



FACILITATING BANK ACCOUNT TRANSACTIONS A STEP TOWARDS FINANCIAL INCLUSION IN EGYPT

Policy Recommendations

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I.

INTRODUCTION AND EXECUTIVE SUMMARY

Despite the various initiatives and professed commitment to developing a cashless economy, Egypt still faces a critical challenge related to the prevalent use of cash, as a payment choice, for economic transactions. Thus, transforming Egypt's cash dominant economy to a cashless one continues to be a high priority. This transformation involves two dimensions: moving away from a cash dependent economy in which cash is the predominant payment instrument for settling financial and commercial transactions, and introducing modernized non-cash payment mechanisms – bank-based or electronic – thereby significantly reducing the share of cash usage in the economy.

The significance of this transformation lies in the fact that the continued use of cash for payments and settlements adversely affects economic development.

High cash usage encourages the growth of the informal economy, limits opportunities for economic units to access available funding, facilitates tax evasion, disallows low-income groups the benefits of modern financial and banking services, weakens the savings culture in society, and facilitates money laundering, the financing of terrorism, drug trafficking, and other illegitimate activities.

By contrast, transitioning to a bank-based or electronic payments system promises to help address many of these ills. A cashless economy will help encourage the formalization of the informal economy, reduce tax and customs evasion, increase financial inclusion by ensuring that financial access and services extend to the wider population, improve the efficiency of the financial system, and help in combatting financial crime and the related phenomena of money laundering and illicit activities.

Recognizing the risks and adverse effects associated with cash transactions, in 2016, with support from the Center for Private International Enterprise (CIPE), the Federation of Egyptian Industries (FEI) in partnership with the Federation of Egyptian Banks (FEB) commissioned a study to provide an in-depth analysis of the cash-dependent transactions and how best to address it. Thebes Consultancy carried out the study, which delineated the scope of cash transactions and its negative effects on the national economy and provided a detailed presentation of the risks associated with a cash-dominant economy before highlighting the benefits of transitioning to a cashless economy. Informed by the experience of other countries, the study highlighted key challenges facing Egypt in transitioning to a cashless economy and provided a comprehensive framework, including necessary banking and government regulatory reforms, to guide the gradual transition, as well as a proposed draft legislation that would facilitate the transition.

In this regard, it is important to note that the Egyptian government has demonstrated a keen interest in addressing this issue. A number of ministers representing the core economic group of Egypt's Cabinet participated in launching the study, and actively engaged in the on-going discussion. Moreover, FEI and FEB, along with the Egyptian Parliament, actively advocated for the adoption of reforms to realize this transition. In November 2016, the Supreme Council for Investment, chaired by President El-Sisi, convened and issued a number of critical decisions aimed at improving the investment climate in Egypt. Among the key decisions taken was approving the establishment

of the National Council for Payments (NCP), an important milestone that signaled the start of Egypt's move towards a cashless economy and commenced the implementation of the transition program. In February 2017, President El-Sisi issued a decree that established the National Council for Payment (NCP) and delineated the scope of its responsibilities. In fact, NCP has already issued a number of decisions and recommendations to facilitate the realization of Egypt's overarching objective of transitioning to a cashless economy, with an eye towards modernizing the payments systems and expanding financial inclusion. Revisiting the rules, regulations, and mechanisms for the opening of bank accounts was among the areas that received the immediate attention of the new council.

In the same vein, the Central Bank of Egypt (CBE) launched a number of initiatives in support of moving away from a cash dominated economy. For example, in November 2016, the CBE issued new regulations to govern mobile-based payments (the new regulations replaced earlier regulations issued in February 2010, which were amended in March 2016). In addition, in April 2017, the CBE, in partnership with Egyptian banks, sponsored an initiative to expand financial inclusion. The initiative designating the last week of April as the "Week for Financial Inclusion" with the aim of making banking services more available and accessible to a broader base of the population.

Against this backdrop, FEI and FEB, with support from CIPE, commissioned Thebes Consultancy to further explore the topic of opening bank accounts to jumpstart and accelerate the implementation of the policy recommendations contained in the 2016 study mentioned above.

The development of prudential and orderly rules and regulations for opening accounts is critically significant given the need to ensure Egypt's effective compliance with the international standards set forth for combatting money laundering, terrorist financing, and related illicit activities (e.g., drug and human trafficking). Compliance with these standards is not only necessary for maintaining international peace and

security, but also for Egypt's economic development. Accordingly, efforts to streamline banking transactions and facilitate account opening and electronic payment procedures must take into serious consideration these standards and comply with the control processes designed to protect the global and national economies.

This paper seeks to contribute to these on-going efforts by identifying the legal and regulatory reforms needed to support enabling rules, regulations and mechanisms to facilitate account opening and the conducting banking transactions. The paper adopts a comprehensive and operationally actionable approach to formulate a course of action that meets the objectives of financial inclusion (particularly the opening and operation of accounts), and at the same time, is consistent with national laws, international standards and obligations related to combatting money laundering and terrorist financing, and aligns with international best practices.

The paper provides an overview of the legal framework (the applicable constitutional provisions, the relevant laws) regulating the payments landscape in Egypt, focusing on the legal requirements pertaining to combatting money laundering and the opening and operation of bank accounts. The paper also examines CBE's efforts to regulate and promote mobile payments services and looks at the recently created NCP. The paper explores leading international experiences and concludes by offering specific actionable recommendations for reforming the laws, rules, regulations, controls and mechanisms for opening and managing bank accounts. The recommendations are presented along four main areas of intervention as follows:

■ Requirements for Establishing New Branches

- Reduce the core capital allocation requirement for new branches to promote the establishment of new branches.
- Relax the requirements for bank expansion, specifically concerning developing an annual branch expansion plan and setting a fixed date for its submission.
- Approve the opening of less costly “electronic” bank branches, which allow the customer to transact by linking to the larger branches.

■ Requirements for Account Opening

- Streamline processes for opening ordinary accounts. The required supporting documents should be limited to a personal identity document showing the place of residence, a written self-declaration specifying the nature of the individual’s business/employment, and other data required for opening an account.
- Exempt certain groups, such as university students, from account opening fees, to promote their acclimation to banking environment.

■ Requirements for Online and Mobile Banking

- Permit the creation of bank accounts with limited features that allows for transactions to be carried out directly on mobile phones. Creation of these accounts should not entail all procedures associated with opening traditional bank accounts. Information provided by the mobile user to the mobile service provider at the time of subscription should suffice. Transactions allowed on these accounts should be subject to monthly and daily limits. At the same time, current controls that require the entry of both the national identification number and the mobile number for executing any transaction through the mobile should continue.

- Allow customers to transfer funds between mobile accounts without requiring them to open bank accounts, or submit additional information than that already submitted to the mobile service provider at the time of their subscription.
- Consider allowing banks to offer a wider range of mobile banking services, such as limited credit facilities, to account holders who were subjected to the standard customer due diligence procedures. In this regard, these customers should not be required to visit the bank in-person to receive the service.
- Allow non-smart phone users access to mobile banking.

■ Requirements for Record Retention

- Include a new and specific provision in the banking law that requires banks to retain records – customer accounts and all transactions – for three years from the date of the transaction or the closure of the account. The provision should allow for the admissibility of electronically-retained records as evidence with legal ramifications for the disputing parties as long as they are retained in accordance with the CBE-approved electronic retention procedures.

II. ACCOUNT OPENING AND ANTI-MONEY LAUNDERING REQUIREMENTS IN THE EGYPTIAN LAW

The CBE has the sole responsibility for supervising the banking sector and the payments system, as well as ensuring monetary and banking stability in Egypt. The Egyptian Constitution of 2014 established the authority of the Central Bank. Article 220 of the Constitution states that “The central bank shall be responsible for developing and overseeing the implementation of monetary, credit, and banking policies, and for monitoring the performance of banks. It is exclusively entitled to issue currency. It shall maintain the integrity of the monetary and banking system, and the stability of prices within the framework of the state’s general economic policy, as regulated by law.”

More so, Law No. 88 of 2003 (Law 882003/) on the Central Bank, the Banking Sector and Money, known as the “Banking Law,” articulates the authority of the CBE with regards to the payments system and banking operations. Specifically, Article 6 of the law states that “The Central Bank shall take all measures that ensures the realization of its objectives and the discharging of its functions. It shall, in particular, have the following powers: (d) supervise the units of the banking sector (g) supervise the national payments system.” Article 56 of the same law states that “The Board of Directors of the Central Bank shall set rules for regulating and supervising banks, and the regulations related to their operations according to the provisions of this law, with due regard to international

banking norms, provided that they shall include the following: (g) the regulations for opening accounts, and for conducting banking transactions.”

To help fulfill its international commitment to combat money laundering, Egypt promulgated the Anti-Money Laundering (AML) Law, Law No. 80 of 2002. Since then, the law has been amended on a number of occasions, most recently in 2014. The Executive Regulations of the law were also amended in June 2016. The law defined money laundering and related crimes and provided the legal framework for combating it. It also established the Anti-Money Laundering and Counter Terrorist Financing Unit (AMLCTFU), via a presidential decree in 2002 (Decree No. 164 of 2002)¹. Indeed, Egypt’s current AML Law conforms to the set of 49 recommendations issued by the Financial Action Task Force (FATF). In 1990, FATF initially issued a set of forty recommendations to combat money laundering. In 2001, it expanded its mandate to deal with the issue of the funding of terrorist acts and terrorist organizations, and developed the Eight Special Recommendations on Terrorist Financing. In 2004, FATF added an additional special recommendation. These recommendations, all 49 , which were thoroughly reviewed in 2012², are universally recognized as international standards, and provide a comprehensive and basic framework of legal and oversight measures that countries must adopt for combating money laundering and countering the financing of terrorism. The FATF Secretariat is housed administratively at the Organization for Economic Cooperation and Development (OECD), which was established in 1961 to support global economic development efforts. However, the FATF and the OECD are separate organizations.

¹ Initially, the AML Law, Law No. 80 of 2002, established an Anti-Money Laundering Unit. The unit was renamed “Anti-money Laundering and Counter Terrorist Financing Unit” when the law was amended to incorporate terrorist financing as a crime to be covered under the law.

² Fatf-gafi.org. (2017). *History of the FATF - Financial Action Task Force (FATF)*. [online] <<http://www.fatf-gafi.org/about/historyofthefatf/>> (Accessed September 12 2017).

While Egypt is not a member state of the FATF, it is a member state of the regional-level Middle East and North Africa Financial Action Task Force against Money Laundering and Terrorism (MENAFATF). MENA FATF was created in 2004, as an associate member of FATF, with the prime objective of adopting and implementing the FATF Recommendations in the Middle East and North Africa Region.³

FATF standards established the essential measures that countries should have in place and implement to confront the very significant challenge of money laundering and terrorist financing. Key measures include: (1) criminalizing money laundering and terrorist financing, (2) identifying funds and other assets that are subject to confiscation, and (3) establishing the powers and responsibilities of the competent law enforcement authorities (e.g. identifying, tracing, and evaluating property that is subject to confiscation and taking provisional measures)⁴. The standards also place significant importance on the preventive measures that must be taken to ensure that secrecy or confidentiality rules and regulations do not undermine anti-money laundering efforts.⁵ Furthermore, the standards stress the importance of retaining records⁶ and outline the rules and regulations for supervising banking operations⁷. They require countries to maintain comprehensive statistics on matters relevant to the effectiveness and efficiency of their anti-money laundering and combatting terrorist financing (AML/CFT) systems⁸ and underscore the need for national laws to include criminal sanctions and effective administrative measures to counter money laundering and terrorist financing⁹.

³ Menafatf.org. (2017). *About | MENAFATF Official Websites*. [online] <http://www.menafatf.org/about>, [Accessed Sep. 12 2017].

⁴ FATF (2012-2017), *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation*, FATF, Paris, France, Recommendation 3 and 4. (www.fatf-gafi.org/recommendations.html), (accessed September 12, 2017).

⁵ *Ibid.* Recommendation 9, (accessed September 12, 2017).

⁶ *Ibid.* Recommendation 11, (accessed September 12, 2017).

⁷ *Ibid.* Recommendations 29-31, (accessed September 12, 2017).

⁸ *Ibid.* Recommendation 32. [accessed September 12, 2017].

⁹ *Ibid.* Recommendation 35. [accessed September 12, 2017].

In 2014, Egypt amended its AML Law to further bolster its fight against money laundering. The amendments redefined the crime of money laundering, broadening its scope to encompass those with knowledge that the funds emanated from an illegal activity and willfully moved or transferred its proceeds with the express purpose of concealing the funds or disguising their nature or origin, in addition to other purposes specified by the law. The amendments also distinguished between such actions and others such as the acquiring, holding, or managing of proceeds emanating from illegal activities, as it does not require specific criminal intent for the action to be defined as a crime.¹⁰ Furthermore, they broadened the scope of the AMLCTFU, adding to its original responsibilities. Besides its original responsibility for receiving notifications from financial institutions regarding suspicious transactions that may be connected to money laundering, the unit is now responsible for receiving such notifications from non-financial businesses and professions, too. Moreover, the scope of suspicious transactions was broadened well beyond money laundering concerns to include transactions that may be connected to proceeds from committing terrorist acts, financing terrorism, or any attempt to commit such acts.¹¹ The amendments added a clause that allows for the applicability of Article 98 of the Banking Law which, gives AMLCTFU the right to request the Prosecutor General to ask the Cairo Court of Appeal to issue an order to access any data or information related to bank accounts and deposits whenever this is required for crimes the perpetration of which is established by evidence.¹² In addition, the amendments gave the AMLCTFU the prerogative to take a number of measures against financial institutions for violations of the prescribed requirements. These measures range from warnings, barring the financial institution from carrying out certain operations, to requesting that the licensing authorities suspend their operations for a specified time period or revoke its operating license altogether.¹³ Prior to its amendment, in

¹⁰ Anti-Money Laundering Law 2014 (Egypt), Article 2. (In Arabic)

¹¹ Anti-Money Laundering Law, 2014 (Egypt), Article 4. (In Arabic)

¹² Anti-Money Laundering Law, 2014 (Egypt), Article 5; The Banking Law 2003 (Egypt), Article 98. (In Arabic)

¹³ Anti-Money Laundering Law, 2014 (Egypt), Article 16 (bis). (In Arabic)

the instance that a crime was committed, the law imposed penalties on the individual ultimately responsible for the management of the entity, if his/her knowledge of the criminal offense is proven, or if the crime occurred due to a dereliction of duty.¹⁴ The amendments imposed a financial penalty on the legal person – an amount not less than 100,000 EGP – in the instance that the crime was committed by one of its employees in its interest or for its benefit. Furthermore, it allowed courts to bar the legal entity from carrying out its activities for a specific time period or revoke its license altogether.¹⁵ Finally, the amendments harshened penalties, including increasing the minimum penalty from 5,000 to 100,000 EGP.¹⁶

Perhaps, one of the key features of the law is the creation of the AMLCTFU, an independent unit with a special nature. The unit's Board of Trustees is presided over by a judge, holding the rank of Deputy President of Court of Cassation or the equivalent. The Minister of Justice selects the presiding judge. The seven-member Board includes the Deputy Governor of the CBE, the deputy chairman of the Egyptian Financial Supervisory Authority, a representative of the Public Prosecution Office, a representative of the Federation of Egyptian Banks, a banking and finance expert and an expert in legal matters related to anti-money laundering and countering terrorist financing. The Prime Minister selects the latter two experts. An Executive Director manages the operations of the unit.

Over the past years, in line with Egypt's commitment to combatting money laundering and terrorist financing, the CBE's Board of Directors issued multiple directives to guide account opening and operations, customer identification and verification, and identification of the nature and purpose of transactions. AMLCTFU has contributed to the development of these guidelines, as will be discussed in the next section.

¹⁴ Anti-Money Laundering Law, 2014 (Egypt), Article 16. (In Arabic)

¹⁵ Anti-Money Laundering Law, 2014 (Egypt), Article 16. (In Arabic)

¹⁶ Anti-Money Laundering Law, 2014 (Egypt), Article 15. (In Arabic)

III.

RULES AND REGULATIONS FOR OPENING ACCOUNTS AND CONDUCTING TRANSACTIONS

The worldwide evolution of banking practices throughout history, including in Egypt, has made banking customs the cornerstone of the banking sector operations. These customs guided the manner in which banks developed rules and regulations for opening accounts and conducting transactions. For example, it was customary for banks to set their own internal policies, regulations, and standards for accepting new customers in terms of the required supporting documents and the eligibility and guarantees requirements. Long-established customs extended to many of the banking operations.

However, over the past two decades, banking operations have witnessed significant developments. Of particular interest here is the overall expansion in the supervisory responsibilities of the relevant national authorities – which are typically central banks – over banking operations. Customer identification and account transaction controls were among the areas that received special attention. This was primarily due to the successive global financial crisis that hit major financial centers, the growing concern over organized crime, particularly drug trafficking and the funding of terrorism, and the attention given to combatting these crimes and drying up their funding sources. Thus, regulating banking operations, including opening accounts and transactions, is no longer left to the discretion of the individual bank's own internal rules

and procedures. Rather, it became one of the areas that central banks worldwide are keen on regulating and supervising, as well as an area of cooperation between central banks around the world.

Similar to the practice in major financial centers, the CBE is very keen on setting out the rules and standards for account opening and transactions, in addition to carrying out its supervisory responsibilities. As noted earlier, the Banking Law, Chapter 4 of Part 2, provides explicit authority to CBE in this regard. Specifically, Article 56 states that "The Board of Directors of the Central Bank shall set the rules for overseeing and supervising banks, and the controls related to their operations... provided that they shall include, in particular, the following.... (g) the regulations for opening accounts, and for conducting banking transactions...." Furthermore, Article 57 states that "To extend credit to a customer, the bank shall ensure that it has a good reputation and its own adequate resources" Article 58 gives the Board of Directors of CBE the authority to develop "the standards that need to be met for classifying the finance and credit facilities offered by banks." Finally, Article 63 requires the board of directors of individual banks to "set the rules for providing credit to customers, the procedures that need to be followed to verify the customer's creditworthiness and the validity of the submitted information, the procedures for providing this credit, and the system for overseeing its use...."¹⁷

Towards fulfilling its mandate, the CBE developed a comprehensive "Supervisory Regulations Manual" comprising all the supervisory directives issued by its Board of Directors to all banks registered with the CBE. Chapter Four of the manual is dedicated to the controls and regulations related to the provision of credit, including the basis for assessing the creditworthiness of customers (issued on May 24, 2005).¹⁸

¹⁷ The Banking Law No. 88, 2003 (Egypt) Articles 57, 58 and 63. (In Arabic)

¹⁸ The Central Bank of Egypt, Guide Banking Supervision Regulations, Egypt, 2005, Chapter Four, P.94. <http://www.cbe.org.eg/ar/BankingSupervision/Pages/GuideBankingSupervisionRegulations.aspx> (accessed September 12 2017). (In Arabic)

Chapter Five contains all the rules and regulations related to other banking operations and products such as the anti-money laundering oversight rules and regulations (issued on May 29th, 2008 to replace the 2003 regulations).¹⁹ The chapter also includes the rules guiding electronic banking operations and electronic funds payment tools (issued February 28, 2002), along with those guiding mobile payments systems (issued on February 2, 2010).²⁰ To effectively exercise control over customer identification processes, AMLCTFU issued “Customer Identification Requirements” on March 16, 2011. The guidelines were approved during the 99th Board of Trustees meeting, and replace the February 25, 2008 guidelines.

Following are the key requirements contained in the customer identification regulations:

■ Customer Identification

- The bank must establish the identity of the customer and his/her legal status – whether a legal or natural person – in addition to the identity of the beneficial owner(s) and the correspondent banks.
- The bank must designate an anti-money laundering compliance manger.
- In situations where suspicions arise that a transaction involves money laundering, the bank must notify the competent authorities. The bank must provide the competent authorities with the following information: 1) The account opening application, 2) The customer’s identification data, and 3) Relevant documents supporting the suspicious transaction.

¹⁹ Ibid. Chapter Five, P. 3. (In Arabic) <http://www.cbe.org.eg/ar/BankingSupervision/Pages/GuideBankingSupervisionRegulations.aspx> (accessed September 12 2017). (In Arabic)

²⁰ Ibid. Chapter Five, Section 2. (In Arabic)

■ Retention of Records and Documentation

- Banks must retain customer records and documents including:
 - 1) The account opening application, 2) Copies of the identification data, 3) Copies of business correspondence, 4) Records of all transactions, 5) Unusual transactions records, and 6) Suspicious transactions records, and any action taken in response.
- Banks must retain all records, documents and reports in a secure manner, and maintain backup copies in a different place. Records must be easily accessible and retrievable.
- Records must be retained for at least five years from the date on which the account was closed.

■ Combatting Money Laundering

- Banks must identify the customer at the time of account opening.
- Banks must verify any transaction if its value exceeds 30,000 EGP, even if carried out through multiple transactions.
- Banks must verify that the transaction is carried out for the benefit of the customer registered as the account owner, and not for the benefit of another individual unknown to the bank.
- In the event doubt arises regarding the validity of information provided by the customer, the bank must contact the individual providing the information or the entity that produced the information.

Customer information must include the following:

- Full name as appearing in the identification document
- Nationality
- Date and place of birth
- Gender
- Permanent address
- Telephone number(s)
- Email address
- Profession/Occupation
- Place of work and address
- ID number
- Names of individuals authorized to transact on the account
- Names of legal representative(s) of an incompetent account owner (with diminished capacity)
- Intended purpose of the account
- Names of the real beneficiary(ies) of the account
- An undertaking by the customer of his/her commitment to update his/her data and information
- Place of residency verification document
- Place of work verification document
- A signature sample

Reviewing these requirements, two observations stand out. On the one hand, it is clear that, generally speaking, these requirements conform to the international standards in terms of the level of disclosure and transparency required for account opening and transactions. However, on the other hand, these requirements do indeed represent barriers to financial inclusion and the provision of banking services to a broad base

of citizens. These barriers are particularly significant considering the level of administrative burden they place on banks, and the material obstacles they pose to individuals who are engaged in informal work arrangements or lack a permanent place of residence, or those who are unable to easily reach bank branches in rural, remote or informal areas.

Confirming its commitment to advancing financial inclusion, and keeping up with global advancements in banking trends, the CBE launched an online and mobile financial services program which will be discussed in more details in the next section.

IV. EGYPTIAN ONLINE AND MOBILE PAYMENT SYSTEM

Over the years, Egyptian authorities, in the lead the CBE, have shown keen interest in keeping up with continuing advancement in the banking industry, such as online and mobile banking services. Although expanding electronic banking services is widely recognized as representing a step forward towards advancing financial inclusion -by reducing the costs and effort associated with providing the services; at the same time, it continues to arouse trepidation within the industry. Early on, oversight bodies in leading international financial centers have recognized the need for balancing the benefits of electronic banking and the sound oversight requirements, particularly those related to confidentiality of bank accounts on the one hand, and anti-money laundering and countering terrorist financing on the other hand.

Towards achieving this balance, the CBE issued a number of guidelines to govern the provision of online banking and mobile payment services in Egypt. The latest updates of these regulations were contained in the November 2014 “Regulations for Providing Online Banking Services in the Egyptian Banking Sector”, and the “Regulations for Providing Mobile Payment Services” issued in November 2016. In the same vein, the AMLCTFU issued “Customer Due Diligence Controls for Mobile Payment” in November 2016. All together, these regulations set the foundation for the online and mobile payment services in Egypt.

According to CBE, electronic banking transactions are defined as those “entailing traditional or new banking services provided through electronic communication channel. Access to these services is limited to subscribers who agree to the subscription terms and conditions set by banks. These services are provided through electronic channels with the purpose of allowing customers the following: 1) Access to information related to the services provided by the bank, 2) Access to a limited number of services, such as obtaining information related to their transactions and current balance, updating their information, and submitting requests for loans or credit, and 3) Request the bank to transfer funds.” A quick look at the services listed above reveals that the CBE’s definition does require the actual materialization of a banking transaction through the electronic platform for it to be considered electronic. Rather, simply requesting the transaction through the platform makes it fall within the range of what is considered electronic banking transactions. Except for the transfer of funds, concluding other transactions, such as obtaining credit or many other services, continue to rely exclusively on paperwork and require customer's face-to-face interaction with the bank.

■ Electronic payment services

The CBE has identified the following as falling under its rubric:

- Systems for issuing and managing plastic cards.
- Systems for managing automated teller machines (ATMs) and Point of Sale (POS) Terminals.
- Systems for electronic bill payment.
- Systems for funds transfers between customers’ accounts using mobile or online channels, ATMs and POS, in addition to systems for managing customers’ accounts related to the use of these services.
- Issuance of payment instruments, including electronic money.
- Other similar services.

As noted the guidelines issued by CBE detailed the requirements for both online banking and mobile payments. Following is a brief overview of these requirements, by type of platform.

■ Requirements for online banking services

To launch online services, banks need to fulfill the following requirements:

- Obtain the approval of the bank's board of director of an online banking strategy which should include an analysis of potential risks and proposed mitigation measures.
- Prepare sample contracts for services to be offered.
- Have in place adequate staff and skills to support the delivery of services.
- Obtain the approval of the board of directors for third-party outsourcing arrangements in the instance that external parties are to be involved in the provision of the service. Serious consideration must be given to ensuring that confidentiality requirements are maintained.
- Ensure the disclosure (to the CBE) of relevant information regarding the compliance of all transactions to Egyptian laws.
- Adhere to customer identification and verification requirements.

■ Requirements for online payment services

To provide online payment services, banks need to adhere to the following requirements:

- New customers (those who do not have a bank account) should not be allowed to open an account using electronic channels. Banks must adhere to the customer due diligence controls issued by AMLCTFU.

- Banks must obtain the customer's handwritten signature on all the forms and contracts containing his/her identification information, as well as the terms and conditions contained in the online banking agreement.
- Banks must identify and verify the identity of any other individual authorized to transact on the account. Banks must also verify any request to change account information.
- In the event changes to account information are made through electronic channels, the bank must ensure adherence to the customer. Authentication controls included in the relevant regulations issued by CBE.
- Banks must set daily maximum limit on the value of online funds transfer transactions, in line with the regulations of the CBE.
- Banks must have in place systems and mechanisms for protecting the confidentiality of customers' accounts and ensure the security of the systems and mechanisms. At the same time, banks must comply with the anti-money laundering and counter terrorist financing controls.
- Banks must ensure that online banking agreements comply with the requirements mandated in the guidelines issued by the CBE.

■ Requirements for mobile payment services

To provide mobile payment services, banks need to adhere to the following requirements:

- Banks must not issue electronic money units except after receiving the approval of CBE.
- Banks, licensed to provide the service, must have in place a system for managing electronic money records.
- Electronic money units may be exchanged for the equivalent value in Egyptian Pounds. Banks must not issue electronic money units in excess of the cash deposits designated for this purpose. In all

circumstances, electronic money units should not exceed 5% of the bank's issued capital or EGP 50 million, whichever is less.

- Banks must ensure adherence to customer identification and verification requirements, retain all documents related to the account in line with the mandated time period. Customer identification and verification requirements for online banking customers must also be followed with regards to all individuals who are authorized to transact on the account
- On periodical basis, banks must verify whether the owner of the mobile account is still maintaining the same mobile phone number registered in their records.
- Banks must not provide users or service providers with any credit, in any form, against the electronic money units.
- In the instance that other than the online account owner is adding funds to the account, the bank must verify the identity of the individual (s) adding the funds.
- Banks must set a maximum limit for the account balance, and also for the daily and monthly transactions. For natural persons, the daily limits for withdrawal or funds transfer should not exceed 6,000 EGP, and monthly limits should not exceed 50,000 EGP. As for the account balance, it should not exceed 10,000 EGP. That said, and in line with the November 2016 mobile payment regulations issued by the CBE, customers who were subjected to the identity verification process could be exempted from these limits. This could be understood to mean that the system allows for engaging with customers without carrying out customer due diligence. It should be noted that Chapter Four of the 2011 "Customer Identification Requirements" issued by AMLCTFU requires banks to identify and verify the identity of the customer in specific instances such as when establishing a relationship with the customer, or when conducting an occasional transaction that exceeds 30,000 EGP. This implies that there are some rare instances when banks are not required to adhere to due diligence.

- Banks must secure the handwritten signature of the customer on the online banking service agreement, except for customers who have already agreed, in writing, to the online banking system. Online banking service agreements should meet all the requirements as provided in the guidelines issued by the CBE.
- Non-bank service providers authorized by the CBE to provide mobile payment services must identify and verify the identity of the individual requesting the service. They should receive and maintain the relevant application and documentation from the requester of the service, increase consumer awareness of the service, and receive and provide cash to the customer. Service providers must forward the customer identification documents to the bank.

This short review clearly demonstrates the deliberate efforts undertaken by the CBE over the past few years. With an eye on moving toward a cashless society and advancing financial inclusion, the CBE worked on two fronts: (1) keeping up with the global trends and developments in the banking industry, specifically here, online and mobile banking, and (2) getting the right balance between making available electronic banking services, safeguarding customers' secrecy and confidentiality, and combating money laundering and terrorist financing. While these efforts are duly recognized, there remains room for improvement to facilitate electronic banking without compromising sound regulatory and oversight controls. The final section of this paper presents actionable recommendations to achieve this end.

V.

THE NATIONAL COUNCIL FOR PAYMENT

In February 2017, the President issued a decree establishing the National Council for Payments (NCP) (Decree No. 89 for 2017). The creation of NCP highlights Egypt's recognition of the importance of moving away from a cash-based economy to a new paradigm, characterized by the predominance of bank-based transactions, including electronic transactions.

The Egyptian government's interest in moving towards a cashless economy is also reflected in the mandate given to the NCP. To facilitate the delivery of the NCP's mandate, the decree gave the council the authority to make decisions regarding the development of the general structure for the national payments system and its legal and regulatory frameworks. It also gave the NCP supervisory powers over the national payments system. The main tasks that define NCP's mandate are:

- To limit the use of cash.
- To promote the use of electronic payment mechanisms.
- To develop national payments systems and the required oversight mechanisms.
- To advance financial inclusion and integrate the largest number of citizens and enterprises in the banking system.

- To reduce the cost of fund transfers.
- To increase tax proceeds.
- To provide protection to consumers of electronic payment systems.
- To enhance competitiveness among electronic payment service providers and oversee their operations.
- To ensure harmonization and complementarity among the various governmental initiatives related to developing the electronic payment systems.
- To ensure coordination between the various entities involved in the national payment landscape.
- To oversee the implementation of its decisions by the various government bodies.

The sixteen-member NCP is presided over by the President of Egypt, which can be viewed as a further indication of the national importance Egypt attaches to this council, and underscores its commitment to transitioning to a cashless economy. Membership include the Prime Minister, the Governor of the CBE, the Chairman of the Financial Supervisory Authority and the Chairman of the Administrative Control Authority, as well as the Minister of Finance, the Minister of Planning and Administrative Reform, the Minister of Communications and Information Technology, the Minister of Defense, the Minister of Interior, the Minister of Justice, and the Director of the General Intelligence Agency. The Governor of the CBE chairs the Technical Secretariat of the council, and is responsible for issuing a decree regarding its composition and modus operandi. The NCP meets at least once every three months, and all ministries and public legal persons are bound to implement its resolutions.

During its first meeting in June 2017, the NCP passed several important decisions to support transforming Egypt's cash dependent economy to a cashless one.

Key decisions included the preparation of draft to advance non-cash financial transactions. The draft law is to obligate all units of the administrative body of the state, the various services and economic public authorities and other government agencies not to use cash for settling financial obligations that exceed 20,000 EGP. It will also obligate all government agencies that provide public services to the public or manage public facilities to make available non-cash payment mechanisms to its customers. The draft law is also to provide a comprehensive vision for all government services that can be automated, and provided electronically to customers. The council also decided that the draft law is to be presented to the council within six months, and aim at its full implementation within two years. Moreover, the council decided to exempt citizens from the fees associated with opening an account for mobile payment services for one year from the date of this decision. It also decided to reduce the costs of mobile payment services by 50% for six months from the date of this decision²¹.

Moreover, the NCP put forward a number of other initiatives for discussion. Examples include an initiative to transform Egypt into a digital economy by introducing a unified smart card system-a digital services and transactions system-, and another initiative to promote electronic payments and collections related to wages, taxes, customs, and other government transactions.

²¹ Mohsen Semeika, 'Five Decisions by the National Payment Council during its first meeting chaired by President El Sisi', El Masry El Youm, June 3 2017, <http://www.almasryalyoum.com/news/details/1143307>, (Arabic) (accessed September 12 2017). (In Arabic)

VI. COMPARATIVE INTERNATIONAL PRACTICES

A comparative review of notable international practices reveals that efforts to transition to a cashless economy were, by and large, underpinned by robust efforts to advance and promote the availability and adoption of mobile financial services (MFS). These efforts can be grouped under two main categories: Mobile Banking and Mobile Money²². The first category, mobile banking, refers to the provision of banking services such as funds transfer and bills payment via mobile phone applications or online. As for the second category, mobile money, it refers to the provision of similar services through the mobile phone, however, the services are provided by non-bank institutions such as communication companies.

Over the last few years, countries' diverse experiences with moving away from cash abound. The most salient of these are highlighted and summarized below.

²² mobiThinking, 'Global mobile statistics 2014 Section G: Mobile banking and m-money; Section H: Venture capital (VC) investment in mobile, mobiForge, June 13, 2014, <https://mobiforge.com/research-analysis/global-mobile-statistics-2014-section-g-mobile-banking-and-m-money-section-h-venture-capital-vc-inve> (accessed September 12 2017).

India

India was considered one of the most cash-reliant economies, where an estimated 98% of all transactions were in cash, and 50% of the population are unbanked. However, On November 8, 2016 the government announced a demonetization initiative, eliminating two rupee notes- 86% of the currency in circulation²³. While this sudden move created a temporary deficit in the Indian economy, it also incentivized the society to develop and adopt alternative non-cash payment instruments, such as smart wallets, United payment interface (UPI), and Unstructured Supplementary Service Data (USSD)²⁴.

As for smart wallets, India features various types of these wallets, the largest is Paytm. Paytm offers its customers many features among which are:

- It is linked with a specific bank, and cannot be used by customers of other banks.
- The user is not required to have a bank account.
- The receiver is not required to have a bank account.
- Paytm sets maximum limits on monthly transactions (20,000 Rupees per transaction without Know Your Customer (KYC) vetting, and 100,000 Rupees with KYC vetting). In contrast, UPI's transaction limit is 100,000 Rupees.
- Banks are not obliged to carryout customer due diligence processes, as customers are not required to own a bank account²⁵.

²³ Wade Shepard, 'After Day 50: The Results From India's Demonetization Campaign Are In', Forbes, Jan. 3 2017

<https://www.forbes.com/sites/wadeshepard/2017/01/03/after-day-50-the-results-from-indias-demonetization-campaign-are-in/#5361e59950d1> (accessed September 12, 2017).

²⁴ Rajiv Singh, 'Banks vs mobile wallets: The slugfest begins', The Economic Times, Jan. 3 2017, <http://economictimes.indiatimes.com/small-biz/money/banks-vs-mobile-wallets-the-slugfest-begins/articleshow/56292074.cms> (accessed September 12, 2017).

²⁵ Ibid.

In contrast, UPI, another mobile payment system, allows users to instantaneously transfer funds across different banks using their mobile devices²⁶. Its key features include:

- It is not linked to a specific bank.
- The customer is required to have a bank account, but it can be used to transfer funds across an account in a different bank.
- The beneficiary is required to have a bank account, regardless of the type of bank.

The maximum limit for a transaction is 100,000 Rupees, compared to 20,000 Rupees per month through mobile wallets²⁷.

- Banks are required to conduct customer due diligence on users of the platform.
- The platform does not require entering the beneficiary information such as name, account number or the code for the branch in which the beneficiary holds an account.
- It requires beneficiaries to create a virtual payment address (VPA) for sending and receiving payments.

Finally, the USSD offers customers access to banking services using a mobile device. The platform allows users to check their balance, obtain mini statements, and make payments, even if they don't own a smartphone or have access to the internet²⁸. Key features of this platform include:

²⁶ UPI, <http://economictimes.indiatimes.com/topic/UPI> (accessed September 12, 2017).

²⁷ Rajiv Singh, 'Banks vs mobile wallets'.

²⁸ Ibid.

- It is not linked to a specific bank.
- The customer is required to have a bank account, regardless of the type of bank.
- Banks conduct customer due diligence on users of the platform.
- Customers do not need a smartphone or an internet connection to access the services.
- It can be linked with the UPI²⁹.

■ Botswana

According to some estimates, Botswana is ranked as the top African country in terms of mobile banking. According to 2014 data, approximately 45% of account holders in Botswana reported making a transaction using a mobile phone in the 12 months prior to the collection of the 2014 data³⁰.

Mobile banking services offered by Standard Bank and eWallet offered by the First National Bank of Botswana (FNB) are among the most popular and successful mobile banking services in Botswana.

The mobile banking services offered by Standard Bank allows the bank's customers to transact on the go using their mobile devices, and offers a number of banking services including viewing their balance, and mini statements, inter-account transfers, beneficiary payments and bill payments³¹. These services have the following key features:

²⁹ 'New simple USSD for feature mobile handset in 15-20 days' The Economic Times, Dec. 8 2016, <http://economictimes.indiatimes.com/news/economy/policy/new-simple-ussd-for-feature-mobile-handset-in-15-20-days/articleshow/55879181.cms> (accessed September 12, 2017).

³⁰ Joe Myers, 'Where is mobile banking most popular?', World Economic Forum, Nov 6 2015, <https://www.weforum.org/agenda/2015/11/where-is-mobile-banking-most-popular/> (accessed September 12 2017).

³¹ Stanbic Bank Botswana, [website] <https://www.stanbicbank.co.bw/botswanaMobile/personal/Self-service-banking/Mobile-banking>, (accessed September 12 2017).

- They are linked to a specific bank.
- The user is required to have an account with the bank.
- The beneficiary must have a bank account, regardless of the type of bank. The beneficiary name and account number must be entered into the system³².
- The bank conducts customer due diligence for customers using the service.
- Customers do not need a smartphone or an internet connection to access the services.

Likewise, eWallet offered by FNB allows customer access to similar services such as viewing their balance, and mini statements, and making bill payments. However, Wallet allows customers an additional service-the instantaneous transfer of funds to others who have mobile devices³³. eWallet key features include:

- It is linked to a specific bank.
- The user is required to have an account with the bank³⁴.
- The beneficiary is not required to have a bank account³⁵.
- There is a low maximum limit for transferable funds³⁶.
- Customers do not need a smartphone or an internet connection to access the services. Services could be accessed through dialing a designated phone number.

³² Ibid.

³³ First National Bank of Botswana, [website] <https://www.fnbbotswana.co.bw/index.html>, (accessed September 12 2017).

³⁴ Ibid.

³⁵ Ibid.

³⁶ Ibid.

In March 2016, the FBN expanded the scope of its mobile banking by launching eWallet Bulk Payments service. The services target businesses, commercial and corporate customers. Its key advantage is that it allows customers who own business accounts to pay multiple recipients simultaneously³⁷.

■ Brazil

Across the mobile banking applications landscape world-wide, Brazil leads the way³⁸. According to a 2017 survey carried out by Brazilian Federation of Banks (Febraban), mobile banking has become Brazil's preferred channel for banking operations and already accounts for one-third of all transactions made in the country³⁹. Brazil witnessed a significant increase in the share of mobile banking in all banking transactions across the country. While in 2012, mobile banking accounted for less than 1% of all banking transactions, it currently accounts for 21% of 51 billion operations that take place across the 17 largest banking institutions in Brazil⁴⁰.

The Brazilian Banco Itaú Unibanco, the largest bank not only in Brazil but also in Latin America, introduced one of the most innovative digital banking applications, placing it top on the list of best banking applications⁴¹. The bank contracted Kony Solutions, a US-based

³⁷ Thusoyaone Sechele, 'Botswana: FNB Launches Ewallet Payment Solution', All Africa, March 10 2016, <http://allafrica.com/stories/201603110216.html> (accessed September 12 2017).

³⁸ TOP 10 BANKING APPS WORLDWIDE – BRAZILIAN BANKS LEAD THE WAY, Decodeapps [website], September 12 2017, <http://www.decodeapps.com/top-10-banking-apps-worldwide-brazilian-banks-lead-the-way/>, (accessed September 12 2017).

³⁹ Lisa Alves, 'Mobile Banking Reaches One-Third of All Transactions in Brazil', The Rio Times, May 11 2017, <http://riotimesonline.com/brazil-news/rio-business/brazilians-embrace-mobile-banking-operations/> (accessed September 12, 2017).

⁴⁰ Angelica Mari, 'M-banking grows 138 percent in Brazil', ZDnet, [website], June 2 2016, <http://www.zdnet.com/article/m-banking-grows-138-percent-in-brazil/>, (accessed September 12, 2017).

⁴¹ Decodeapps, 2017.

leading mobility solutions enterprise, to assume the responsibility for the mobile banking applications⁴². This confirms a general trend noted in Brazil- an increase in the investment of banks in information technology. In fact, on the basis of the Gross Domestic Product ratio, Brazil ranks 7th in information technology investments in the banking sector⁴³.

While the services provided by Banco Itaú Unibanco are in essence similar to services provided by other banks (e.g., viewing balances and mini statements, bill payments, and other services), the bank, however, provides some innovative services. For example, the bank offers a customer-banker digital interaction service which, does not require the customer to go to a physical branch⁴⁴. Perhaps the major difference that distinguishes the bank lies in its approach to technology utilization in providing its services. This is particularly evident in the two areas: cybersecurity risk mitigation, and financial inclusion, through expanding its customer base. That said, while the bank excels in the cybersecurity angle, however, the expansion in its customer base did not include a greater number of low-income individuals, as access to its services depends on the availability of a smart phone.

⁴² The Payers, Banco Itau Unibanco selects Kony for mobile platform, [website], 2012, <https://www.thepayers.com/mobile-payments/banco-itau-unibanco-selects-kony-for-mobile-platform/749197-16> , (accessed September 12 2017)

⁴³ Deloitte. (2016). Usage of digital channels in the banking industry grows fast in Brazil [Press release], <https://www2.deloitte.com/content/dam/Deloitte/br/Documents/financial-services/DeloitteBrazil-FebrabanSurvey-PressRelease.pdf> (accessed September 12 2017).

⁴⁴ Technology and Operations Management,[website], How Itaú Unibanco is driving digital transformation in the financial services industry, November 17 2016, <https://rctom.hbs.org/submission/how-itau-unibanco-is-driving-digital-transformation-in-the-financial-services-industry-2/> (accessed September 12 2017).

VII. RECOMMENDATIONS FOR DEVELOPING EGYPT'S BANK ACCOUNT SYSTEM

Financial inclusion and going cashless are complex and multidimensional concepts. While at some level they could be treated as separate objectives; integrating those, promises sustainable strides in both directions.

It is important to point out that the aim of this paper was not merely to provide a review and analysis of issues related to the concepts of financial inclusion and a cashless economy. Rather, the primary aim of this effort was to provide actionable recommendations to help inform and advance current efforts in two critical areas: financial inclusion and going cashless. Specifically, the paper aimed at supporting current financial inclusion efforts pursued by the government and contributing to expanding access to financial services to the largest segment of society. At the same time, it aimed at advancing the shift to a cashless economy, where banking and electronic payments dominate the economy, thus promoting transparency, efficiency and contributing to the fight against tax evasion, money laundering, terrorist financing and other organized crimes.

To achieve this, the paper focused on addressing key issues relevant to both objectives. It addressed the legal, regulatory and supervisory framework for opening bank accounts and conducting transactions, and presented the latest developments in the banking landscape, specifically

the creation of the NCP. The paper also gave an overview of the online and mobile banking initiatives launched by the CBE, and provided a comparative review of leading international experiences that aimed at expanding the reach of banking services to the wider population.

Against this backdrop, a number of recommendations to expand financial inclusion and promote the move to a cashless economy were developed. These recommendations, presented below, were formulated in a manner that takes into account a number of considerations that warrant particular attention. Thus, the recommendations do not contravene any essential legal or regulatory controls designed to maintain market stability and protect the banking secrecy/confidentiality of customers, and at the same time, they support current efforts to combat money laundering and terrorist financing.

The recommendations are grouped under four main headings as presented below. It is hoped that these recommendations can contribute to achieve the goals of financial inclusion and cashless economy.

■ Requirements for Establishing New Branches

Establishing and registering new bank branches are regulated by the Banking Law (Articles 32 and 33) and its Executive Regulations (Articles 7 and 8).

To establish a new branch, the law requires the mother bank to obtain the approval of the Board of Directors of the CBE prior to embarking on establishing the branch or to the commencement of banking business. The Executive Regulations of the law provide further details, stipulating that “the request for establishing branches.... for already existing banks in Egypt should be submitted to the CBE to receive preliminary approval. The request should be presented to the Board of Directors of CBE to take a decision. A bank that receives the preliminary approval for establishing a branch.....should submit a request to register the branch.”⁴⁵

⁴⁵ The Banking Law No. 88, 2003 (Egypt), Executive Regulations, Article 8. (In Arabic)

To register a bank, Article 32 of the Banking Law stipulates that “Any establishment desiring to exercise bank business shall be registered in a special register prepared for this purpose at the Central Bank following the approval of its Board of Directors..... the branches and agencies of the licensed bank shall be recorded in the above-mentioned register....⁴⁶”. Furthermore, Article 33 of the law stipulates “The registration application shall be submitted to the Central Bank, after paying a fee of seven thousand Egyptian pounds for each branch or agency. The proceeds of these fees shall be deposited in the Regulation and Supervision Fees Account at the Central Bank. A decision of the Board of Directors of the Central Bank shall be issued, regulating this account and the rules of spending.⁴⁷”

In light of this, on June 3, 2008 the Board of Directors of the CBE issued a directive containing the regulatory guidelines that should be observed by banks when requesting the establishment of new branches. The CBE noted that in applying these guidelines, a certain degree of flexibility will be observed, and facts and circumstances of each case will be considered⁴⁸. These guidelines cover three main aspects to be considered in deciding on a request for establishing a new branch: standardization, evaluative, and regulatory. The first aspect concerns the setting of a maximum limit on the number of branches that any bank can establish. This limit is commensurate with the bank’s core capital, and a bank needs to meet the core capital allocation requirement for new branches- 20 million EGP for each branch. As for the second aspect, it focuses on compliance- the extent to which the bank complies with laws and oversight regulations pertaining to a range of issues including, the minimum capital adequacy ratios requirements, the criteria for assessing the creditworthiness of customers, and the existence of a

⁴⁶ The Banking Law No. 88, 2003 (Egypt) Article 32. (In Arabic)

⁴⁷ The Banking Law No. 88, 2003 (Egypt) Articles 33. (In Arabic)

⁴⁸ The Central Bank of Egypt, Guide Banking Supervision Regulations, Egypt, 2005, Chapter One, P. 13, <http://www.cbe.org.eg/ar/BankingSupervision/Pages/GuideBankingSupervisionRegulations.aspx> (accessed September 12 2017). (In Arabic)

business plan, approved by the bank's board of directors and submitted to the CBE for consideration. In particular, the business plan should address a number of specific elements, which include a needs assessment for the establishment of the new branches, in other words consideration should be given to establishing new branches in "underserved areas, or areas that lack adequate banking services from competing banks, giving priority to establishing branches outside Greater Cairo and Alexandria." The last aspect, the regulatory, deals with procedural matters such as the date of submitting requests for establishing new branches (September of each year), and the documents and relevant information that banks need to include in their request.

Given that some population groups, particularly those living in rural, remote or slum communities, face logistical and financial difficulties in reaching many of the branches, it is recommended that some of these requirements be reconsidered, particularly for small banks. This should allow banks to geographically expand and will facilitate access to its customers. Specifically, the following is recommended:

- Reduce the core capital allocation requirement for new branches to promote the establishment of new branches.
- Relax the requirements for bank expansion, specifically with regards to developing an annual branch expansion plan and setting a fixed date for its submission.
- Approve the opening of less costly "electronic" bank branches which allow the customer to transact by linking to the larger branches.

■ Requirements for Account Opening

The paper provided a detailed overview of the requirements for opening bank accounts. As shown, the requirements are in line with the anti-money laundering and terrorist financing controls. Still, there are a number of requirements that can benefit from some streamlining without compromising any of the sound control requirements. Specifically, the following is recommended:

- Streamline processes for opening ordinary accounts. The required supporting documents should be limited to a personal identity document showing the place of residence, a written self-declaration specifying the nature of the business/employment of the individual, and other data required for account opening.
- Exempt certain groups, such as university students, from account opening fees to encourage the banking habit among them.

■ Requirements for Online and Mobile Banking

- Permit the creation of limited features/ transactions bank accounts directly on the mobile phone. Creation of these accounts should not entail all procedures associated with opening traditional bank accounts. Information provided by the mobile user to the mobile service provider at the time of subscription should suffice. Transactions allowed on these accounts should be subject to monthly and daily limits. At the same time, current controls that require the entry of both the national identification number and the mobile number for executing any transaction through the mobile should continue.
- Allow customers the transfer of funds between mobile accounts without requiring them to open bank accounts, or submit additional information than that already submitted to the mobile service provider at the time of their subscription.
- Consider allowing banks to offer wider range of mobile banking services, such as limited credit facilities, to account holders who were subjected to the standard customer due diligence procedures. In this regard, these customers should not be required to visit the bank in-person to receive the service.
- Allow non-smart phone users access to mobile banking.

■ Requirements for Record Retention

Oversight decisions issued by the CBE and the AMLCTFU require banks to retain records of accounts and all transactions for a period of time mandated by the law. Both the requisite format for retaining records, and the retention period as prescribed in the civil and commercial law create significant burdens and costs on banks. Costs associated with these record retention obligations are reflected in higher service delivery costs, and thus they limit the ability of banks to attract new customers in large numbers. Specifically, the following is recommended:

- Include a new and specific provision in the Banking law that requires banks to retain records- customer accounts and all transactions- for three years from the date of the transaction or the closure of the account. The provision should allow for the admissibility of electronically-retained records as evidence- with legal ramifications for the disputing parties-as long as they are retained in accordance with the CBE-approved electronic retention procedures.