

## **Regulatory Framework Harmonisation and Fraud Prevention**

### **Background**

Across the African continent, financial systems are becoming increasingly interconnected, driven by regional trade agreements, cross-border banking, fintech expansion, and digital financial services. However, the regulatory environment governing financial services remains fragmented. Each country, except the countries in the West African Economic and Monetary Union (WAEMU), operates under distinct laws, compliance standards, supervisory practices, and enforcement mechanisms.

This lack of harmonisation presents a significant challenge, especially in the area of fraud prevention. Fraudsters exploit regulatory gaps, weak cross-border coordination, and inconsistencies in compliance and oversight to perpetrate financial crimes. While regional bodies such as the African Union, ECOWAS, and others have made strides in fostering regulatory cooperation, practical implementation remains uneven and slow.

As digital financial services expand and fraud schemes grow in sophistication, the urgency to harmonise regulatory frameworks across African jurisdictions becomes more pressing. A coordinated regional approach will not only enhance compliance, supervision, and fraud deterrence, but also promote market confidence, financial stability, and inclusive growth.

### **Solution Category 1: Unified Customer Due Diligence Framework**

#### **Overview**

To address cross-border fraud risks and promote regulatory convergence, this solution aims to create a harmonised customer due diligence (CDD) framework across key West African jurisdictions by identifying overlaps, gaps, and best practices in CDD and Enhanced Due Diligence (EDD) requirements.

#### **Specific Solution**

##### **1. West African Baseline CDD Policy Guideline Draft**

- Develop a standardised KYC guideline based on the comparative mapping of CDD/EDD requirements from representative nations e.g Nigeria, Ghana, Senegal, and Côte d'Ivoire.
- The guideline will reflect:
  - Common CDD/EDD elements (e.g., ID verification, PEP screening, transaction monitoring)
  - Best-in-class practices drawn from jurisdictions with the highest regulatory standards
  - Flexibility for localised adaptation by national regulators
- It will serve as a voluntary regional standard or model policy for harmonised compliance across financial institutions and regulators.

## 2. Implementation of a Unique Reference Code for Cross-Border Transactions ○

Introduce a region-wide transaction reference system where all cross-border financial transactions are tagged with a unique identifier.

- This reference code would:
  - Enhance traceability of cross-border fund flows
  - Enable fraud monitoring and auditability across jurisdictions
  - Facilitate real-time transaction validation between regulators, FIUs, and financial institutions
- Could be anchored on existing systems such as SWIFT codes, or regional payment switches (e.g., PAPSS by Afreximbank)

## 3. Systematic Mapping of CDD/EDD Requirements

- Continue with a detailed analysis of existing AML/CFT rules across the four countries, focusing on:
  - Onboarding processes
  - Beneficial ownership transparency
  - EDD triggers and processes
  - Risk categorisation and ongoing monitoring
- Identify:
  - Areas of alignment to build on
  - Regulatory inconsistencies to address
  - Opportunities for standardisation

### Feasibility

- **High feasibility** due to:
  - Availability of regulatory documentation and international benchmarks (e.g., FATF)
  - Willingness of regional bodies (e.g., GIABA, ECOWAS) to support integration
  - Existing technological infrastructure to support a unique reference system (e.g., PAPSS, NIBSS, GIP)

### Regulatory Fit

- Complies with:
  - FATF Recommendations 1, 10, 13, 16 & 22 (CDD, wire transfers, correspondent banking and risk-based approaches)
  - Regional financial integrity goals under GIABA and ECOWAS
- Supports enhanced cross-border supervisory collaboration and information exchange

### Solution Category 2: Unified Frameworks on Data Sharing

#### Overview

Effective fraud prevention in the West African region is heavily reliant on timely, secure, and consistent sharing of financial intelligence across jurisdictions. However, differences in data privacy laws, reporting formats, and technological infrastructure create significant barriers to

regional collaboration. This solution proposes the development of a unified data-sharing framework that enables interoperability between Financial Intelligence Units (FIUs) and financial institutions while ensuring compliance with global data protection standards.

## **Specific Solutions**

### **1. Standardised Data Elements for STRs and Financial Intelligence**

- Define a core set of harmonised data fields that must be included in:
  - Suspicious Transaction Reports (STRs)
  - Cross-border transaction alerts
  - Regulatory returns
- Standard elements would include:
  - Transaction ID
  - Beneficiary and originator names
  - Amount and currency
  - Account numbers
  - Transaction timestamp
  - Common identifiers (e.g., Entity IDs, Institution Codes)
- Purpose: To facilitate data interoperability and enable automated analytics and risk profiling across jurisdictions.
- Align with standards such as Egmont Group's STR templates, FATF guidance, and ISO 20022.

### **2. Regional Policy on Data Protection and WADP Alignment**

- Define a common regional policy framework on data privacy that reflects the core principles of the EU GDPR, such as:
  - Lawful basis for data sharing
  - Data minimisation
  - Cross-border data transfer safeguards
  - Data subject rights (where applicable)
- Ensure the policy supports:
  - FIUs and regulators in legally exchanging intelligence