

# **Felicia Dlamini-Kunene: The nexus between AML/CFT and financial inclusion**

Speech by Ms Felicia Dlamini-Kunene, Deputy Governor of the Central Bank of Eswatini, at the Central Banking Spring Meetings, Cape Town, 26 February 2025.

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- Programme Director,
- Distinguished Guests,
- Ladies and Gentlemen, Good Morning!

## **Introduction**

We gather here today to discuss a crucial and often delicate balancing act: ensuring financial inclusion while safeguarding our financial system against money laundering and the financing of terrorism. These two objectives, while seemingly at odds, are in fact deeply intertwined and essential for a stable and prosperous economy.

It is a truth universally acknowledged that promoting one can sometimes compromise the other. However, we must strive for a harmonious coexistence. Without this balance, our efforts to fight financial crime may inadvertently exclude legitimate businesses and consumers, driving them into the shadows and exacerbating the very problems we seek to solve.

Conversely, effective financial inclusion, when done right, should strengthen our AML/CFT efforts. By bringing more people into the formal financial system, we increase transparency and reduce the space for illicit activities. And similarly, robust AML/CFT controls, when implemented thoughtfully, can build trust and confidence, encouraging greater financial participation.

The central question, then, is: how do we make financial services accessible to all, while protecting our financial system from criminal abuse?

In Eswatini, we have made significant strides, achieving a financial inclusion rate of 87%. This success is rooted in our commitment to a risk-based approach to AML/CFT compliance, which supports our financial inclusion policies. Let me outline some of the key solutions we have implemented:

## **A. Leveraging Technology**

Financial institutions can enhance AML/CFT efforts while also promoting financial inclusion, ensuring that more people participate in the financial system safely and securely.

I will discuss the technological initiatives that support both AML/CFT compliance and financial inclusion pursued by the Central Bank of Eswatini collaborating with other relevant stakeholders:

- **Mobile Money Enablement:** We recognized the transformative potential of mobile money early on, licensing and regulating mobile money operators since 2011. This has been a cornerstone of our financial inclusion strategy, providing access to financial services for a large portion of our population. It has significantly advanced financial inclusion, driven by security measures like identification card verification and transaction limits that mitigate financial crime risks. Mobile money introduction has indeed spurred the financial inclusion rate of Eswatini and by 2018, 71% of the adult population and 62% of MSMEs were using mobile money.
- **Digital Verification of Identification:** We have streamlined customer onboarding by integrating financial institutions with the national database center, the Eswatini Royal Science Technology Park. This integration has enabled financial institutions to verify the identification information submitted by customers with the national civil registry information. While this has been a new development, there are improvements that are still to be made for the efficient use of this solution for both the financial institutions and the national database center.

## **B. Simplifying AML/CFT Requirements**

AML/CFT supervisors have been given more leeway to ensure that everyone can access formal financial services through application of Risk Based Approach principles. This is enabled through the use of proportionality in the application of AML/CFT standards. Outlined below are some of the dispensations that Eswatini has introduced to date:

- **Access to Banking Products:** From lessons learnt from mobile money products, we have extended simplified due diligence requirements to the banking sector, allowing individuals with low turnover to open accounts using only their identification cards. This has broadened access to formal banking services for previously underserved populations.
- **Foreign Currency Exchange:** To combat the black market, we have simplified foreign currency exchange procedures for Emaswati, recognizing the importance of tourism and facilitating legitimate transactions. In 2016, we extended the simplified due diligence to forex bureaus who were allowed to change foreign currency amounting to E5,000 for Emaswati with the use of the identification document only. That helped in removing the barriers of requesting extensive supporting documentation to change currency that made the black market thrive.

## **C. Financial Inclusion of Forcibly Displaced Persons**

We have recently completed a comprehensive risk assessment focusing on the money laundering and terrorist financing risks associated with forcibly displaced persons (FDPs). For too long, a misguided notion has persisted that FDPs inherently pose a high risk to our financial system. This misconception has led to their exclusion from the formal financial sector, hindering their economic integration and overall well-being.

Our rigorous risk assessment, however, has revealed a different reality. It demonstrated that FDPs, in fact, present a medium risk to our financial system. This finding is pivotal. It allows us to move away from exclusionary practices and embrace a more inclusive approach. Based on this assessment, we have developed a robust roadmap for the financial inclusion of FDPs. This roadmap is not a solitary endeavor; it is a testament to

the power of collaboration. We have brought together diverse stakeholders to craft policy frameworks that guide the inclusion of this vital customer segment.

A significant milestone in this process has been the collaboration with the Commissioner for Refugees. We have worked closely to clarify the required Know Your Customer (KYC) documents for both asylum seekers and refugees. This has resulted in the creation of an informative pack, ensuring clarity and understanding regarding the identification documents used by FDPs.

Furthermore, our engagements with the Commissioner have yielded invaluable recommendations for strengthening the integrity of FDP identification documents. A key recommendation is the issuance of a permit or registration document to all refugees, facilitating their registration on the national civil registry database. This integration into our existing systems is crucial.

Upon implementation, FDPs will be granted a national personal identification number. This will unlock access to simplified due diligence products, and the verification of their information will be streamlined through our established digital verification system. By implementing these measures, we are not only fulfilling our humanitarian obligations, but we are also unlocking the economic potential of FDPs. Reducing barriers to financial products accelerates their economic integration, benefiting both the individuals and our nation as a whole.

This initiative demonstrates our commitment to building a more inclusive and equitable financial system. It underscores our belief that everyone, regardless of their circumstances, deserves access to the tools and resources necessary to build a secure and prosperous future.

## **D. Embracing Innovation**

- **Biometrics and Digital Identity:** We recognize the potential of biometrics and digital IDs to overcome the challenges of traditional identification, particularly for vulnerable populations. We are exploring how to implement this technology.
- **Artificial Intelligence for Smarter Fraud Detection:** We are also exploring the use of AI to detect suspicious transactions in real-time, enhancing the accuracy and efficiency of our AML/CFT measures.
- **Central Bank Digital Currencies:** While we have concluded that a CBDC will not be issued by the Bank in the short to medium term, we continue to monitor international developments and participate in initiatives like Project Sunbird - a regional initiative aimed at exploring the potential for cross-border CBDC within the Common Monetary Area.

## **E. Strengthening Frameworks and Regional Cooperation**

- We have developed a comprehensive Financial Inclusion Framework and a Gender Inclusive Finance Roadmap to guide the implementation of our financial inclusion agenda to ensure that no one is left behind.
- The Eswatini Payment Switch, with its Fast Payments module and planned Open Banking capabilities, will revolutionize our payment landscape and further enhance financial inclusion.

- We are also focused on the Greening of the Central Bank of Eswatini, recognizing that climate change disproportionately affects vulnerable groups.
- Finally, we understand the importance of regional cooperation. By sharing information and expertise with our neighbors, we can strengthen our collective defense against financial crime.

## **Conclusion**

In conclusion, effective AML/CFT and financial inclusion are not mutually exclusive. By embracing a risk-based approach, leveraging technology, and fostering collaboration, we can create a financial system that is both inclusive and secure. We must continue to review and align our regulations, invest in infrastructure, and build capacity to meet the evolving needs of our nation.

I Thank you for your time!