SECOND FOLLOW-UP REPORT TO ASSESS THE CONTINUED EXISTENCE AND IMPACT OF DE-RISKING IN THE ESAAMLG REGION

September 2022

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ACRONYMS

AML/CFT	Anti-Money Laundering and Combating Financing of Terrorism
CBR	Correspondent Banking Relationship
CDD	Customer Due Diligence
EDD	Enhanced Due Diligence
ESAAMLG	Eastern and Southern Africa Anti- Money Laundering Group
FATF	Financial Action Task Force
FIU	Financial Intelligent Unit
KYC	Know Your Customer
KYCC	Know Your Customer's Customer
ML/TF	Money Laundering and Terrorist Financing
MTAs	Money Transfer Agents
MVTS	Money or Value Transfer Service(s)
NPOs	Non-Profit Organizations
PEPs	Politically Exposed Persons
RBA	Risk Based Approach
WG-RCFI	Working Group on Risk, Compliance and Financial Inclusion

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EXECUTIVE SUMMARY

In 2017 the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) undertook a survey to assess the existence, causes and impact of de-risking[1] in the region. The report was approved by the ESAAMLG Council of Ministers during its meeting in Zanzibar in September 2017 and thereafter published on the ESAAMLG website[2]. Following the publication of the de-risking report, the Council of Ministers, during its meeting in Seychelles in September 2018 requested the Project Team of the Working Group on Risk, Compliance and Financial Inclusion (WG-RCFI) to continue monitoring the de-risking situation in the ESAAMLG region (i.e. whether de-risking has increased or decreased in the member countries). In line with this decision, the Project Team undertook its first *Follow-Up Report to Assess the Continued Existence and Impact of De-Risking in the ESAAMLG Region* for the period 2018/2019 which was also approved and published in April 2021.

Both reports acknowledged the existence of de-risking in several ESAAMLG member countries albeit at varying levels. Whilst some countries had relatively low levels of impact, others were severely

[1] See FATF Guidance on Correspondent Banking Services, 2016 for definitions of de-risking and CBRs
[2] https://www.esaamlg.org

affected particularly countries perceived to be high risk. Economic impact of de-risking had also been felt across the region which included difficulties in accessing international payment systems and foreign markets for trade, closure of operations by institutions, reduced scale of operations, diminished financial performance and job losses. Heavily impacted were CBRs through termination and/or restriction of relationships. While the causes and drivers remained almost the same, findings of the 2018/2019 Report showed that an absolute number of CBR terminations and restrictions had increased by 68% from 2017, albeit a decline in the number of member countries affected which fell to 78% in 2018/2019 from 95% reflected in the 2017 Report. Further, the 2018/2019 Report indicated a decrease in the number of terminations relating to downstream customer relationships.

Based on these findings, the Project Team conducted a second follow-up survey covering the period July 2019 – December 2020 (2019/2020 period). All the 19 ESAAMLG member countries responded and submitted their completed questionnaire templates with data which was analysed by the Project Team. Overall, this second follow-up survey established that:

i. There has been a general downward trend in the number of terminations from January 2018 to December 2020 which fell by 58%. Fifty percent (50%) of all the countries in the region were affected by CBRs terminations in 2019/2020 period (compared to

72% reported in the 2018/19 period and 95% in the 2017 Report), albeit at varying levels. The countries which were most affected were Madagascar, Kenya and Mozambique.

ii. The number of restrictions remained significantly low with a general decrease over the period.

iii. 48% of the member countries have not taken action or made effort to engage their private sectors in order to appraise them on major findings and recommendations made by ESAAMLG Council of Ministers in the 2017 De-Risking Report. This is a serious concern given that 5 years has already elapsed. Lack of commitment by member countries may only serve the purpose of continuing de-risking in the region.

iv. Downstream de-risking of customer relationships decreased slightly with only 63% of member countries affected compared to 72% in the previous reporting period.

v. To a very negligible extent, de-risking has impacted on financial Inclusion and remittance flows. It is quite probable that some reductions in remittance flows may have been attributed to the outbreak of Covid-19 pandemic and not necessarily de-risking.

In view of this and the continued existence and effects of de-risking the Project Team encourages regulatory/supervisory authorities to continue strengthening their AML/CFT regulatory oversight and supervision frameworks, including the application of the AML/CFT risk-based approach and engagement with the private sector on the subject matter.

The Project Team further recommend the possibility of an in-country assessment by correspondent banks and swift operators which provide the country with opportunity to identify weaknesses in their operation and have targeted resolutions of same. Additionally, the Project Team recommends awareness sessions for the industry relative to requirements of correspondent banks in order to diminish the possibilities of further de-risking.

1 PURPOSE, SCOPE AND METHODOLOGY

1.1 Purpose of Study

As highlighted in paragraphs above, during its meeting in September 2017, the ESAAMLG Council of Ministers requested the Project Team to continue monitoring the impact of de-risking in the region. It is therefore based on this request that this report aims to provide a further assessment on whether de-risking still exist in the region and whether the drivers remain the same. The Project Team's findings will determine whether the measures put in place to reduce de-risking are working effectively and if further monitoring at regional level is still required.

1.2 Scope of the study

The study targeted the financial sector but through their regulatory and supervisory authorities. The study period covered was from July 2019 to December 2020. It is to be noted that the 2021 follow up report took into consideration 18 member countries. However, following the admission of Eritrea to the ESAAMLG membership, this report considers 19 member countries in its analysis.

1.3 Methodology

The Project Team which comprises of Angola, Seychelles, South Africa, Zambia and Zimbabwe continues to monitor the de-risking situation in the region. On this basis, the Team used the developed questionnaire which has five key objectives *(see section on "Analysis")* to achieve this aim. The questionnaire was sent to the regulatory authorities for completion. The Project Team verified data quality and data analysis was done using Microsoft excel. The Team formed 5-subteams with a responsibility to analyse the data, come up with findings and make recommendations on each of the 5 objectives.

1.4 Limitations

It is noted that responses from some member countries were incomplete, inconsistent and in some cases, not provided. Additionally, some member countries did not provide adequate information which would assist the Project Team to present an accurate picture of the impact of de-risking in the region. For several objectives, Eritrea and Ethiopia did not complete the template whilst Rwanda and South Africa provided nil returns on almost all sections in the questionnaire. As such the Project Team could not assess the impact of de-risking on the countries in question. Furthermore, several inconsistencies were noted in the data submitted by Lesotho, Angola, Zimbabwe and Eswatini which further constrained the Team's effort to assess the information provided. Of note, one country consolidated the information for the whole period under review instead of breaking it down into the specific periods requested within the questionnaire. This made it difficult to understand at which point de-risking increased and the reasoning behind the specific periods.

2 ANALYSIS AND FINDINGS

This section describes the overall findings from the analysis of the follow-up statistics provided by the members for the period of July 2019 - December 2020. It is divided into five sections covering the following key objective areas:

a) Progress made by member countries in implementing Recommendations of the 2017 De-risking Survey Report and the 2021 follow up report;
b) Continued de-risking of Correspondent Banking Relationships;
c) Continued de-risking of customer relationships
d) Impact of De-risking on Financial Inclusion and Remittance Flows; and
e) Further Economic Impact of De-risking on member countries

The follow-up survey to assess the existence, causes and impact of de-risking in the region received responses from 19 ESAAMLG member countries.

2.1 Dissemination of Findings of the 2017 De-risking Survey Report

In approving the 2017 De-Risking Report, the Council of Ministers urged member countries to start circulating the findings of the report and its Recommendations to their relevant competent authorities and reporting entities.

Since the publication of the 2017 Report, it is noted that to date fifty-eight percent (58%) of the member countries (Angola, Botswana, Eswatini, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, South Africa, Uganda and Zimbabwe) have disseminated the Report to their relevant competent authorities and reporting entities in their jurisdictions (about 20% increase from the previous period) Sixteen percent (16%) of the countries (Eritrea, Mozambique and Tanzania) did not respond to the question. Twenty-six percent (26%) (Madagascar, Namibia, Seychelles, Rwanda and Zambia) have not disseminated the report. No specific reasons were given by the countries for not disseminating the Report since it was published. Table 1 gives a trend analysis of how countries have been communicating the findings and recommendations of the previous de-risking reports with the relevant authorities and reporting institutions.

Table 1 Status on proportion of countries that disseminated or not the De-Risking Reports to the private sector since 2017

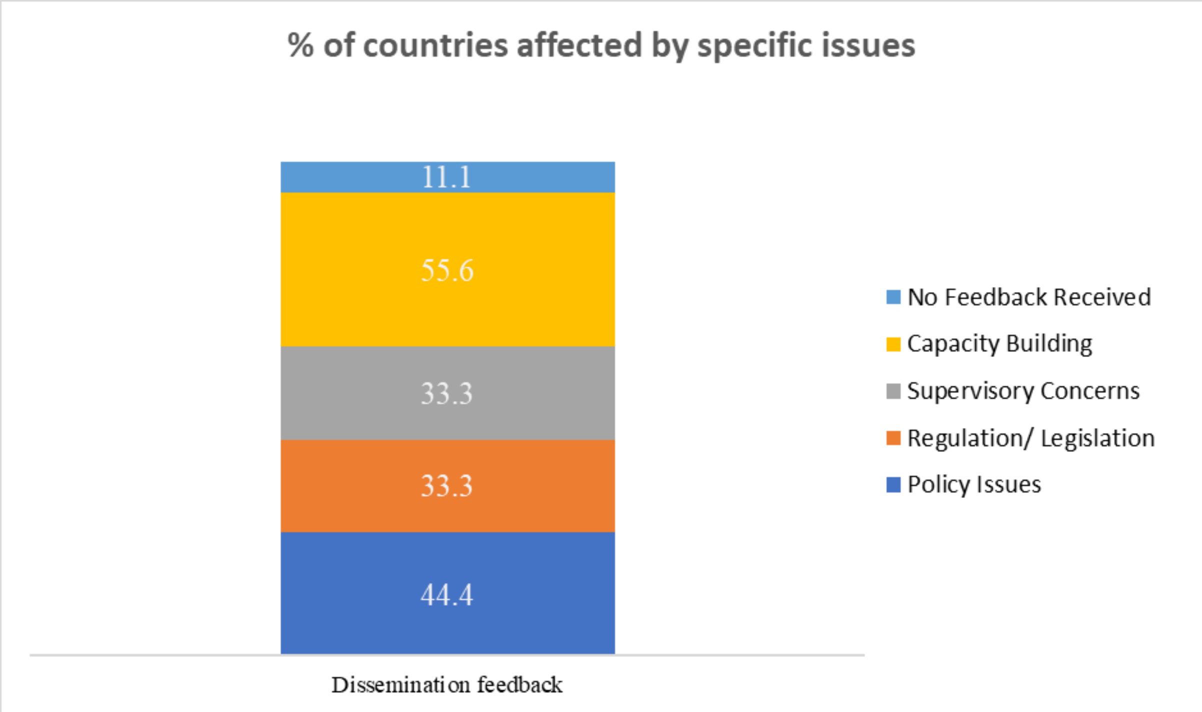
Report Disseminated	2018-2019	2019-2020	% change
Yes	39%	58%	+19%
No	50%	26%	+24 %
Nil Response	11%	16%	-5%

The table shows that while there is a slight increase in the number of countries that have disseminated the reports to the private sector (from 39% to 58%), the rate is slow given the number of years that has already elapsed. Moreover, some countries which were among the top affected by de-risking like Tanzania, Seychelles and Mozambique have not shown commitment to engage with the private sector on this matter.

2.1.1 Feedback Received from Disseminated Reports

To allow full implementation of the Recommendations of the 2017 De-Risking Survey Report, member countries were requested to provide feedback on key issues which would require regional attention to assist in mitigating the effects of de-risking. This was assessed based on four variables relating to (i) capacity building; (ii) supervisory concerns; (iii) laws & regulations; and (iv) policy issues. Figure 1 shows the responses from member countries for each of the variables.

Figure 1: Percentage of countries affected by specific issues



All nineteen member countries of the ESAAMLG responded to the survey. Fifty-six percent (56%) indicated the need for capacity building for Supervisors on various aspects of AML/CFT including on conducting Institutional Risk Assessments; identifying Ultimate Beneficial Ownership for both legal persons & legal arrangements; and implementing risk-based supervision.

Additionally, with respect to policy issues, forty-four percent (44%) highlighted the need to strengthen the legal framework which promotes increased transparency between the banks and its customers and guidelines to assist financial institutions on conducting ML/TF institutional risk assessments.

Although issues were raised relating to strengthening legal and supervisory frameworks, these were mainly relating to risk assessments and application of the risk-based approach to supervision.

2.1.2 Interventions

Despite highlighting areas which require regional attention, six member countries (Angola, Lesotho, Kenya, Mauritius, South Africa and Uganda) indicated that they have undertaken a number of intervention measures in order to address some gaps that were highlighted in the 2021 De-Risking Follow-up Report. These measures include strengthening the AML/CFT legal framework and the implementation of a risk-based approach by the reporting entities and building a strong risk-based supervisory framework. South Africa indicated that in addition to issuing Guidelines specific to CBRs, it has also developed and implemented a Risk Return to be completed by reporting entities and subsidiaries located in other regional countries. Lesotho has conducted a number of engagements with the private sector with the view to improve AML/CFT Compliance. These frameworks assist in keeping abreast with the current and emerging risk and profiling of the sectors.

2.2 Continued De-Risking of Correspondent Banking Relationships (CBRs)

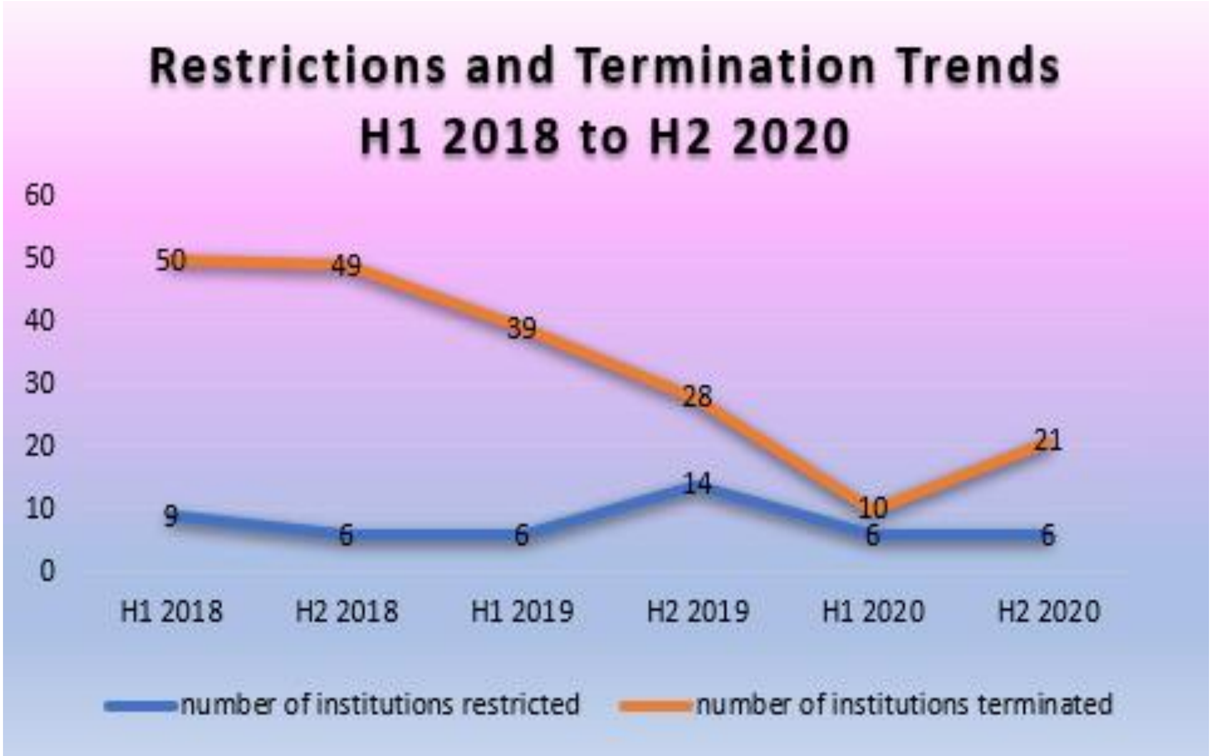
This section seeks to examine changes in the number of CBR accounts restricted and terminated between July 2019 and December 2020 denoted by three half-year periods of H1, H2 and H3[3].

[3] HI refers to the period Jul -Dec 2019 and H2 refers to Jan – Jun 2020 and H3 refers to Jul – Dec 2020

2.2.1 CBRs Restrictions and Terminations

Member countries were requested to indicate the number of CBR restrictions and terminations, and the corresponding reasons during the period under review.

Figure 2: Restrictions and Terminations trend analysis

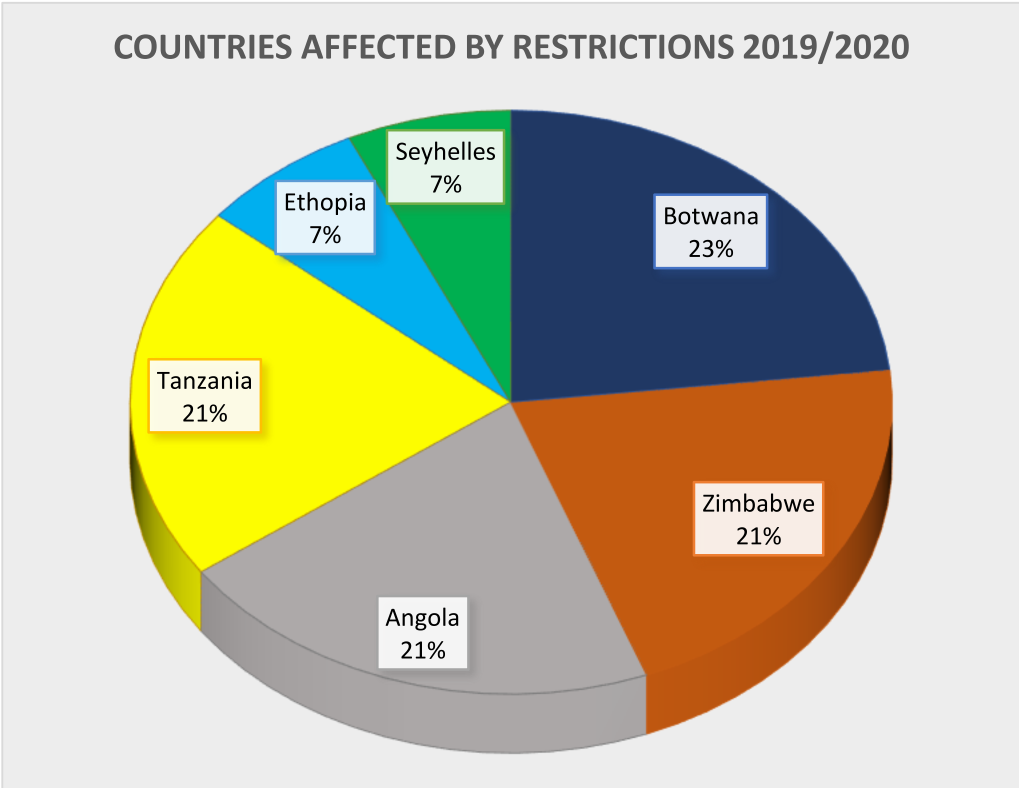


The graph in *figure 2* shows a decreasing trend in the number of terminations in the period under review from 28 in the second half of 2019 to 10 in the first half of 2020 (64% decline), which was followed by a 110% increase in the second half of 2020. However, there has been a general downward trend in the number of terminations from January

2018 to December 2020 which fell by 58%. There were slight fluctuations in the number of restrictions with a general decrease over the period.

CBRs Restrictions

Figure 3: Countries affected by CBR Restrictions

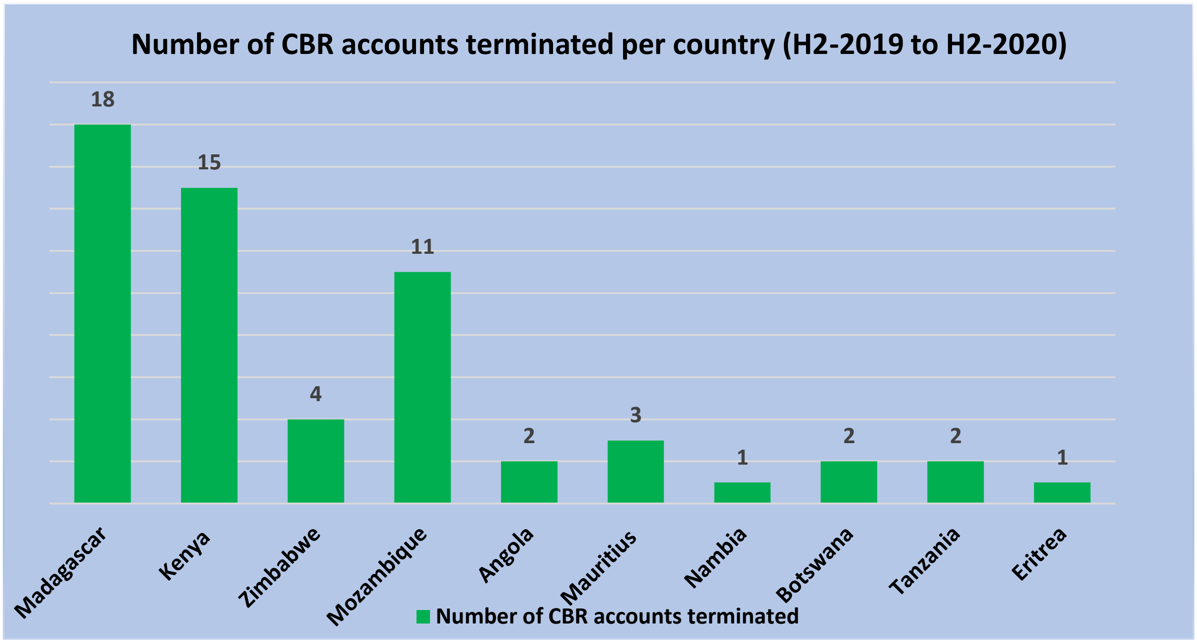


During the period July 2019 to December 2020, 37 percent of the member countries experienced some restrictions on their CBRs. This was a 13% decrease from the 50% that were restricted during the Jan 2018 – June 2019 period. The countries affected with restrictions were Botswana (10), Zimbabwe (9), Angola (9), Tanzania (4), Ethiopia (3), and Seychelles (3). Botswana, Zimbabwe and Angola represent 78 percent of all restrictions over the period.

CBRs Terminations

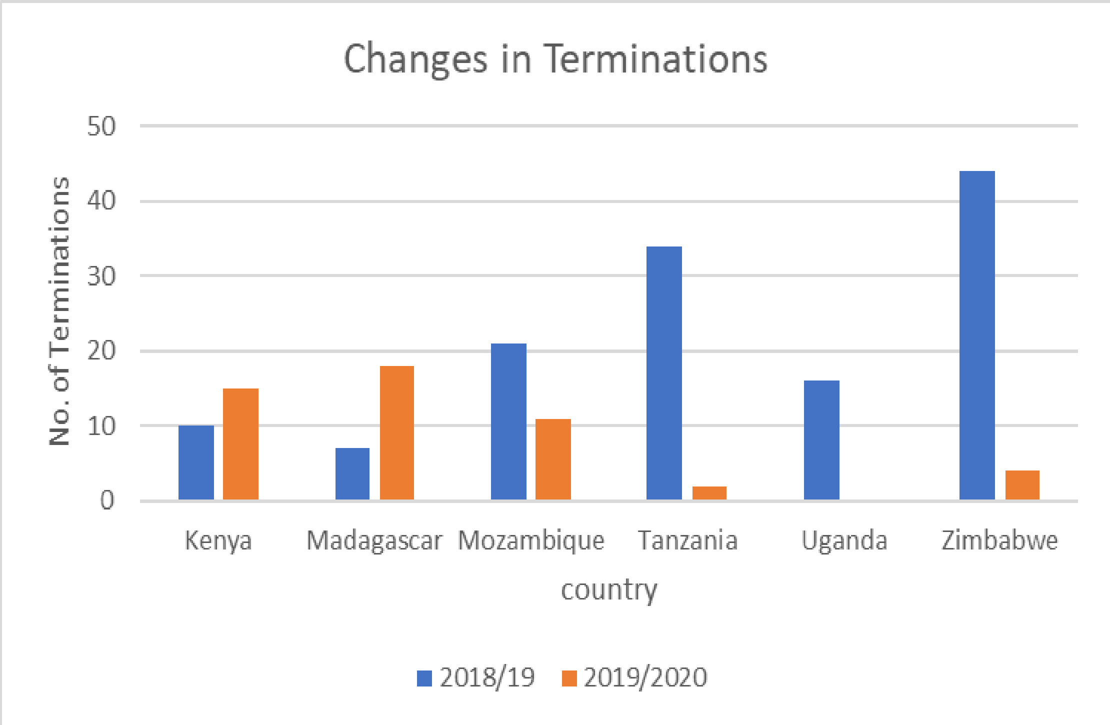
The follow-up de-risking survey sought to examine the number of CBRs/ accounts terminated by respondents to the member countries over the period under review.

Figure 4: CBR terminations per country



Fifty percent (50%) of all the countries in the region were affected by CBRs terminations (compared to seventy-two percent (72%) reported in the 2021 De-risking Report and 95% in the 2017 Report), albeit at varying levels. The countries most affected were Madagascar, Kenya and Mozambique constituting seventy-five percent (75%) of all terminations reported during the period. With the exception of Kenya and Madagascar which had increases in the number of terminations, the others, Zimbabwe, Uganda, Tanzania and Mozambique which were among the most affected in the previous period showed significant decreases in the number of terminations. Figure 5 below shows such changes among those countries that were most affected during the 2018/2019 period.

Figure 5 - Changes in terminations



The decreases may be attributed to less financial activities during the period due to the outbreak of the Covid-19 pandemic.

The remaining fifty-three percent of the member countries indicated that they had not been affected by terminations over the period under review. This is an increase from twenty-eight percent reported in the previous period.

2.2.2 Reasons for CBRs Restrictions and Terminations

The reasons for restrictions and terminations were relatively similar to the ones highlighted in the 2017 report. One hundred percent (100%) of the countries affected by either terminations or restrictions reported ML/TF risks in a country as the main driver. Correspondent banks tend to restrict or terminate CBRs where the risk of ML/TF is considered higher.

Other drivers given include concerns regarding the respondent institutions, such as inability or cost of conducting the respondent's customers (KYCC), lack of profitability of the CBR services/products, overall decline in risk appetite of correspondent FIs and changes in the legal, regulatory and supervisory requirements in the correspondent FI's jurisdictions. A few countries indicated possible positive correlation between countries under the International Cooperation Review Group (ICRG) and terminations or restrictions. This, however, is not coming out clearly from the analysis.

2.3 Continued De-Risking of Downstream Customer Relationships

The 2017 and 2021 De-Risking Reports found that although terminations and restrictions have occurred both at the level of bank-to-bank relationships, it also occurred at financial institutions-to-customer relationships. As a result, the 2017 and 2021 Reports showed that eighty percent (80%) and seventy-two percent (72%) of the countries respectively further terminated relationships with some customers, especially those considered as presenting an unacceptable level of ML/TF risk.

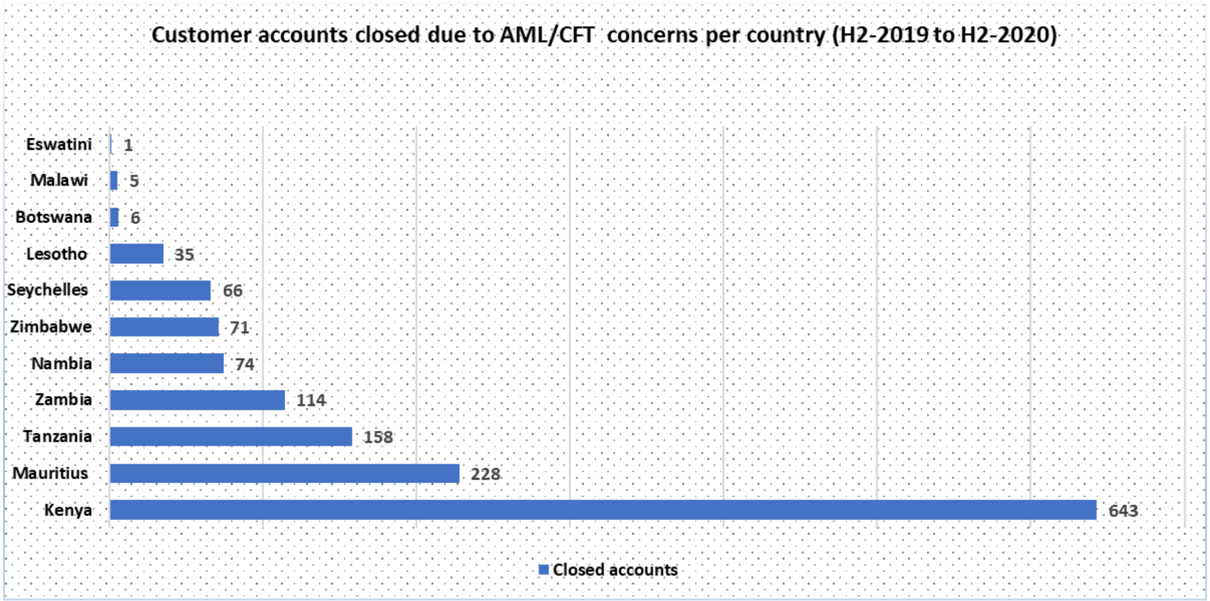
This section therefore seeks to establish the continued existence and levels of downstream terminations of customer accounts.

Twelve countries (63%) reported continued existence of de-risking of customer relationships either due to AML/CFT concerns or in response to conditions imposed by correspondent banks. This is a slight decrease from the seventy-two percent (72%) reported in the previous period.

(a) customer accounts closed due to AML/CFT concerns

Figure 6 shows the countries where downstream accounts were closed by respondent banks on account of unacceptable levels of ML/TF risks inherent in certain (i) customers, (ii) jurisdictions and (iii) products and/or services, and (iv) transactions or delivery channels.

Figure 6: Customer accounts closed due to AML/CFT concerns

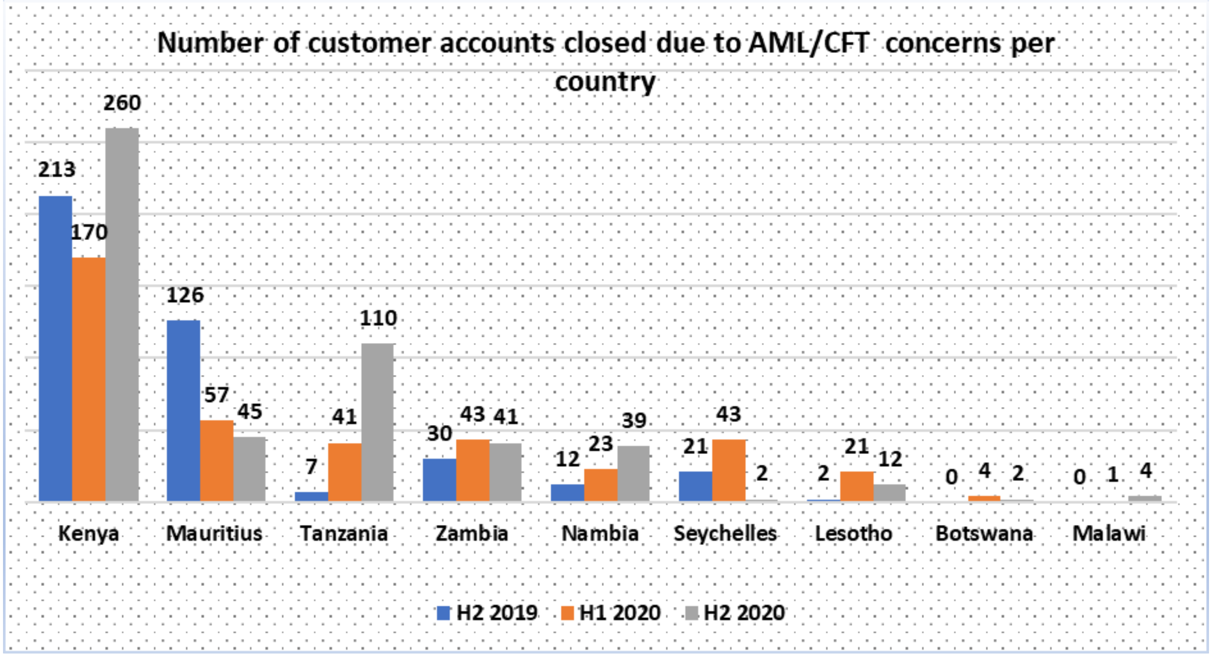


Eleven countries (or 58% of member countries) reported downstream terminations of customer relationships while the remaining countries had no experiences of downstream terminations. A total of 1,401 customer accounts were terminated by financial institutions, mostly banks, during the two-year period under review compared to 1113 accounts terminated in 2018/2019 representing a twenty-six (26) percent increase from the previous period.

Whilst the absolute figures show that the majority of the customers affected by the downstream terminations were from Kenya (643 accounts) and Mauritius (228 accounts), the percentage increases from the 2018/2019 period is lower at 22% and 31% respectively compared to the other countries. Greatest percentage increases from the 2018/2019 period were noted in Zambia (1140%), Lesotho (775%), Namibia (772%) and Tanzania (690%). Botswana, Eswatini, Malawi and Zimbabwe experienced decreases in the number of downstream customer accounts terminated over the period compared to the 2018/2019 period. Uganda, which featured in 2018/2019 as one of the highest country affected by downstream account terminations, reported that it had not experienced any closure during the period.

The trend analysis of accounts closed per country over the period is shown in Figure 7.

Figure 7: Number of customer accounts closed due to AML/CFT concerns

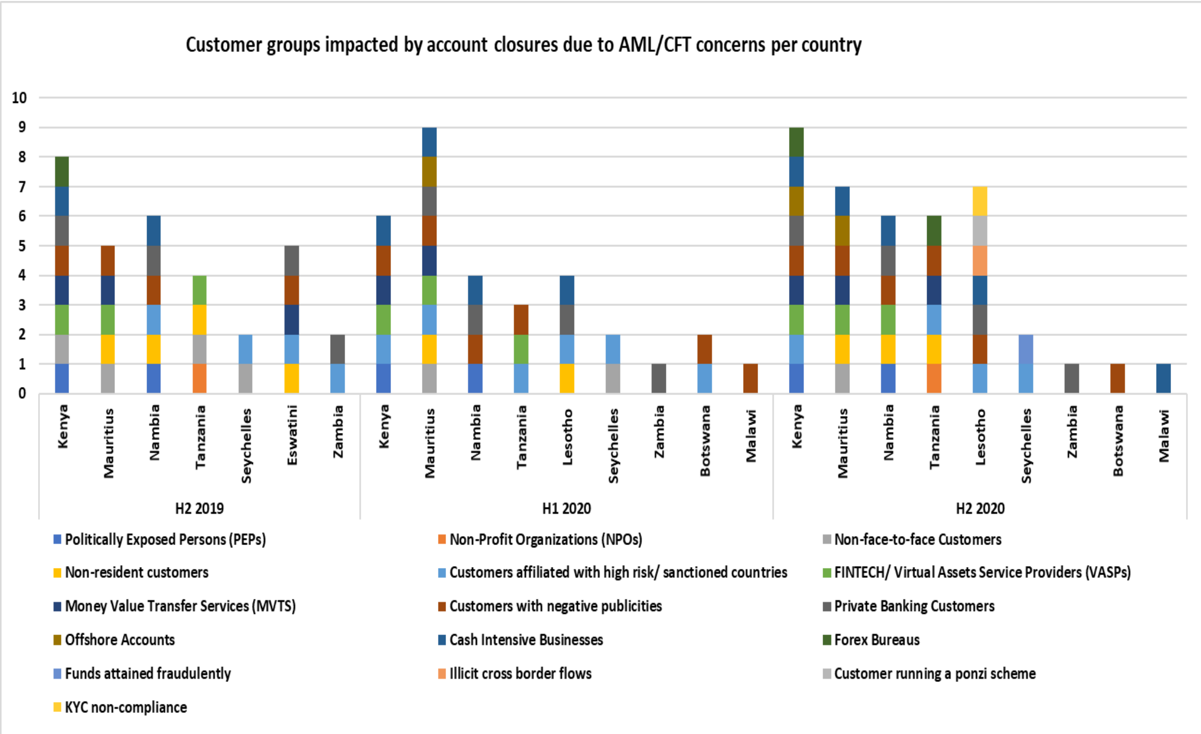


**Zimbabwe figures not broken down per period for appropriate analysis*

Figure 8 depicts the customer groups that were impacted by closure of accounts due to AML/CFT concerns.

It shows that the most affected customer categories were, customers with negative publicities, private banking customers, customers affiliated with high risk/sanctioned countries, and cash intensive businesses, in that order. Some countries such as Kenya, Mauritius, Namibia and Tanzania further indicated termination of accounts linked to virtual assets (VAs) or virtual assets service providers (VASPs).

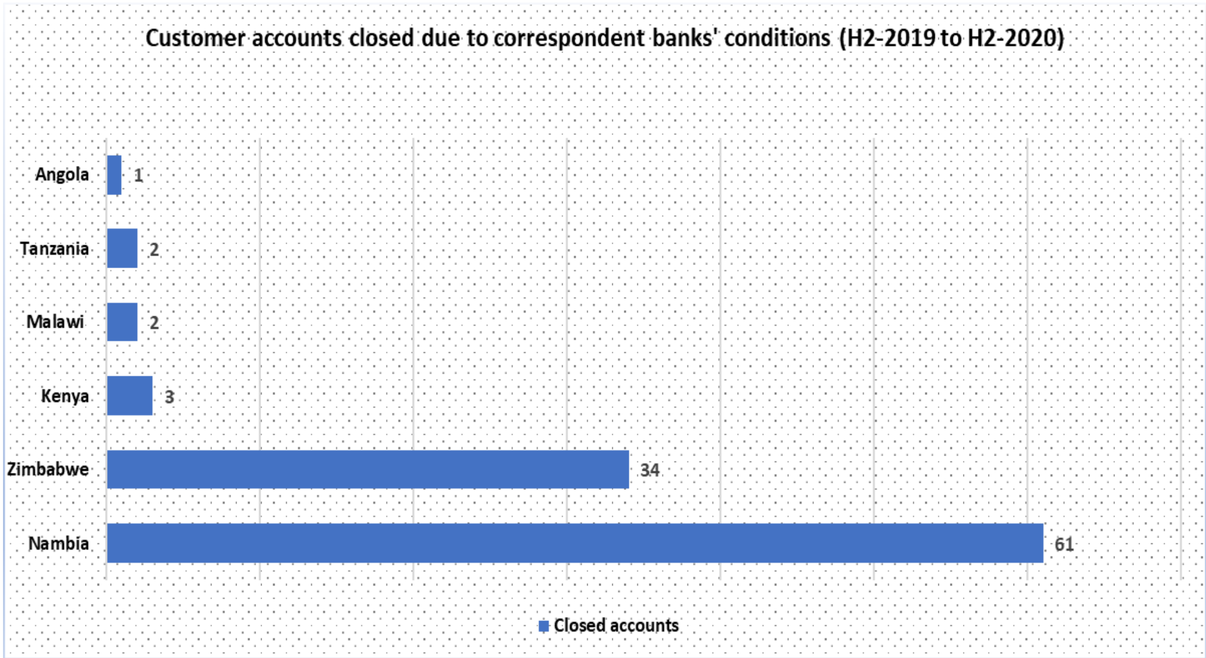
Figure 8: Customer groups impacted by closures due to ML/TF risk concerns



(b) Accounts closed in response to conditions imposed by correspondent banks

Figure 9 depicts that six countries, namely Namibia, Zimbabwe, Kenya, Malawi, Tanzania, and Angola terminated customer relationships in response to conditions imposed by correspondent banks.

Figure 9: Number of customer accounts closed due to correspondent banks' conditions

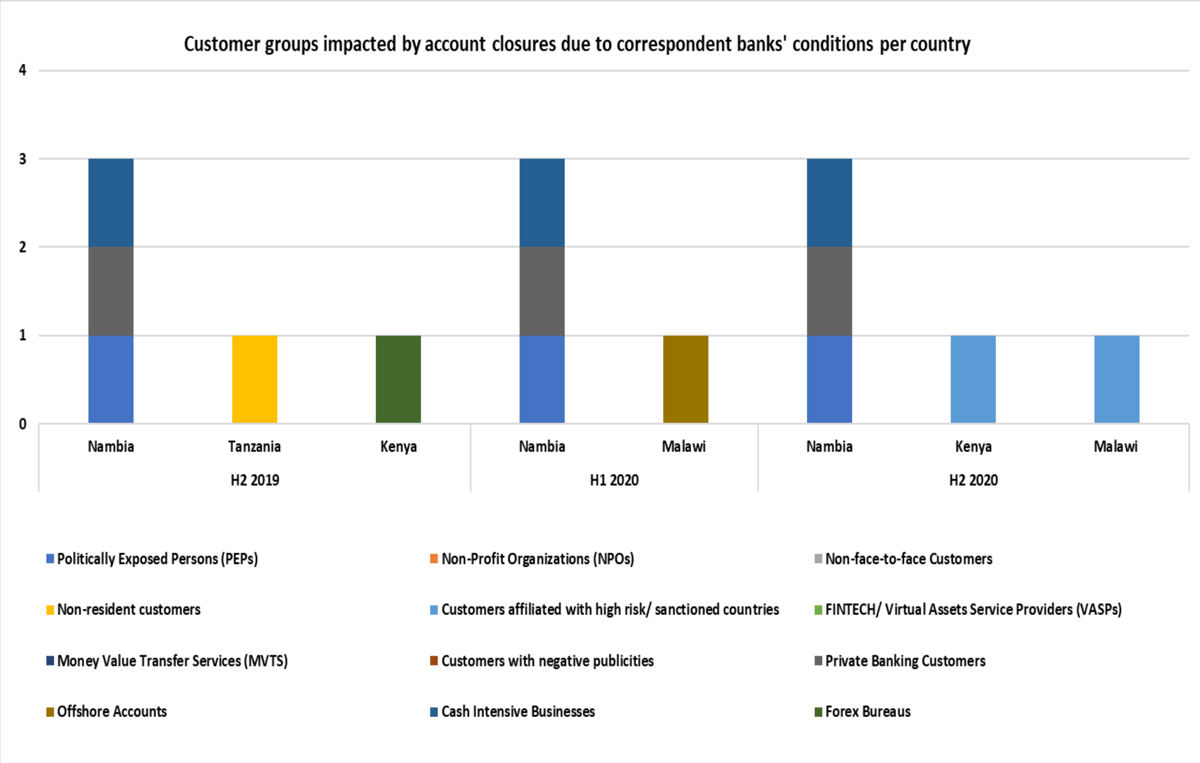


Namibia and Zimbabwe reported majority of accounts closed due to conditions imposed by correspondent banks accounting for ninety-two percent (92%) of all accounts closed due to this reason. However, Kenya and Tanzania reported a significant drop in the number of reported closed accounts from 50 and 105 in the previous period to 3 and 2, respectively.

This is largely due to issues related to negative publicity on political exposed persons, high net worth clients and cash intensive businesses were among the mostly impacted customer groups.

Figure 11 shows that in addition to the politically exposed persons and private banking customers (high net worth customers), member countries also highlighted that the cash intensive businesses were among the mostly impacted customer groups. This is unlike the findings of the 2018/19 report which showed the non-face-to-face customers, customers with negative publicities and customers affiliated with high/sanctioned countries as among the most affected customer categories in most countries.

Figure 10: Customer groups impacted by account closures by FIs



* *Zimbabwe figures not broken down per period for appropriate analysis.*

Angola indicated that one NPO account was closed due to correspondent banks' conditions in H2:2020.

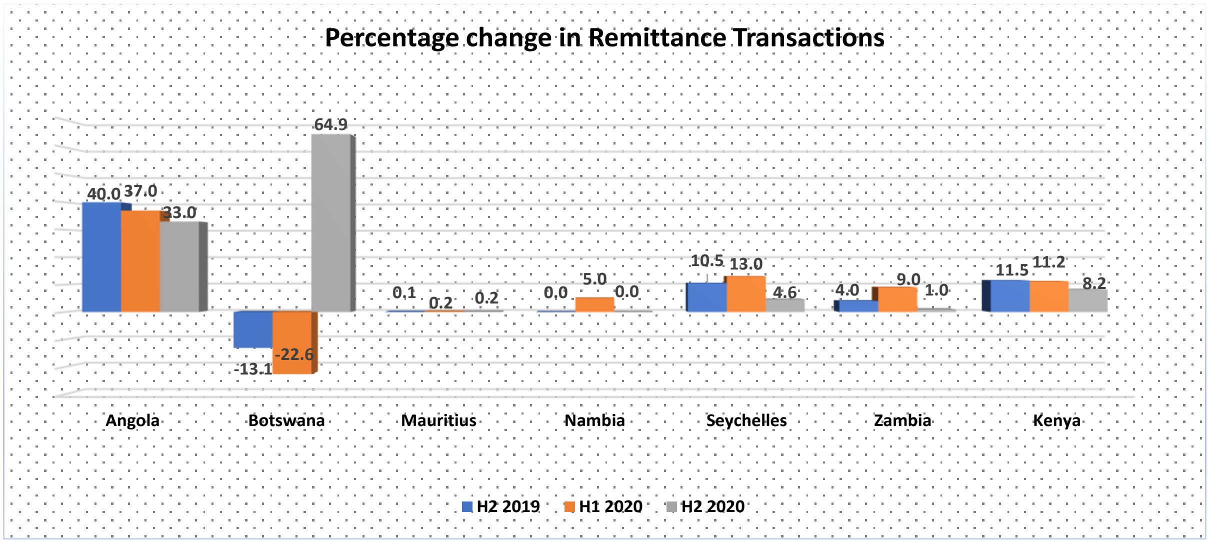
2.4 Impact of De-risking on Financial Inclusion and Remittance Flows

This section examines changes in the impact of de-risking on financial inclusion products and on remittance flows.

2.4.1 Impact of de-risking in the Remittances Sector

As indicated in figure 11, seven countries indicated that they experienced a change in their remittance flows. Six of these countries experienced a positive inflow while one country, Botswana was affected in H2 2019 and H1 2020 but it later on experienced positive inflows of remittances since then. This is a decline from two countries negatively affected in the 2018/2019 period. With the exception of Botswana, the other six countries experienced a decline in the remittances in the second half of 2020. The decline may be attributed to reduced financial activities in 2020 due to COVID-19 pandemic when most countries locked down.

Figure 11: Percentage change in Remittance Transactions



Overall, there was a ten percent (10%) increase in remittances in the region over the reporting period compared to nine percent (9%) in the previous period. The results of this survey further authenticate the findings of the 2017 De-Risking Report and the 2018/2019 Follow-Up Report that there is a low impact of de-risking in the remittances sector. Countries that were previously impacted such as Tanzania and Zimbabwe have not reported any impact on remittances due to de-risking.

2.4.2 Impact of de-risking in the Financial Inclusion Sector

All jurisdictions with the exception of Kenya, reported having no impact on financial inclusion products/services as a result of de-risking. However, there is a possibility that the 1401 accounts terminated by the respective financial institutions (*see section 2.3 above*) might have an impact on the financial inclusion efforts.

Kenya was the only jurisdiction that indicated an impact on specific customer types/ groups' access to financial inclusion products/ services. The level of financial inclusion in Kenya reported in 2019 increased from 82.9% to 83.7% reported for the period under review. The youth population (18-25 years) and older population (above 55 years) groups were the most affected sectors by financial inclusion. This is an improvement compared to the previous 2021 follow-up report.

Financial Sectors impacted by De-risking

Angola, Zambia, Botswana, Zimbabwe and Mauritius indicated the impact of de-risking on certain financial sectors, see the Table below. Three jurisdictions namely Botswana, Zimbabwe and Mauritius indicated that money remittance/ money value transfer service providers or their agents had been subjected to de-risking. Further, Zimbabwe indicated the manufacturing sector to be negatively impacted by de-risking due to banking institutions failing to clear payments.

Table 2: Sectors/Individual categories that continue to be most affected by de-risking

Financial Sectors that continue to be most affected by De-risking				
Banking (International and Private)	**Money Value Transfer Service Providers/Money Transfer Agents**	**Non-banking Institutions**	**Bureau De Change**	**Multilateral Organisations**
Angola, Zambia, Zimbabwe	Botswana, Mauritius, Zimbabwe	Angola	Botswana	Botswana

2.5 Economic Impact of De-risking

This section examines the economic impact of de-risking in the ESAAMLG region between July 2019 and December 2020 focusing on institutions that have:

- Closed Operations
- Reduced the Scale of Operations
- Recorded Diminished Financial Performance
- No access to Correspondent Banking Relationships.

Closed Operations

Unlike the previous period (H1 2018 to H1 2019) where one country (Namibia) indicated that one financial institution was affected by closure of operations due to de-risking, no country has reported as having experienced closed operations during the period under review.

Reduced Scale of Operations

During July 2019 – December 2020, three countries namely Angola, Zambia and Zimbabwe indicated that de-risking had resulted in reduced scale of operations affecting 20 financial institutions compared to 22 institutions in the previous period. While Zimbabwe was the most affected followed by Angola and Zambia, Seychelles and Tanzania which featured in the previous report indicated that they had not experienced any further closure of operations.

Diminished Financial Performance

Two countries, Angola and Zimbabwe, indicated that they have recorded diminished performance. This represents a decrease from the previous period where three countries (Angola, Seychelles and Mauritius) were affected in this regard.

Access to CBRs

During July 2019 - December 2020, three financial institutions from Zimbabwe had no access to correspondent banking relations. However, there was no indications as to the reasons behind the lack of access and whether alternative options were utilized.

3 KEY FINDINGS, RECOMMENDATIONS & CONCLUSIONS

3.1 Key Findings

The Survey highlighted the key findings below:

i. There has been a general downward trend in the number of terminations from January 2018 to December 2020 which fell by 58%. Fifty percent (50%) of all the countries in the region were affected by CBRs terminations in 2019/2020 period (compared to 72% reported in the 2018/19 period and 95% in the 2017 Report), albeit at varying levels. The decline in the terminations may be a result of interventions undertaken by certain member countries and the possibility of the effects of Covid-19 pandemic.

ii. The number of restrictions remained significantly low with a general decrease over the period.

iii. 48% of the member countries have not taken action or made effort to engage their private sectors in order to appraise them on major findings and recommendations approved by Council of Ministers in the 2017 De-Risking Report. This is a serious concern given that 5 years has already elapsed. Lack of commitment by member countries may only serve the purpose of continuing de-risking in the region.

iv. Downstream de-risking of customer relationships decreased with 63% of member countries affected compared to 72% in the previous reporting period.

v. To a negligible extent, de-risking has impacted on financial Inclusion and remittance flows. It is quite probable that some reductions in remittance flows may have been attributed to the outbreak of Covid-19 pandemic and not necessarily de-risking.

3.2 Recommendations

The team recommends the following measures:

i. Authorities and respondent banks, individually or collectively to continue engaging correspondent banks on their expectations and possible improvements or actions that respondent banks are expected to take in order to limit terminations. These may include regulator to regulator engagements or at FATF Style Regional Body (FSRB) level, among others;

ii. Correspondent banks to be asked to consider other alternative measures to take before they consider terminating or restricting relationships such as giving notices or engaging the central banks of respondent institutions;

iii. Member countries and reporting entities to be encouraged to implement effective risk-based approaches in line with the FATF recommendations;

iv. In order to limit downstream terminations, supervisors should provide clear guidance to institutions regarding de-risking. Where de-risking is practiced, the institution should provide clear reasons for de-risking.

v. Financial institutions should be encouraged to conduct institutional risk assessments to determine the level of risk of each product/services, channel, customer and geography and to consider applying commensurate measures before the decision to close the accounts. This may be assisted by external assessments by experts in the field that helps to identify possible weaknesses and makes recommendation to rectify same;

vi. The policy responses to CBR withdrawal need to be more comprehensive and uniform across the ESAAMLG region mainly on the strengthening and aligning of supervisory and regulatory frameworks;

vii. Revise the questionnaire in order to collect more comprehensive data which would cover type of institutions, volume of transactions, currency, specific event trigger, new technologies and geographical areas affected.

viii. Continue the de-risking monitoring project only covering limited key areas such as terminations and downstream de-risking which are still a cause of concern.

3.3 Conclusion

The de-risking trend continues to be prominent in some member countries in the region. The study established a decreasing trend in terminations although it is still a cause for concern. Restrictions, however, have remained low. The main drivers of de-risking have not changed from the ones reported in the previous reports, with AML/CFT concerns being the most prominent. Although downstream closure of accounts increased, the study has established a negligible impacted on financial inclusion initiatives.

The results of the survey clearly indicated that the member countries should continue to implement remedial and preventative measures as recommended in the Report. Although some intervention measures were taken by some member countries, it was noted that some member countries affected by de-risking had not implemented any intervention measures nor have they responded accordingly to the call of monitoring de-risking within their jurisdictions. In order to curb the de-risking phenomenon, strong AML/CFT controls are key in all countries.