing terrorism risk assessment

Based on the methodology outlined above and the risks identified, the following outlines an assessment of the ML/FT risk for the Rohingya population to access financial services:

Table 5. Rohingyas refugees risk assessment

Risk Group	Situation	Likelihood	Impact	Risk Score	Treatment / Solution
Customer behaviour	New Customer	Very Likely	Low	Medium	Standard ID verification and Background Checks
	Customer who brings in large number of used notes and/or small denominations	Likely	Major	High	Standard ID verification and Background Checks + investigate source of funds
	Customer or group of customers making lots of transactions to the same individual or group	Likely	Major	High	Standard ID verification and Background Checks + investigate source/destination of funds
Product	Cash Deposit	Very Likely	Moderate	High	Standard ID verification and Background Checks + implementation of thresholds to detect suspicious transactions
	Credit card/ Prepaid cards/ Other forms of dematerialized payments	Likely	Minor	Low	Standard ID verification and Background Checks
	Mobile money transfers	Very Likely	Minor	Medium	Standard ID verification and Background Checks
	Local wire transfers	Very Likely	Minor	Medium	Standard ID verification and Background Checks

The above ML/FT risk analysis for Rohingya refugees shows that it is possible to provide access to financial services. It is recommended that thresholds for cash deposits or money transfers (to raise an alert of suspicious activity) are set and that FSPs have clear monitoring of the banking operations that have been undertaken.

CONCLUSION

Based on the risk management analysis for Rohingya refugees, Financial Service Providers should be able to respect KYC requirements and grant the refugee population in Bangladesh access to financial services ⁴⁵:

Financial inclusion of Rohingya refugees through Cash Based Interventions

In relation to the context, CBIs appear to offer the best solution:

- CBIs are an essential component for the humanitarian community to respond to Rohingya families' diverse needs.
- Financial inclusion will support well-being and stability for refugees and allow them to live in a dignified way.
- Local shops will benefit from increased purchasing power among refugees and new market opportunities will be developed.
- Having formal and secure payment mechanisms to deliver CBIs will reduce the risks of an underground economy developing, black markets, corruption, smuggling and other forms of illegal trading schemes

Ability to comply with money AML/CFT regulations

- This report has been made in respect of international standards to attest the capacity of financial service providers to comply with the AML/CFT legal framework in the context of Bangladesh.
- Compliance with KYC requirements: based on valid and approved proofs of identity and address, it is possible to realize classic customer vetting to ensure that ultimate beneficial owners of financial services are not creating a critical risk of money laundering or terrorism financing. Financial service providers will be able to treat the risk represented by refugees similarly to any other customer by using alternative ID that is issued to refugees by UN agencies or relevant authorities.
- Compliance with Customer Due Diligence obligations: performing KYC on Rohingya refugees enables financial service providers to assess an accurate risk score and thus to determine a relevant CDD level to control and monitor client's activities and transactions.
- Compliance with Risk Based Approach: by attributing a ML/FT risk score to every customer and implement accurate supervision of their financial activity, risks associated with granting access to financial services among refugees would be effectively managed and reduced. This approach would therefore be in line with RBA principles and the methodology outlined by the FIU in Bangladesh.

Risk management based on Bangladesh Financial Intelligence Unit methodology

Bangladesh Financial Intelligence Unit (BFIU) is the central agency of Bangladesh responsible for dealing with money laundering and financing of terrorism issues. The BFIU is responsible for analysing Suspicious Transaction Reports (STRs), Cash Transaction Reports (CTRs) and information related to money laundering (ML) /financing of terrorism (TF) received from reporting agencies, etc.

⁴⁵ See below: final recommendations.

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This agency is also responsible for issuing “necessary directives, circulars, circular letters and Guidance Notes from time to time for reporting organisations to combat money laundering and terrorist financing activities”⁴⁶. BFIU has released several guidelines and circulars directed at financial service providers.

The risk assessment methodology used in this report is based on BFIU guidelines. It is important to respect every aspect of the Bengali competent authority in this matter. By using the BFIU’s methodology to assess and treat the ML/FT risk, this report demonstrates that it is possible to understand ML/FT risks associated with Rohingya refugees and to comply with local regulations and directives to provide them with access to basic financial services.

Rohingya population represents a manageable money laundering or financing terrorism risk

Regarding the risk assessment, it seems clear that the Rohingya population does not represent a high risk of money laundering or financing terrorism.

First, in relation to the context:

- The refugee population’s first concern is to ensure normal living conditions. Cash assistance provided by humanitarian actors will necessarily be used to provide basic family needs such as food, hygiene, accommodation, and education. Given the limited amounts that will be delivered to families by international organisations (primarily for survival needs), it will be difficult for the population to use this cash to participate in criminal schemes. Answering basic family needs will be the priority.
- Latest reports show that the majority of the refugee population is constituted of children and families.
- Refugee camps are relatively isolated from the outside world and means of communication are limited. Money laundering and terrorism financing mainly involve international actors and schemes. This means that the possibility of transnational crime is minimal.
- Secondly, in relation to financial services that will be available:
- Financial Service Providers will provide basic services to the Rohingya population. Financial inclusion can be considered initially as *partial inclusion*, and therefore would not necessarily offer a wide range of financial solutions but at a minimum grant access to basic services to send and receive payments. With these basic services, populations can receive assistance from humanitarian agencies safely and conveniently, manage their money and buy what they need for survival.
- The riskiest financial products could be restricted, suspicious transactions investigated and thresholds to detect unusual activities can be set.

All these elements reduce the risk of money laundering and financing of terrorism. The risk of criminal schemes in refugee camps is not created by offering financial services. However, forbidding access to financial services could create an important risk of unexpected criminality which could have disastrous effects both for refugees and the local population.

⁴⁶ Bangladesh FIU functions, <https://www.bb.org.bd/bfiu/function.php>.

FINAL RECOMMENDATIONS

For the Customer Due Diligence solutions for the Rohingya population discussed in this report, the next step is for the humanitarian community (potentially under the leadership of the Cox Bazar Cash Working Group) to engage in conversations with the Bangladesh Government counterparts within the Ministry of Finance, Planning and Economic Development of Bangladesh, Central Bank of Bangladesh and the Bangladesh Financial Intelligence Unit. The conversations should focus on the following recommendations and ensure agreement to enable service provision for the Rohingya population in Bangladesh.

- Bangladesh authorities should recognise the following documents as valid proof of identity and address to meet KYC requirements:
 - Registration Card issued by authorised agency.
 - Photograph, if not available on the Registration Card.
 - Letter from supporting agency explaining project length and purpose of support to the Rohingya.
 - Financial service providers shall satisfy Customer Due Diligence requirements through:
 - Identity checks (proof of identity, proof of address etc.)
 - Client vetting (possibility of sanctioned persons, politically exposed persons, source/destination of funds etc.)
 - Client activity monitoring (suspicious activity/transaction, unusual requests etc.)
- To minimize ML/FT risks as much as possible, a tailored package of basic financial services should be granted to refugees in the immediate term, this should include:
 - Electronic payment
 - Mobile banking
 - Cash deposits
 - Local money transfer
- Thresholds should be set to detect suspicious activity, especially for cash deposits and wire transfers. Thresholds will have to be determined considering average cash assistance amounts offered by international agencies.
- Financial services will be provided during a limited period:
 - Until the humanitarian cash assistance stops; or
 - Until the recipient returns home.

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