



**Fintelekt**<sup>®</sup>



# AML in Digital Payments

September 2022

## INTRODUCTION

The advent of digital payments has revolutionized the global financial system, leading to the entry of a variety of fintech players and business models across the value chain.

Some of the key trends in digital payments over the last twelve months are a mushrooming in gaming and lending apps, move towards interoperability, growth in new payment methods for cross-border payments, and the increased use of e-commerce. The speed and volume of transactions has grown manifold during this time. There has also been a rising trend in financial crime using digital payments.

As regulatory responses continue to mature, anti-money laundering (AML) and financial crime controls are constantly evolving and pose unique challenges that require innovative approaches.

This report is based on key insights shared by AML compliance leaders at a joint webinar by Fintelekt Advisory Services and the Asian Bankers Association on AML in Digital Payments: Trends, Tools and Technologies held on September 23, 2022. It includes responses of more than 800 attendees across 40 countries gathered through audience polls conducted during the webinar.

### Acknowledgements:



Julia Chin  
Head of Compliance, Hugosave SG



Jyothi Mekala  
Head – Compliance, BillDesk



Guada Vergel de Dios  
Head of Compliance and  
Government Relations, Xendit



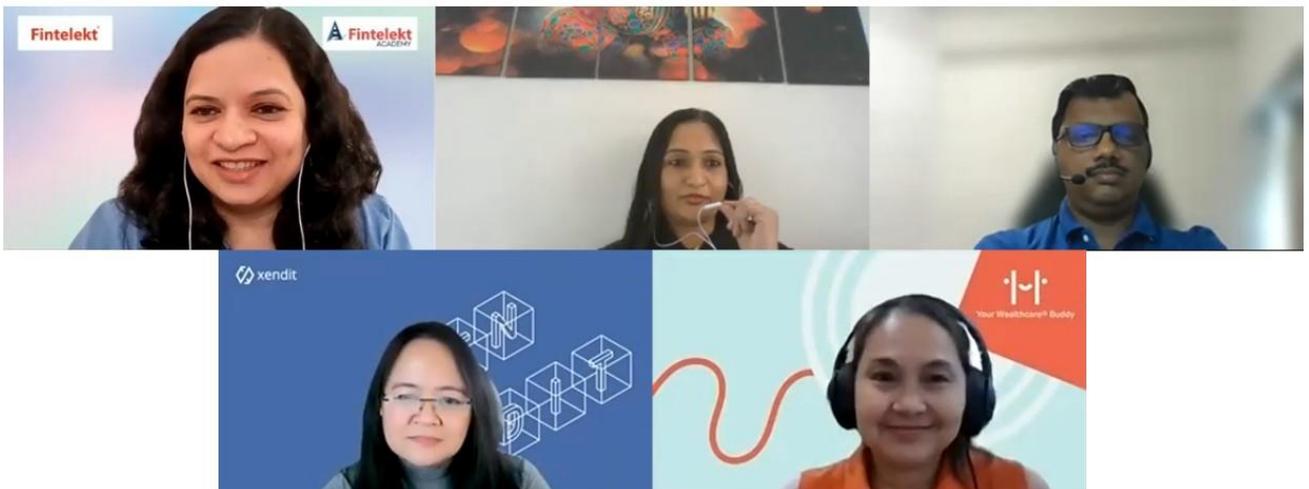
Vijay Bharadwaj  
Manager, Ingenia Consultants

## REGULATORY EVOLUTION

Country regulators have been proactive in terms of creating an enabling environment for digital payments and payment system operators to grow. The international standard setting body, the Financial Action Task Force (FATF) has in turn been providing continuous and updated guidance to countries on how they should implement the AML regime.

The view of panelists during the webinar on AML in Digital Payments was that over the last few years, regulations are getting better in terms of clarity and maturity. There is an openness to accepting new technology while remaining vigilant to possible risks.

There may be differences in maturity levels across various countries in Asia, but overall, the regulatory evolution in the payments space is encouraging. The more mature regulators have brought in more predictability and consistency which supports the rapid growth in the digital payments space.

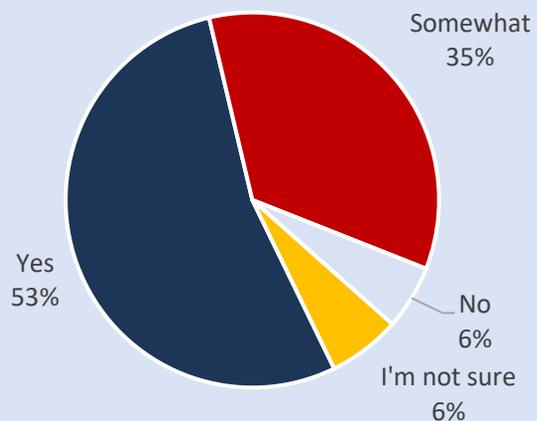


**Fintelekt-Asian Bankers Association Webinar on AML in Digital Payments: Trends, Tools and Technologies**  
September 23, 2022

## CLARITY OF REGULATION

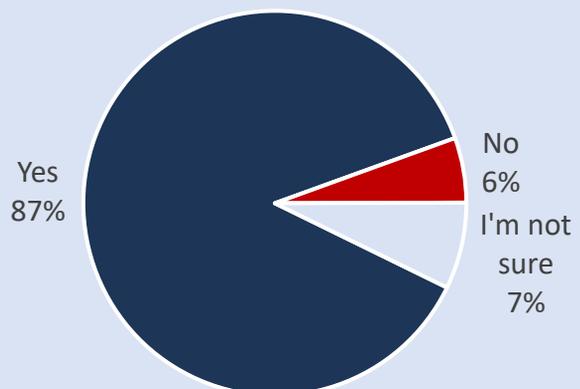
More than half (i.e. 53 per cent) of the attendees indicated satisfaction with the level of clarity provided by the KYC/AML regulations in their jurisdiction. 35 per cent indicated that regulations were somewhat clear.

**AUDIENCE POLL:**  
**Do you think the regulator in your jurisdiction has provided adequate clarity to payments companies in terms of applying KYC/AML measures?**  
 (% of respondents)



An overwhelming 87 per cent of attendees from payment services companies indicated that they have already received specific guidance or communication from regulators to assist them with their AML/CFT monitoring and reporting obligations.

**AUDIENCE POLL:**  
**Has your institution received specific guidance or communication for AML/CFT monitoring and reporting from the Financial Intelligence Unit or another regulatory body in your jurisdiction?**  
 (% of respondents)



## AML RISKS FROM DIGITAL PAYMENTS

AML risks from digital payments are not very different from those in traditional payments. However, the risk emerges due to the speed of transactions in digital payments.

Some areas of risk are:

- An increase in the use of money mules, especially since the onset of the Covid-19 pandemic
- Human traffickers using digital payments
- Fraudsters and scamsters using newer typologies
- Fraud related to non face-to-face onboarding of customers
- Account takeovers that pose a high risk but are very difficult to identify

There is a convergence of fraud with money laundering, which makes detection and prevention more difficult. However, the risks from fraud are relatively more understood, while the understanding and identification of AML risks within the digital payments ecosystem is still evolving.

Payment system operators do not always get full visibility into the entire payment transaction and therefore another area of risk for them is to identify suspicious transaction on the basis of limited customer data and information available to them.

## AML CHALLENGES

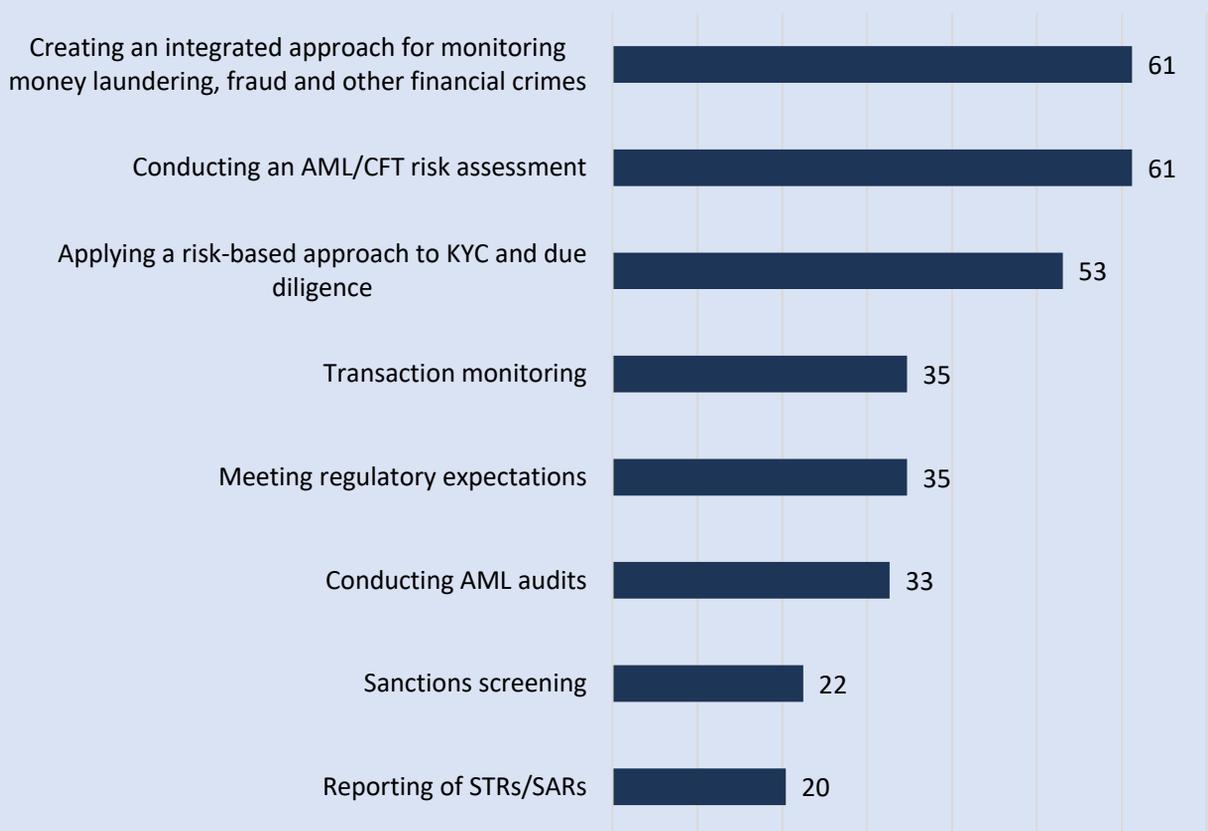
A convergence of fraud, money laundering and financial crimes has made an integrated approach a priority for compliance officers in payments companies, which reflects in the poll, with 61 per cent of the attendees marking it as the top challenge.

An equal proportion of attendees i.e., 61 per cent felt that conducting on-going risk assessments was among the most important challenges for their organisation.

Similarly, applying a risk-based approach that is tailored to the organisation’s specific business was found to be a challenge by 53 per cent attendees.

### AUDIENCE POLL:

**What are the top challenges that the AML team of your organisation is currently facing?**  
(% of respondents)



## ADAPTING AML CONTROLS TO THE PAYMENTS SECTOR

Although the fundamentals remain the same, an AML programme from a traditional financial institution needs to be suitably adapted to the payments environment.

The AML programme must incorporate a risk-based approach and be aligned with the business objectives and business model of the organisation.



*“ The AML/CFT programme for payments companies like in the case of any other financial institution should be guided by a risk-based approach and fit for purpose or vulnerabilities. ”*

- Guada Vergel de Dios  
Head of Compliance and Government Relations, Xendit



*“ The role of compliance is not to police employees or please regulators. It is each employee's responsibility to remember that there is a life behind every dollar of money. If that is the mindset, the organisation can build a good compliance culture that doesn't exist just to tick the boxes. ”*

- Julia Chin  
Head of Compliance, Hugosave SG

## CREATING A CULTURE OF COMPLIANCE

The right mindset and culture has to be driven across the organisation from the Board of Directors right down to the front-line staff.

While hiring and during onboarding, employees should be made aware of the importance of AML/CFT controls, and the company should aim to create an appreciation of the function of compliance as more than just a regulatory requirement that needs to be ticked.

## MANAGING REGULATORY EXPECTATIONS

Regulators need to be convinced that the compliance team has an understanding of the risks and are capable of putting in place the right controls.

If there is an issue, it should be raised and discussed with the regulator upfront.

The compliance team and especially the Money Laundering Reporting Officer should participate in industry forums, which are capable of taking up different issues and representing them to the regulators.

Regulators are also taking a proactive approach and inviting consultation on regulations, which is an opportunity for the company to provide feedback and demonstrate its involvement and commitment to regulators.



*“ Compliance officers within Fintechs need to demonstrate the capability to look at compliance on a holistic basis. They need to provide comfort to the regulators that they understand the risks that the specific business brings to the table and are capable of mitigating those risks in the right manner. ”*

- Vijay Bharadwaj  
Manager, Ingenia Consultants

## TRAINING AND AWARENESS

The payments industry has made progress on awareness creation but more effort is required in terms of regular educational campaigns within the company on spreading awareness about the importance of AML/CFT controls within product, technology or engineering teams.

It is useful to include the AML discussion while onboarding employees and provide the context that they are operating in a company that places value on AML/CFT.

Senior compliance leaders must also mentor the next generation and enhance the AML/CFT programme continuously.



*“The payments industry has made progress on awareness creation but more effort is required in terms of regular educational campaigns within the company on spreading awareness about the importance of AML/CFT controls within product, technology or engineering teams.”*

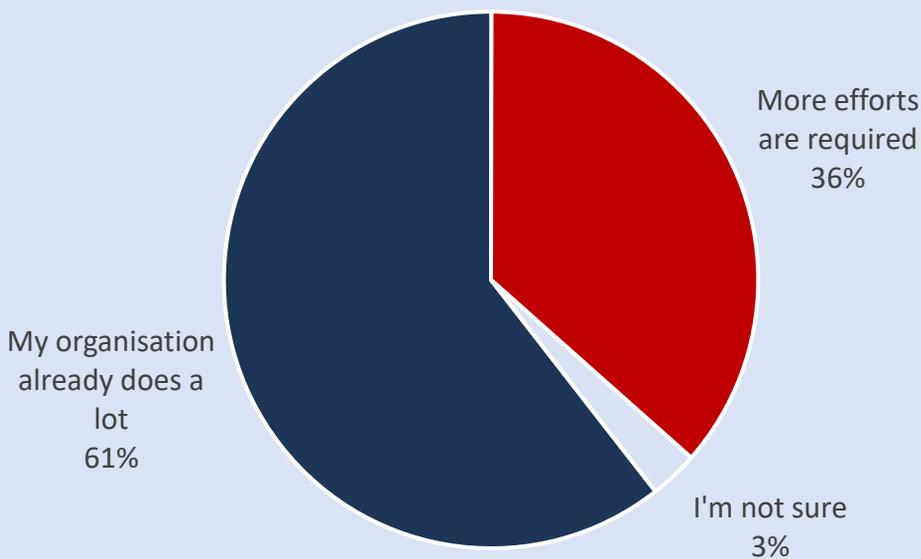
- Jyothi Mekala  
Head – Compliance, BillDesk

## TALENT DEVELOPMENT AND SKILL ENHANCEMENT

On the important issue of talent development within the organisation, a majority of the attendees (i.e. 61 per cent) indicated that they were more than satisfied with the efforts within the organisation towards talent development and skill enhancement for their AML/CFT teams.

However, there is scope for more training and outreach as 36 per cent attendees felt the need for more efforts by their organisation.

**AUDIENCE POLL:**  
**How would you rate your organisation's efforts at driving AML/CFT talent development and skill enhancement?**  
(% of respondents)





**Fintelekt<sup>®</sup>**



**ARPITA BEDEKAR**

Director – Strategy & Planning  
Fintelekt Advisory Services  
[arpita@fintelekt.com](mailto:arpita@fintelekt.com)

**MIG MORENO**

Deputy Secretary General  
Asian Bankers Association  
[mig.moreno@aba.org.tw](mailto:mig.moreno@aba.org.tw)

**Copyright 2022@ Fintelekt Advisory Services and the Asian Bankers Association**

No part of this publication may be reproduced or transmitted in any form or by any means without express written permission from the copyright holders.

**Disclaimer:**

Views expressed in this publication do not necessarily represent the views of Fintelekt Advisory Services and the Asian Bankers Association. Views expressed by individual panelists acknowledged and quoted in the report are personal opinions and do not necessarily reflect that of their employer organisations. The information contained is only a brief synopsis of the issues discussed herein. The authors make no representation as regards the accuracy and completeness of the information contained herein and the same should not be construed as legal, business or technology advice. The authors and publishers shall not be responsible for any loss or damage caused to any person on account of errors or omissions.