



CALL FOR PROPOSALS

Money Laundering Risks Facing Third-party Payment Providers - Counter Policies & Measures

The SWIFT Institute invites proposals for research on the money laundering risks facing third-party payment providers (e.g. internet payment services, etc.), and the policies and measures used to counter those risks.

Since the establishment of the first third-party payment company in the United States in 1996, this industry has developed rapidly, especially for online transactions and in emerging economies. China for example, saw its electronic payment industry yield a transactional value of 576.6 billion yuan (approx. 94.5 billion USD) in 2009, rising to 5,372.9 billion yuan (approx. 880.8 billion USD) in 2013.

The fast development of third-party payments has greatly facilitated business and improved quality of livelihood, thereby helping to boost overall development of the economy. Regulatory requirements relating to third-party payment providers, however, have been slower to develop. Providers in this space are not (usually) deemed to be banks, and are therefore not subject to full banking regulations. Changes are being seen, however, such as the recent proposal in the United States by the CSBS (Conference of State Bank Supervisors) of a regulatory framework for virtual currency activities. A prison sentence was also recently handed out to a former Bitcoin Foundation board member for involvement in an unlicensed money transmitting business.

The anonymity afforded by third-party payments has brought with it increased risk of money laundering and terrorist financing, as well increased opportunities for gambling, fraud and phishing, amongst other illegal activities. FATF (Finance Action Task Force) recommends that anonymity be mitigated by third-party providers implementing robust identification and verification procedures. How far are such recommendations being implemented? To what extent are third-party providers subject to AML / CFT legislation?

Despite its rapid growth, this is still a new and emerging industry. As such it brings with it new risks from illegal activities. What are these risks and what measures are being put in place to mitigate them? Is this enough or are more mitigation measures required?

Research proposals can be theoretical or empirical, and should seek to address some of the following questions:

- What is the status of the global third-party payments industry? Who are the players? What are the differing types of players? What technologies are used to facilitate third-party payments, whether independently or in cooperation with banks (e.g. mobile, NFC, distributed ledger, etc.)?
- What role does the third-party payments industry play in the development of a country's e-commerce and macro-economy? What is its position in the overall global economy?



CALL FOR PROPOSALS

- What are the risks of money laundering and terrorist financing in the third-party payment industry? What measures already exist to mitigate these risks?
- What is the role of regulation in the third-party payments industry? What legislation exists to mitigate the risks of money laundering and terrorist financing in the industry and what are the shortfalls? How do / should regulators coordinate with each other to provide effective regulation across borders? How can third-party payment providers comply with regulations that may differ from one country to another?
- From an emerging economy like China where third-party payments are proliferating, what lessons can be learned relating to AML / CFT?
- What non-legislative measures exist to help strengthen the AML / CFT capabilities of third-party payment providers? What is still required? What role, if any, does business intelligence based on big data and cloud computing have?

Grant & Working Paper

A grant of EUR 15,000 will be awarded to the author of the selected proposal. 50% will be paid immediately; the remaining 50% will be paid on acceptance of a working paper.

Research Completion Deadline and Presentation

The successful applicant must complete the research and submit a working paper by August 2015. The author may be requested to present the research at a global financial industry conference to be held mid-October 2015.

Proposal Submission

Please submit your research proposal as follows:

1. CV / bio including education, work history, research experience, publications, etc.
2. Description of your research project (2,500 words maximum) to include the following:
 - Objective of your research
 - Methods by which you intend to undertake your research
 - Timeframe by which you intend to complete your research
3. By email in MS Word or pdf.

Deadline: Proposals must be submitted no later than 11 February 2015.

Email: Send submissions to: nancy.murphy@swift.com