The Challenge of Customer Due Diligence to Financial Inclusion of Rural Communities in Malaysia

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Abstract. This article critically examines the inter-relations between customer due diligence and financial exclusion. It focuses on the rural communities in Malaysia and their challenge to access basic banking services. The analysis subsequently discovered that a major factor leading to financial exclusion of this group is Malaysia's customer due diligence policies arising from anti-money laundering and countering of terrorist financing regulations. This article seeks to analyse the CDD in Malaysia and the challenges it creates that impedes the rural communities from gaining basic banking access in the country. Subsequently, the article also suggests several recommendations to address the issue.

Keywords: Anti-money laundering · customer due diligence · financial exclusion

1 Introduction

In 2009, the Central Bank of Malaysia was granted the mandate to actively promote financial inclusion in the country[1]. Extensive effort and reforms to bank the unbanked[2] have taken place since then and was arguably fruitful[3]. However, bringing the remaining underserved fractions of society, particularly the rural communities, into formal financial services remains a challenge. This article argues that the substantial challenge to accessing banking services amongst this community is the satisfaction of customer due diligence (CDD) requirement mandated by the Malaysian Anti-Money Laundering and Counter of Financing of Terrorism (AML/CFT) regulations.

[1] Section 5(2)(f) of the Central Bank of Malaysia Act (Act 701).

[2] The European Commission, in its 2008 report entitled 'Financial Services Provision and Prevention of Financial Exclusion' has defined 'unbanked' as those who are generally people with no bank at all; see European Commission, 'Financial Services Provision and Prevention Of Financial Exclusion' (2008).

[3] In 2014, the Global Findex Database of the World Bank revealed that 81% of Malaysia's adults had an account at a formal financial institution, which is an increase of 15% from the 2011 data; see Asli Demirguc-Kunt and others, 'The Global Findex Database 2014: Measuring Financial Inclusion Around The World' (World Bank 2015).

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The purpose of this article is to demonstrate the challenges created by the Malaysian CDD framework that impedes financial inclusion on the aforesaid community. It then suggests some workable solutions to this issue.

This research primarily uses doctrinal methods which includes the tracing of primary and secondary sources of law. The primary sources engaged relies heavily on documents from inter-governmental bodies such as those issued by the Financial Action Task Force ("FATF") and the Basel Committee. Data on financial exclusion is mostly gathered by publicly available policy statements such as World Bank reports on financial exclusion in Malaysia and secondary resources which includes journal articles and textbooks.

2 Financial Exclusion

2.1 Defining Financial Exclusion

Financial exclusion has gained widespread interest from policy-makers around the world as its correlation with poverty has become increasingly prevalent[4]. While there is no consensus on the precise definition of the term "financial exclusion" itself, it can be broadly understood as the inaccessibility to financial products and services relevant to ones needs. The opposite is financial inclusion, which denotes access to financial services at an affordable cost to those who need and qualify for them.

For the purpose of this article, the definition of financial exclusion is narrowed down to "not having convenient access to a bank account". Access to a bank account denotes the potential ability to use financial services, without which there could not be any usage[5]. It precipitates any further access and utilization to additional financial service, hence forming the central element of any financial inclusion policies. Due to these reasons, the scope of this article is limited to accessing bank accounts, and financial exclusion is thus defined as limitations towards opening a bank account.

2.2 Financial Exclusion of Rural Communities in Malaysia

The early analysis of financial exclusion revealed the significance of geographical barriers as a major impediment to banking access[6]. The absence of banking outlet in rural

[4] Numerous studies have shown the direct relationship between financial exclusion and poverty. For example, Asli Demirguc-Kunt, 'Finance For All: Policies And Pitfalls In Expanding Access' (The World Bank 2008); Elaine Kempson and others, 'In Or Out? Financial Exclusion: A Literature And Research Review' (Financial Services Authority 2000); and Stephen Sinclair, 'Financial Exclusion: An Introductory Survey' (Centre for Research into Socially Inclusive Services 2001).

[5] Hue Dang, 'Financial Inclusion, Developing Economies And The Effective Implementation Of The Risk-Based Approach In AML/CTF: The Need For Legislative And Regulatory Leadership To Motivate Private Sector Commitment And The Role Of Audit' <http://files.acams.org/pdfs/2016/Financial_Inclusion_Developing_Economies_and_Effective_Implementation.pdf> accessed 4 January 2018.

[6] Elaine Kempson and others (n 4); Andrew Leyshon and Nigel Thrift, 'The Restructuring of the U.K. Financial Services Industry in the 1990s: A Reversal of Fortune?' (1993) 9 Journal of Rural Studies 223; Andrew Leyshon and Nigel Thrift, 'Access to Financial Services and Financial Infrastructure Withdrawal: Problems and Policies' (1994) 26 Area 268.

areas have impacted rural communities as financial institutions in Malaysia mandatorily require customers' presence at a banking branch to complete the CDD for account opening process[7]. Evidently, many areas in Malaysia, particularly the rural areas are not served by a bank branch[8]. Not only is the nearest bank located miles away, but the issue is further exacerbated with the lack of convenient transport that is necessary to commute the rural communities from their respective homes to the city, where most banking branches are located.

For example, villagers from Kampung Mat Daling in rural Pahang, Malaysia need to travel almost 128 km to reach the nearest physical bank branch at the main town, Jerantut[9]. The main transportation service that could commute villagers to the nearest town is by boat, and that alone takes 4–5 h[10]. The alternative transportation is by timber trucks which must be rented at the cost of RM70 per use[11], this is roughly the cost of 7 meals in Malaysia.

An important point to note is, most areas that are not covered by bank branch in rural Malaysia are now served by agent banks[12], which is an initiative by the government to increase banking outreach to rural areas. This initiative allowed licensed financial institutions to appoint existing businesses in rural areas such as retail outlets, and post offices as their agents, offering basic banking services such as cash withdrawal, transfers and bill payments.

The problem however lies in the fact that the agent banks are not allowed to conduct full CDD to complete the account opening process. They are only allowed to facilitate in account opening, by collecting and authenticating the relevant documents for CDD[13]. Rural communities wishing to open an account still need to commute to a bigger town where the bank branch is location.

CDD is therefore seen as a significant barrier, given the far distance and lack of public transportation for commuting. Within the context of this article, it is arguable that banking sector outreach remains low for rural communities in Malaysia as agent banks cannot be regarded as an effective bank branch due to their limitation in opening a bank account for customers.

3 Customer Due Diligence in Malaysia

3.1 Defining Customer Due Diligence

Customer Due Diligence ("CDD") is one of the four main prevention pillars within the anti-money laundering and counter of terrorist financing regulatory framework. The

[7] Refer to Paragraph 3.2 below.

[8] Only 46% of sub-districts in Malaysia are served by bank branches; see World Bank Group, 'Financial Inclusion in Malaysia: Distilling Lessons for Other Countries'.

[9] Su Lin Tan, 'Derita Ulu Tembeling: Sungai Kering, Pengangkutan Utama Lumpuh.' Astro Awani (Jerantut, 13 April 2016).

[10] ibid.

[11] ibid.

[12] World Bank Group (n 8).

[13] Refer to Paragraph 4.1 below for a more detailed explanation on CDD process for agent banks.

core strategy of anti-money laundering regulations is to take advantage to the movement of money to identify the criminal through the process of monitoring and suspicious transaction reporting[14]. Similar strategy is also adopted within the counter of terrorist financing regulations as the logic behind the prevention of this crime also focuses on depriving the criminals from their main bloodline[15]. For money launderers, this meant profits from their crime while for terrorists, this meant their assets and funding. This strategy then enables the authorities to detect any unusual pattern of customer behaviours through the use of banking accounts, which will ultimately lead to the discovery of the original criminal activity or original source of money for terrorist funding[16].

This "track the money" strategy builds on the foundation of CDD[17] and its effectiveness is therefore dependent on the robustness of the CDD framework of a particular country. Standing at the frontline of regulatory obligations of customer onboarding process, the CDD provides an opportunity for financial institutions to understand the nature of the activity that can be reasonably expected of the customer through the collection of important information relevant to the process[18]. At this initial stage, any unusual or suspicious customer behaviour becomes viable.

Within the global sphere, the international standards of CDD framework are set by the Financial Action Task Force ("FATF")[19] through its Recommendation papers[20]. The main objectives of the CDD requirements are to allow financial institutions to screen undesirable transactions and to allow prompt enquiries by authorities in the event of suspicious financial activities[21]. It prohibits financial institutions from keeping anonymous accounts or accounts with fictitious names. In the context of opening a bank account, the CDD requirement entails a two-tier step[22]. The first step is the identification of customers via collection of identity information and the second step is verification of the

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14 Dennis Cox, Handbook Of Anti Money Laundering (Wiley 2014).

15 Kathryn L Gardner, 'Fighting Terrorism the FATF Way' (2007) 13 Global Governance 325. <http://resourcelists.kent.ac.uk/items/D6EBF21E-EC33-E774-3004-0989EDE90803.html>.

16 Dennis Cox (n 14).

17 Abdullahi Y. Shehu, 'Promoting Financial Sector Stability Through An Effective AML/CFT Regime' (2010) 13 Journal of Money Laundering Control.

18 ibid.

19 FATF is the main inter-governmental body responsible to set the standards and promote effective implementation of measures for combating money laundering, terrorist financing and other related threats to the integrity of international financial system. See 'About - Financial Action Task Force (FATF)' (Fatf-gafi.org, 2018) <http://www.fatf-gafi.org/about/> accessed 14 May 2022.

20 The FATF has developed a series of Recommendation papers and was first issued in 1990. The FATF Recommendations have subsequently undergone revisions in 1996, 2001, 2003 and most recently in 2018. The Papers are recognized as the international standards for measures in combatting money laundering and financing of terrorism around the world. See FATF, 'International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation' (1990), hereinafter referred to as "FATF Recommendation 1990" and FATF, 'International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation' (2012–2017), hereinafter referred to as "FATF Recommendations 2012–2017".

21 FATF Recommendations 1990.

22 Recommendation 10 of FATF Recommendations 2012–2017.

collected data against official and reliable source of documents[23]. Should a customer fail to provide financial institutions with the required information, the financial institution shall be prohibited from entering into a business relationship with the customer[24].

3.2 CDD in Malaysia

With regards to Malaysia, the CDD requirement is established in the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 ("AMLTFPUAA Malaysia")[25]. The main provision relating to CDD under this Act is prescribed in Section 16. Subsection (1) of the provision prohibits financial institutions from dealing with a fictitious account in any business relationship, transaction or financial activity. The imposition of CDD requirement is laid down under Section 16(3) of this Act, which requires financial institutions to ascertain the "identity, representative capacity, domicile, legal capacity, occupation or business purpose of any person…" who intends to open an account with a financial institution. Further, the provision also requires the said identity to be verified by a reliable source of the document, which includes "identity card, passport, birth certificate, driver's license, constituent document or any other official or private document as other identifying information relating to that person…".

The statutory requirements of AMLATFPUAA is further supported by the various Guidelines issued by the Central Bank of Malaysia pursuant to Section 66E and Section 83 of AMLA Malaysia. Examples of guidelines are the Guideline on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions[26] (AML Guideline Malaysia) and the Guidance on Verification of Individual Customers for Customer Due Diligence (Verification Guidance)[27]. These guidelines and policies generally require financial institutions to develop customer acceptance policies and procedures based on the assessed risk of customers. Institutions are also required to have reasonable measures in their internal policy and procedures to address different risks posed by different categories of customer.

4 The Interplay Between CDD and Financial Exclusion of Rural Communities

The financial exclusion issues of rural communities has been highlighted earlier. To reiterate, the main problem lies on the geographical location of these rural villages and the

[23] ibid.

[24] ibid.

[25] Anti-MoneyLaundering, Anti Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (Act 613).

[26] Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions (AML/CFT and TFS for FIs) 2019.

[27] Bank Negara Malaysia, 'Guidance on Verification of Individual Customers for Customer Due Diligence Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions, Designated Non-Financial Businesses and Professions and Non' (2020) <https://amlcft.bnm.gov.my/document/DNFBP/faq/03.Guidance_on_Verification_01092020.pdf> accessed 14 May 2022.

absence of a bank branch within the vicinity of the area. The issue is further aggravated by the absence of convenient transportation to commute them to the city, where the nearest bank branch is located. To ease these challenges, agent bank initiatives were introduced in 2012 to provide a convenient access point to rural villagers to conduct most of their banking needs. However, this agent bank initiative is not an effective solution as the CDD processes cannot be completed there.

In this section, CDD processes in agent banks will be explained. Thereafter, the article will reveal the shortcomings of the agent banking initiative that has created significant banking access challenges for rural communities.

4.1 CDD of Agent Banks

When agent banking was first launched in 2012, agent banks were completely prohibited from opening a bank account. It was only in 2015 when Bank Negara Malaysia ("BNM") decided to allow agent banks to "facilitate account opening" for its customers so as to further intensify financial inclusion initiatives in the country[28]. In doing so, agent banks are required to facilitate a standardized preliminary CDD procedure that consists of collecting customer's identity information via an online real system of the financial institution and verification of customers' identities via the national identification card (MyKad) and a biometric authentication[29]. The customers' information is then screened against several databases in order to comply with the AMLATFPUAA 2001 requirements and is channelled back to banks' back-end in order for banks to perform CDD against their own databases[30].

Under the agent bank initiative, agents are merely the touch point for account opening. Agents are only allowed to "facilitate" account opening and cannot actually open an account for the customers[31]. This means, customers intending to open an account via agent banks are still required to visit the physical bank branch of the bank where the CDD – ascertaining and verifying information – will be conducted again on the customer, and debit card issued. This has to be completed within two months from the date the account is opened at an agent[32].

4.2 Deficiencies of the Agent Banking Initiative that Led to Financial Exclusion Among Communities

Against the background set out above, the following section will argue that there are inherent issues within the legal mechanism of agent banking initiatives in the country that has led to financial exclusion of the rural communities. This section will first begin by explaining the risks in agent banking services and then uncovers the shortcoming of the current implementation of agent banking CDD in the country.

28 Bank Negara Malaysia, 'Agent Banking' (2015) <http://www.bnm.gov.my/guidelines/08_agent_banking/01_agent_banking_20150430.pdf>. ("BNM Agent Bank Guideline 2015").

29 Paragraph 12.2 of BNM Agent Bank Guideline 2015.

30 ibid.

31 Paragraph 8.4 (iv) of BNM Agent Bank Guideline 2015.

32 Paragraph 12.2 of BNM Agent Bank Guideline 2015.

4.2.1 Risks in Agent Banking Services

Allowing agent banks to conduct the CDD on behalf of the bank attracts risks from several dimensions. This is particularly so as the agent bank functions are delegated to individuals from the rural communities itself, who is most likely to lack the knowledge and expertise on money laundering and terrorist funding rules.

Agent banking CDD gives rise to identification and verification challenges, mainly due to the lack of formal training to identify and verify documents relating to CDD. With regard to identification, banks bear the risk of customers being improperly identified or mistakes in data input, accidentally or inadvertently by the agents[33]. Further, agent banking CDD is also an example of potentially higher risk scenarios due to its susceptibility to identity fraud[34]. This leads to verification challenges, as agent banks will have lesser experience in dealing with customers and will generally not be able to identify fraud attempts[35]. Thus, the identification and verification processes, if left to agent banks without appropriate guidance, training and adequate regulation framework may fail to provide reasonable assurance. Most crucially, these failures are more likely in the case of criminals and terrorists who wish to hide or disguise their identity by obtaining high-quality false verification documentation[36]. This situation could provide an opportunity to criminals to leverage this weakness and use agent banks to their benefit.

Consequently, banks must also bear the legal risk of heavy fines being imposed or other civil actions, if CDD conducted by agent banks are not properly executed[37]. Bearing in mind, the FATF regards agent conducts as the responsibility of the main banks[38] and thus, any agent-related AML/CFT misconduct that results in the bank being used for financial crimes will bring about criminal and civil implications to the banks. As for agents, only civil consequences arising out of the agency relationship will surface.

A derivative consequence that may also result in agent's AML/CFT misconducts is also the public's association of the bank with criminals. Even if derivative, this reputational risk can be the most damaging. Goldman Sachs, for example, suffered huge

33 Michael Tarazi and Paul Breloff, 'Regulating Banking Agents' (2011) 2006 CGAP Focus Note 1; Kate Lauer, Denise Dias and Michael Tarazi, 'Bank Agents: Risk Management, Mitigation, and Supervision' (2011) 75 Focus Note,CGAP pp. 1.

34 FATF, 'Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion - With a Supplement on Customer Due Diligence' <https://www.fatf-gafi.org/media/fatf/documents/reports/AML_CFT_Measures_and_Financial_Inclusion_2013.pdf>.

35 Louis de Koker, 'The FATF's Customer Identification Framework: Fit for Purpose?' (2014) 17 Journal of Money Laundering Control 281 <http://www.emeraldinsight.com/doi/10.1108/JMLC-01-2014-0003>

36 ibid.

37 Michael Tarazi and Paul Breloff (n 33).

38 Financial Action Task Force, 'Financial Action Task Force on Money Laundering: The 40 Recommendations' (2003) 5 12 <http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATFRecommendations2003.pdf>

losses and was terribly disrepute due to its involvement in the recent 1MDB scandal[39]. This shows how the act of an employee or someone acting on behalf of the bank may seriously impact the bank itself and cause them to suffer not only major losses, but also the public's trust and perception towards the institution.

The substantial risk of allowing agent banks to conduct the CDD is a strong justification for countries, including Malaysia, to impose strict regulations with regard to agent banks functions. Globally, countries are generally reluctant in allowing agents to conduct the CDD and even if allowed, agents usually play an assistive role. Most agent banks are only allowed to collect information and forwarding the information to main banks[40], a similar practice adopted by Malaysia. Here, most agent banking functions are delegated to individuals operating local businesses from the village itself[41] and most often, these individuals do not have the sufficient knowledge of AML/CFT laws, particularly the CDD. Their lack of knowledge makes them particularly vulnerable to being used as a vehicle for money laundering by unscrupulous criminals. Further, agent banks are not directly regulated by Bank Negara Malaysia but is only controlled by the Agency Agreement signed between them and the main banks[42]. As such, in the event of AML/CFT breach, the consequences they will suffer is insignificant as compared to main banks, providing agents with leeway and incentives to disobey the rules if they find them costly or inconvenient to do so.

4.2.2 Tiered-Based Accounts Relying on a Time-Period

Accounts opened at agent banks in Malaysia are allowed to have delayed verification of two months from the date of account opening. This means, such account can be provided with limited and basic services, and access to a full range of services would only be granted once full CDD has been conducted on the customer. As such, agent banks merely "initiate the account opening process"[43]. Within two months, customers are still required to visit the main bank branch to complete verification and obtain their ATM cards[44].

Accounts opened at agent banks in Malaysia also adopt a tiered account model which are allowed to conduct limited services before the account satisfies the CDD requirements[45]. Money transfers in and out are not permitted, except for government to

[39] In 2018, Goldman Sachs has been accused of being complicit in the misappropriation of a substantial portion of the $6.5 billion that the bank helped raise for the Malaysia sovereign wealth fund, 1MDB. The 1MDB scandal is currently ongoing investigation, with many officials from Malaysia accused of being involved with it are now undergoing trials. Among the official involved is the former Prime Minister of Malaysia, Datuk Seri Najib Razak and his wife, Datin Seri Rosmah Mansur.

[40] FATF (n 34).

[41] World Bank Group (n 8).

[42] Bank Negara Malaysia, 'Agent Banking' (2015) <http://www.bnm.gov.my/guidelines/08_agent_banking/01_agent_banking_20150430.pdf>.

[43] ibid.

[44] ibid.

[45] Paragraph 12.2 (iv) Agent Banking Guideline 2015.

persons payment[46]. Deposits are allowed, based on the risk profile of the customers[47]. Finally, the account may conduct withdrawal with daily and monthly limits of RM500 and RM3000 respectively[48]. Account which do not complete the CDD process at a main bank branch within two months after opening will be closed down and blocked[49].

A shortcoming arising from this that can impede financial inclusion in Malaysia is the adoption of a time-based tiered system. Accounts opened at agent banks must be verified within two months from opening date, or risk being closed regardless of whether the customer or the usage of the account is low risk or not. This approach is different from that recommended by FATF where the tiered system is based on functionality rather than relying solely on a specific time period[50]. FATF suggests that accounts opened at agent banks are allowed to operate up to a point when account transactions reach a certain monetary threshold before being requested for verification[51].

5 Potential Solutions and Recommendations

The main question then is whether the aforesaid risks and problems are so serious in nature that the use of agents to open an account in rural areas should be advised against. While not undermining the associated risks, this article submits that there are ways in which these risks and issues can be mitigated, so as to further enhance the reach of financial access to the rural communities.

First, the risk of mistakes by agent banks in CDD can be mitigated by main banks sending their officers to the rural areas periodically for auditing purposes. This makes more economical sense compared to requiring all individuals (noting that these are poor communities) wanting to open an account to incur expensive travelling cost merely for the purpose of verification[52] and receiving ATM cards. Proper training can also be given to rural agents to enhance their skills, bearing in mind that those owning a business, albeit in a rural village, will have an adequate literacy level to be trained.

Another good way to mitigate the risk of misuse of bank accounts opened at agent banks is to adopt a tiered system that is based on transaction threshold, rather than the ones relying on a time-period as currently implemented. Accounts opened at agent banks can be mandated with a bank branch verification only when the account seeks to transact beyond a certain limit. For example, such accounts can be allowed to transact[53]

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46 ibid.

47 ibid.

48 ibid.

49 Ibid.

50 FATF (n 34).

51 Ibid.

52 Noting that agent banks are already conducting verification of the MyKad via a MyKad reader supplied to them, insisting customers to travel to a bank branch imposes double verification procedure on them. This could arguably be considered as a discrimination procedure against easy access to formal finance. See Paragraph 4.1 for explanation of CDD process for agent banks.

53 Transact in this context includes, making payments, receiving, withdrawing and transferring of money.

small payments of up to RM500, and to go beyond this limit individuals may be asked to conduct a bank branch verification through physical interview at the bank or a live video interview. This suggestion is consistent with the recommendations from FATF in which it permits banks to verify an account until it reaches the next tier level[54]. Once a more rigorous bank branch verification is conducted, customers could then access an expanded range of financial services with higher transaction ceilings.

It is argued that this approach is more financial inclusion friendly and adaptable to the current landscape in Malaysia. A tiered system based on time does not eliminate the main barrier to financial inclusion as rural villagers will still need to incur the time and cost to travel to the main bank branch even when the use of an account is significantly low risk. On the other hand, a tiered system based on functionality allows customers to only be verified, either by means of bank branch verification or video interview once a higher transaction limit is reached. At this point, it can already be safely assumed that customers are well equipped with the resources to travel to the main bank branch for bank verification, thus eliminating the need of small accounts to incur cost relating to verification. With this strategy, small accounts with low volume transactions that bears low risk can continue to be used in rural areas, up to a point when customers feel the need of transacting at a higher ceiling point.

The use of digital identity could also provide a holistic solution to issues of financial exclusion and CDD in the country. In relation to rural communities, digital identity enables individuals to be remotely verified for CDD. The ecosystem of digital identity processes which includes identity enrolment, authentication and optionally storage provides the relying party (or banks, in this situation) with a level of confidence of the validity of identity information. Although Malaysia has initiated the digital identity blueprint in 2020, the work towards its achievement is far from complete. Hence, it will be interesting to see how digital identity can be offered in the country in the context of CDD.

6 Conclusion

The central argument of this article is that the implementation of CDD in Malaysia, particularly in the context of agent banks contains several deficiencies which have led to challenges in the rural communities to access formal finance. Inherently, rural communities face geographical challenges in opening a bank account as the law requires them to travel to a main bank branch to complete the CDD process. This becomes a problem as the main bank branch is usually located far from where they live, and there is an absence of convenient transportation to commute them there.

To ease these challenges, the agent bank was introduced in 2012 and reinforced in 2015. To the extent that agent banks are not legally allowed to complete the CDD, the article argues that financial inclusion is not achieved by merely having agent banks operating in rural areas. This article further explains the deficiencies of the agent banking services in the country that limits its potential to meet the objectives of financial inclusion.

Finally, this article proposes several solutions to the problem. It suggests that there are steps that can be taken to mitigate the risks of agent banking services. It also suggests

[54] Pierre-Laurent Chatain and others, *Protecting Mobile Money against Financial Crimes* (2011).

the adoption of tiered-based accounts based on transaction threshold rather than the the ones relying on a time-period as currently implemented. This article also proposes the use of digital identity to resolve this issue.

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