ANTI-MONEY LAUNDERING REGULATIONS AND THE EFFECTIVE USE OF MOBILE MONEY IN SOUTH AFRICA – PART 2*

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SUMMARY

Mobile financial services, specifically mobile money, has the potential to expand access to financial services to millions of unbanked people in South Africa. As such, it looks very promising in terms of financial inclusion. However, concerns exist that mobile money can be detrimental to financial integrity since there are several proven risk factors linked to mobile financial services. These risk factors make mobile money very susceptible to money laundering. The potential for abuse and the need for appropriate controls is therefore something which cannot be ignored.

While the South African legislator has made provision for comprehensive anti-money laundering preventative measures by means of the *Financial Intelligence Centre Act* 38 of 2001, there exists no South African legislation explicitly concerned with mobile money. It is therefore difficult to determine what the regulatory stance is in terms of mobile money in South Africa. The Financial Action Task Force (FATF) is, however, currently focusing attention on the effect which mobile money may have on financial integrity. The latest *FATF Recommendations* make provision for several anti-money laundering controls which are specifically applicable to mobile money, including controls regarding money or value transfer services and new technologies.

While it is always difficult to balance financial integrity and financial inclusion, the risk-based approach makes it possible for governments to implement effective anti-money laundering measures, thereby preserving financial integrity, without the need to compromise on financial inclusion objectives. The fact that South Africa has not

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fully adopted a risk-based approach is a problem which needs to be addressed if mobile money is to deliver on its promises for financial inclusion, without being detrimental to financial integrity.

KEYWORDS: mobile money; financial inclusion; financial integrity; risk-based approach.