

A Review of the MFS Regulatory Framework to Control IFF in Bangladesh

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ABSTRACT Mobile financial services (MFS), with their focus on technology and ease of use, have emerged as a novel approach for developing countries to address the problem of adopting best practices to promote financial inclusivity. However, if there are no effective regulations or guidelines in place on a national and international level, the purpose of achieving full financial inclusion and the Sustainable Development Goals might go in vain. For instance, to prevent illicit financial flow (IFF) and ensure that this financial system operates properly, the central bank of Bangladesh, one of the world's fastest-developing nations, implemented the most recent MFS rule. However, a number of MFS-related fraud incidents have prompted scholars to critically assess the Bangladesh Bank's (BB) MFS regulatory system with a focus on the efficiency of IFF prevention. This study has demonstrated that the current regulatory system has a weak KYC verification system using a comparative methodology. Following that, if someone has access to someone's personal information, they also have access to their MFS accounts. In general, the current MFS adheres to a risk-based regulatory paradigm that forces regulators to wait until a hazard occurs and limits them to this legal framework. Policy makers would then be advised by this study to implement a smart regulatory approach in order to establish a climate that is anti-IFF.

KEYWORDS *Mobile finance, MFS, Financial policy, Illegal finance, Bangladesh*

1. Introduction

The advent of Mobile Financial Services (MFS) as a type of digital banking in financial transactions over the past ten years has significantly impacted plans for financial inclusion and resilience-building in both developed and developing nations. Since such services encourage rapid contactless financial relationships, they have played a critical role in reducing the financial shock in formal

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financial services in the fight against pandemics like Covid-19.¹ Particularly since the second wave of the COVID-19 pandemic, there has been a significant shift in the way money is transacted around the globe, which Hasan and Sony (2023)² refer to as “digital revolutions in the financial sectors”.

In line with such development, the World Bank estimates that by 2021, 76% of young people worldwide would have bank accounts with mobile services, up from 68% in 2017 and 51% in 2015. 40% of individuals in low- and middle-income nations (with the exception of China) only began trading in the physical or online market after the epidemic by using a card, phone, or other similar electronic device.³ Online bill payment is becoming more common with MFS accounts.

Accordingly, the statistics reveals that getting a payment into an account rather than cash can encourage people to use the formalized banking system, as 83% of those who received digital payments subsequently used their accounts to send digital payments⁴. The banking ecology was expanded as nearly two-thirds of users utilized their accounts for managing their cash flow and roughly 40% for saving.⁵ Likewise, in developing countries, 36% of people currently receive a wage, a public payment, a payment from the sale of farm products, or a domestic remittance through an MFS account.⁶

In contrast to other regions, South Asia has experienced long-term stability in the region’s adult account ownership rate (68%) since 2017.⁷ Digital literacy was a crucial factor in early pandemic culture, according to Afroze and Rista (2022)⁸, as customers felt more at ease with traditional financial systems than MFS. The situation has changed, nevertheless, as a result of the pandemic’s initial shock and widespread ICT adoption. For instance, between September 2022 and October 2022, compared to conventional transactions, 8.74% new users of MFS have been listed by the Bangladesh Bank (BB) (2022) in all kinds of transactions in Bangladesh.⁹ Likewise, the inward remittance flow, Utility Bill Payment (P2B), Merchant Payment, Government Payment via MFS have

¹ Md Kamrul Hasan, and M. M. Abdullah Al Mamun Sony, “Covid-19, Social Change, and Society 5.0,” in *The Palgrave Handbook of Global Social Change*, eds. Rajendra Baikady, S.M. Sajid, Varoshini Nadesan, Jaroslaw Przeperski, M. Rezaul Islam, and Jianguo Gao (Cham: Palgrave Macmillan, 2023), 1–19.

² Ibid.

³ The World Bank Group, “COVID-19 Drives Global Surge in use of Digital Payments,” <https://www.worldbank.org/en/news/press-release/2022/06/29/covid-19-drives-global-surge-in-use-of-digital-payments>.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ Dilruba Afroze, and Faria Islam Rista, “Mobile financial services (MFS) and digital inclusion—a study on customers’ retention and perceptions,” *Qualitative Research in Financial Markets* 14, no. 5 (2022): 768-785.

⁹ Bangladesh Bank, “Mobile Financial Services,” *Bangladesh Bank*, <https://www.bb.org.bd/en/index.php/financialactivity/mfsdata>.

increased by 4.95%, 4.82%, 7.56%, and 6704.41% respectively.¹⁰ Observing such growth Statista (2023)¹¹ projected the market value of digital finance would be worth \$10.85 billion and \$ 20.73 billion by the end of 2023 and 2027 respectively with the annual growth rate of 17.57%.

Nonetheless, over the past few years, several scholars and financial investigators (i.e., Childs et al. (2020)¹²; Goldman et al. (2017)¹³; Herkenrath (2014)¹⁴; Tropina (2016a, 2016b)^{15, 16}) have expressed suspicion about this development by speculating on the likelihood of illicit financial flow (IFF) facilitation via this digital platform. For illustration, focusing on the connection between IFF and digital transformation (DT), Tropina (2016a)¹⁷ highlighted certain aspects of the strong relationship between these two overarching concepts in a World Bank fact sheet. One of the most significant areas of the IFF and DT link observed by Tropina (2016a)¹⁸ is illegal money procurement, which is produced and perpetuated via fraudulent online platforms and due to the weak legislative measures.

Further, Tropina (2016a)¹⁹ speculated that if digital financial transactions like m-banking, crypto-currencies, electronic transfers, e-commerce services, and digital gambling services functioned together, then a number of potential windows would be accessible for illicit financial sources and for the unauthorized transmission of money from legal sources. According to this perspective, Joveda et al. (2019)²⁰ questioned if Bangladeshi banking industries could combat cyber laundering under the current regulatory framework. In light

¹⁰ Bangladesh Bank. “Mobile Financial Services,” <https://www.bb.org.bd/en/index.php/financialactivity/mfsdata>.

¹¹ Statista. “Digital Payments – Bangladesh,” <https://www.statista.com/outlook/dmo/fintech/digital-payments/bangladesh#key-market-indicators>.

¹² Andrew Childs, Coomber Ross, Melissa Bull, and Monica J. Barratt, “Evolving and Diversifying Selling Practices on Drug Cryptomarkets: An Exploration of Off-Platform ‘Direct Dealing’,” *Journal of Drug Issues* 50, no. 2 (SAGE 2020): 173–190.

¹³ Zachary K Goldman, Ellie Maruyama, Elizabeth Rosenberg, Edoardo Saravalle, and Julia Solomon-Strauss, “Terrorist use of virtual currencies,” *Center for a New American Security*, <https://www.cnas.org/publications/reports/terrorist-use-of-virtual-currencies>.

¹⁴ Marc Herkenrath, “Illicit financial flows and their developmental impacts: An overview,” *International Development Policy Revue internationale de politique de développement* 5, no. 3 (2014): 1–17.

¹⁵ Tatiana Tropina, “Do digital technologies facilitate illicit financial flows?,” Washington, DC: World Bank, 2016a. <http://dx.doi.org/10.1596/23803>.

¹⁶ Tatiana Tropina, “The nexus of information technologies and illicit financial flows: phenomenon and legal challenges,” *ERA Forum* 17, no. 3 (2016): 369–384.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Nahid Joveda, Md Tarek Khan, and Abhijit Pathak, “Cyber laundering: a threat to banking industries in Bangladesh: in quest of effective legal framework and cyber security of financial information,” *International Journal of Economics and Finance* 11, no. 10 (2019): 54–65.

of this new industrial growth, such considerations therefore typically encourage policymakers in third world countries to reconsider their current strategies.

Moreover, many risks exist for the safe and effective deployment of MFS, including operational risks related to security, system design, implementation, and maintenance, legal risks, strategic risks, branding risks, credit risks, market risks, and liquidity concerns.²¹ Among these issues, the legal concerns that are the focus of this study are still being thoroughly researched, since inadequate legal protection may make money laundering easier.²² For example, despite BB introducing a new MFS regulation policy in February 2022, one in ten MFS customers in Bangladesh was found to be a victim of MFS fraud.²³

Alongside, Mithu (2022)²⁴ has projected that each individual generally suffers losses of between 9000 and 10000 BDT, or from 84.33 to 93.70 USD (based on the currency rate as of February 1, 2023) via MFS, which is likely to be siphoned off from Bangladesh. As substantiation, the Criminal Investigation Department (CID) of Bangladesh stated in a press briefing that during the course of the previous year, utilizing only MFS, BDT 75,000cr, or eight billion USD, were laundered from Bangladesh through Hundi operators.²⁵ Mohammed Ali, the head of the CID, remarked during the same briefing:

...the 16 arrestees laundered Tk 20.70 crore in the past four months, and with the estimate some 5,000 MFS agents might have laundered Tk 25,000 crore through hundi, thereby amounting to Tk 75,000 crore in a year.

Along the same lines, it has also been estimated that between 2015 and 2020 about 49.65 billion USD was siphoned off overseas from Bangladesh through commercial illicit financial flows.²⁶ Similarly, about 66 cases of IFF have been listed by CID only in the last year, whereas over the past 20 years, 752 cases

²¹ Mahbub Rahman, Nilanjan Kumar Saha, Md Nazirul Islam Sarker, Arifin Sultana, and Prodhan AZMS, "Problems and prospects of electronic banking in Bangladesh: A case study on Dutch-Bangla Bank Limited," *American Journal of Operations Management Information Systems* 2, no. 1 (2017): 42–53.

²² Ibid.

²³ Ariful Islam Mithu, "Rate of MFS fraud victims is higher among the highly educated," *The Business Standard*, <https://www.tbsnews.net/features/panorama/rate-mfs-fraud-victims-higher-among-highly-educated-401222>.

²⁴ Ibid.

²⁵ TBS Report, "Hundi traders laundered Tk75,000cr in a year via MFS: CID," *The Business Standard*, <https://www.tbsnews.net/bangladesh/crime/hundi-traders-laundered-some-tk25000-crore-past-4-months-thru-mfs-cid-492410>.

²⁶ The Financial Express, "\$49.65b siphoned off from Bangladesh in six years: GFI," *The Financial Express*, Trade, <https://thefinancialexpress.com.bd/trade/4965b-siphoned-off-from-bangladesh-in-six-years-gfi1639797327#:~:text=Over%20US%2449.65%20billion%20has,laundrying%20betwe en%202009%20and%202015>.

have been listed by law enforcement agencies.²⁷ The MFS regulatory framework (MFS RF) in Bangladesh ought to be re-evaluated in light of this circumstance.

A regulatory framework can be understood as a legal instrument to regulate any system to ensure the proper functioning of that system.²⁸ The importance of regulatory frameworks as a safeguard for a nation has long been recognized. The effectiveness of the state-owned digital regulating system has been stressed by academics from a wide range of disciplines. A regulatory framework, for instance, has been underlined by Larionova and Shelepov (2021)²⁹ as being important for international public policy; nevertheless, it is equally important at the national level, notably for IFF protection. The regulatory framework in the context of MFS generally maintains stability from formal non-banking agents to banking actors, securing a formal financial channel in a non-formal manner.

MFS regulations have evolved in a distinctive manner; in some, regulators have proactively defined e-money operating restrictions, while in others, they have responded to belatedly emergent risks in the new economic structure.^{30, 31, 32} A difficulty, for instance, which a regulator faces in every case is adjusting to a new financial service system that is unrelated to traditional financial institutions and generates potential dangers to both customers and financial stakeholders with a wider flow of cash throughout the MFS ecosystem.^{33, 34, 35}

However, over the past couple of years several researchers (e.g., Kim et al. (2018)³⁶; Lee et al. (2012)³⁷; Mpofo (2022)³⁸; Ouma Shem et al. (2017)³⁹;

²⁷ Asaduzzaman, "Investigations into money laundering cases drag on," *Prothomalo*, 22 January 2023, Cime, <https://en.prothomalo.com/bangladesh/crime-and-law/rw0oqq2ppk>.

²⁸ Ambareen Beebeejaun, and Dulloo Lubnaa, "A critical analysis of the anti-money laundering legal and regulatory framework of Mauritius: a comparative study with South Africa," *Journal of Money Laundering Control* 26, no. 2 (2023.): 401–417.

²⁹ Marina Larionova, and Andrey Shelepov, "Emerging Regulation for Digital Economy: Challenges and Opportunities for Multilateral Global Governance," *International Organisations Research Journal* 16, no. 1 (2021): 29–63.

³⁰ Ross Buckley, Jonathan Greenacre, and Louise Malady, "The regulation of mobile money in Malawi," *Washington University Global Studies Law Review* 14, no. 3 (2015): 435–497.

³¹ Ceyla Pazarbasioglu, Alfonso Garcia Mora, Mahesh Uttamchandani, Harish Natarajan, Erik Feyen, and Mathew Saal, "Digital financial services," *World Bank Group*: 1–54. Last modified August 2020.

³² Upkar Varshney, "The regulatory issues affecting mobile financial systems: Promises, challenges, and a research agenda," *Communications of the Association for Information Systems* 34, no 1. (2014): 1457–1480.

³³ Buckley, Greenacre, and Malady, "The regulation of mobile money in Malawi," 435–497.

³⁴ Pazarbasioglu, Mora, Uttamchandani, Natarajan, Feyen, and Saal, "Digital financial services," 1–54.

³⁵ Varshney, "The regulatory issues affecting mobile financial systems," 1457–1480.

³⁶ Minjin Kim, Hanah Zoo, Heejin Lee, and Juhee Kang. "Mobile financial services, financial inclusion, and development: A systematic review of academic literature," *The*

Shaikh et al. (2023)⁴⁰ have contributed to the advancement of scholarship on financial inclusion, exploring different dimensions of MFS, like the delivery, environmental factors, and the socio-economic impact of MFS. Similarly, some studies, including Weber (2010)⁴¹, Andiva (2015)⁴², Bara (2013)⁴³ and Ahmad et al. (2020),⁴⁴ have highlighted the legal measures relating to MFS, but mostly in African and Indian contexts, which provide a limited scope for application in the context of Bangladesh. Subsequently, fraud and money laundering issues associated with Bangladesh MFS have remained relatively unspoken of in academia.

On the other hand, undoubtedly, this existing statute could be vulnerable to accelerating IFF in Bangladesh. In relation to these views, Reuter (2017)⁴⁵ has emphasized that good governance is important to control IFF. Though a series of papers in literature (e.g., Collin (2020)⁴⁶; Herkenrath (2014)⁴⁷; Reuter (2017)⁴⁸) have highlighted different dimensions of IFF, they addressed the

Electronic Journal Of Information Systems In Developing Countries 84, no. 5 (2018): e12044.

³⁷ Yong-Ki Lee, Jong-Hyun Park, Namho Chung, and Alisha Blakeney. “A unified perspective on the factors influencing usage intention toward mobile financial services,” *Journal of Business Research* 65, no. 11 (2012): 1590–1599.

³⁸ Favourate Y. Mpofu, “Industry 4.0 in Financial Services: Mobile Money Taxes, Revenue Mobilisation, Financial Inclusion, and the Realisation of Sustainable Development Goals (SDGs) in Africa,” *Sustainability* 14, no. 14 (2022): 8667.

³⁹ Shem Alfred Ouma, Teresa Maureen Odongo, and Maureen Were, “Mobile financial services and financial inclusion: is it a boon for savings mobilization?” *Review of Development Finance* 7, no. 1 (2017): 29–35.

⁴⁰ Aijaz A. Shaikh, Hawazen Alamoudi, Majed Alharthi, and Richard Glavee-Geo, “Advances in mobile financial services: a review of the literature and future research directions,” *International Journal of Bank Marketing* 41, no. 1 (2023): 1–33.

⁴¹ Rolf H. Weber, “Regulatory framework for mobile financial services,” in *Telekom Regulatory Authority of India. Mobile applications of inclusive growth and sustainable development* (New Delhi: Telekom Regulatory Authority of India, 2010), 87–93.

⁴² Barnabas Andiva, “Mobile financial services and regulation in Kenya,” 1st Annual Competition and Economic Regulation (ACER) Conference, 2015.

⁴³ Alex Bara, “Mobile money for financial inclusion: policy and regulatory perspective in Zimbabwe,” *African Journal of Science, Technology, Innovation and Development* 5, no. 5 (2013): 345–354.

⁴⁴ Ahmad Hassan Ahmad, Christopher Green, and Fei Jiang, “Mobile money, Financial inclusion and Development: a review with reference to african experience,” *Journal of Economic Surveys* 34, no. 4 (2020): 753–792.

⁴⁵ Peter Reuter, “Illicit Financial Flows and Governance: The Importance of Disaggregation,” (Governance the Law: Background paper for World Development Report, 2017): 1–33. https://www.oecd-ilibrary.org/africa-s-development-dynamics-2018_5j8qzq8zswbv.pdf?itemId=%2Fcontent%2Fpublication%2F9789264302501-en&mimeType=pdf.

⁴⁶ Matthew Collin, “Illicit Financial Flows: Concepts, Measurement, and Evidence,” *The World Bank Research Observer* 35, no. 1 (2020): 44–86.

⁴⁷ Marc Herkenrath, “Illicit financial flows,” 1–17.

⁴⁸ Reuter, “Illicit Financial Flows,” 1–33.

relationship of IFF and MFS RF only partly. Consequently, a demand arises for a systematic study about the effectiveness of the Bangladesh MFS RF to minimize IFF. Targeting civil society development organizations as well as financial policymakers as a primary audience, in a line with the earlier statement, this study has been designed to seek an answer to the following questions.

RQ 1: What is the strength and weakness of the existing MFS RF in Bangladesh to control IFF?

RQ 2: How could MFS RF in Bangladesh be improved to control IFF?

1. 1 Conceptual argument: Illicit financial flows (IFF)

In this section, the authors have been dealing with understanding the function of IFF, since earlier discussions paid less attention to these concepts. A post-modern concept of illicit financial flows (IFF) has emerged as a key development challenge in relation to illegal procurement of money and the outer flow of this money between developing countries and developed countries. Although the practice relating to this concept is not new, and even if it is very popular in political and international relationships, in academia the widespread attention to IFF is missing. Subsequently, to meet the future development challenge, such as Industry 4.0 as well as Society 5.0 (suggested reading, Hasan and Sony (2023)⁴⁹; Mpofu (2022)⁵⁰), the advancement of multidisciplinary erudition has been neglected due to the lack of a rigorous scientific explanation of the term IFF. In line with this perception, the novel contribution of this study would be the critical examination of the MFS RF associated with IFF.

In such a way, the capital management scholarship will gain special attention from the legal point of view, while most earlier scholars have placed an emphasis on defining, characterizing, and exploring the consequences of IFF. A complete characterization of IFF, for instance, can be seen in the study of Herkenrath (2014)⁵¹, and Chowla and Falcao (2016)⁵². Out of them, Herkenrath (2014) defines IFF by characterizing it as “cross-border capital movements for the purposes of concealing illegal activities and evading taxes”.⁵³ Moreover, Chowla and Falcao (2016) have added another characteristic to the definition of IFF to include financial benefits gained within a country unlawfully, such as tax evasion, criminal activity and corruption.⁵⁴ Nonetheless, both Herkenrath (2014)⁵⁵, and Chowla and Falcao (2016)⁵⁶ have agreed that the consequences of

⁴⁹ Hasan, and Sony, “Covid-19, Social Change, and Society 5.0,” 1–19.

⁵⁰ Mpofu, “Industry 4.0 in Financial Services,” 8667.

⁵¹ Herkenrath, “Illicit financial flows,” 1–17.

⁵² Peter Chowla, and Tatiana Falcao. “Illicit Financial Flows: concepts and scope.” *Interagency Task Force* (2016):1–20.

⁵³ Herkenrath, “Illicit financial flows,” 1–17.

⁵⁴ Chowla, and Falcao, “Illicit Financial Flows,” 1–20.

⁵⁵ Herkenrath, “Illicit financial flows,” 1–17.

IFF have a direct influence on weakening countries' capacity to raise the necessary funds for investments in sustainable development.

IFFs have always remained in the centre of attention of international development organizations, such as the IMF, OECD, WB, and UN, wishing to address the development challenge via exploring the source of this financial movement. Similarly to the earlier definitions, the IMF (2021) demarks the term IFF as, "...the movement of money across borders that is illegal in its source (e.g. corruption, smuggling), its transfer (e.g. tax evasion), or its use (e.g. terrorist financing)".⁵⁷ In a similar manner, Reuter (2017) identified five major IFF contributors from a micro perspective, including bribes, tax evasion, criminal enterprise profits, corporate profit shifting, and currency regulation evasion.⁵⁸ Then, as a broader concept of IFF, the WB (2017) added cash smuggling, shell corporations, informal value transfer systems, and trade-based money laundering as some other sources of IFF.⁵⁹

Moreover, the WB (2017) asserts that a cash flow can only be IFF if it was obtained unlawfully (e.g., through corruption or tax fraud), was the result of criminal conduct (e.g., the smuggling and trafficking of minerals, wildlife, drugs, and people), or was used for malicious ends (e.g., financing of organized crime).⁶⁰ For the purposes of this study, IFF can be defined as within-border or cross-border economic transactions that encourage illicit activity or provide support to illegal actions and pose a risk to sustainable development.

1. 2 Conceptual relations: IFF and MFS RF

Returning to the subject of the link between the MFS RF and IFF, it should be noted that since the beginning of the postmodern era, IFFs have been a major policy issue for all countries.⁶¹ These policy issues at a national level generally do not lie in a single instrumental or organizational effort. Instead, to create an anti-IFF environment, a government needs a complex structure consisting of different policy departments, like the central bank, finance ministry, justice

⁵⁶ Chowla, and Falcao, "Illicit Financial Flows," 1–20.

⁵⁷ International Monetary Fund, "The IMF and the Fight Against Illicit and Tax Avoidance related Financial Flows," <https://www.imf.org/en/About/Factsheets/Sheets/2018/10/07/imf-and-the-fight-against-illicit-financial-flows>.

⁵⁸ Reuter, "Illicit Financial Flows," 1–33.

⁵⁹ WB, "Illicit Financial Flows (IFFs)," *The World Bank*, Last modified June 2. 2017. <https://www.worldbank.org/en/topic/financialsector/brief/illicit-financial-flows-iffs>.

⁶⁰ Ibid.

⁶¹ OECD, Coherent policies for combatting Illicit Financial Flows, *Framework for Policy Coherence for Sustainable Development: Thematic Module on Illicit Financial Flows [SG/PCD(2016)3]*. Last modified February 25 2016. [https://www.chrome-extension://efaidnbmnnnibpajpcglefindmkaj/https://one.oecd.org/document/SG/PCD\(2016\)2/En/pdf](https://www.chrome-extension://efaidnbmnnnibpajpcglefindmkaj/https://one.oecd.org/document/SG/PCD(2016)2/En/pdf).

ministry, the foreign ministry, which guide a series of operational agencies and have links with civil organizations (Figure 1).⁶²

This is therefore a challenging endeavour to prevent these financial flights involving numerous distinct stakeholders, several of whom have identical or equivalent mandates and obligations. However, a successful strategy of policy measures, according to Dohlman and Neylan (2020), generally remains under

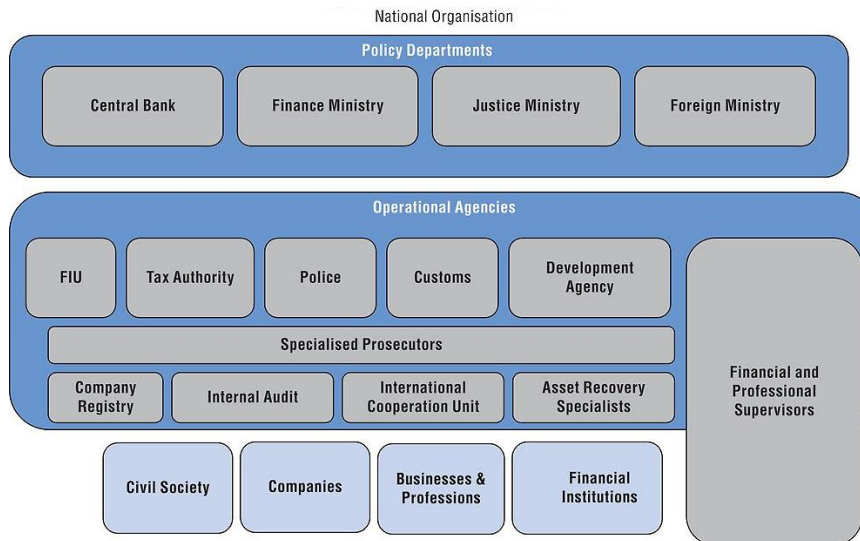


FIGURE 1. KEY ACTORS INVOLVED IN COMBATING ILLICIT FINANCIAL FLOWS.

FIGURE SOURCE: OECD (2016)

the scope of five key interlinked legal initiatives, such as criminal justice, regulation and supervision of financial institutions and professions, the tax system, the government and public administration, and company and trust law.⁶³

The relationship between IFFs and “the regulation and supervision” of financial institutions and professions has been taken into consideration in this part in accordance with the study’s objective. Yet, in order to counteract illicit finance, experts have placed a strong emphasis on the reasonable regulation of financial institutions, their business models, customer behaviour, and data security.^{64, 65}

Dohlman and Neylan (2020) contend that these regulations need to cover a broader spectrum of subjects and employ a variety of strategies in various contexts.⁶⁶ In some cases, the supervisory structure and the involved agencies

⁶² Ebba Dohlman, and Tom Neylan, “Policy Coherence in Combating Illicit Financial Flows: Pcsd Thematic Module,” Paris 2020, https://www.oecd.org/gov/pcsd/IFFs%20thematic%20module%20v12cl_for%20web.pdf.

⁶³ Ibid.

⁶⁴ Ibid.

⁶⁵ Dev Kar, and Joseph Spanjers, *Illicit financial flows from developing countries: 2004-2013*, Washington, DC: Global Financial Integrity. Last modified December 8 2015, <https://gfintegrity.org/report/illicit-financial-flows-from-developing-countries-2004-2013/>.

⁶⁶ Dohlman, and Neylan, “Policy Coherence in Combating Illicit Financial Flows”.

can vary, which can help to construct a filtering net against illegal money and procuring financial institutions. To continue, Dohlman and Neylan (2020) have further highlighted those who are responsible for the supervision of financial entities.⁶⁷ The Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), the International Organization of Securities Commissions (IOSCO), and the International Association of Insurance Supervisors (IAIS) are a few of the standard-setters that can collaborate to promote financial sector standards and links across global boundaries in order to regulate IFFs.^{68, 69,70}

Nationally these congruence concerns have an impact on how supervision is set up at the national level. As an illustration, some countries have a single financial sector supervisor in charge of all forms of supervision, while others separate prudential supervision from other types, and still, other countries have a system of separate supervisors for every sector, including the financial services, insurance, and securities sectors as well as regulated businesses and professions.^{71,72} The standards nevertheless may differ from one nation to another.

Coming to MFS RF issues, mobile finance evolved as a key financial inclusion tool all over the world and opened a novel passage for achieving sustainable development goals (SDG) for developing countries. Risks and tensions, however, related to money laundering remain an integral part of the adaptation of this new development, especially not only in developing countries but also in developed countries. Verifying a customer's identity by the financial institution could be one of the potential solutions to such tension. But in most developing countries, several people are lacking proper identity documentation and, in such a context, financial inclusion could be difficult.⁷³

MFS also requires an advance technological infrastructure along with sophisticated technical skills, but without effective regulation it remains a challenge to bring all people in the same line. For instance, Dohlman and Neylan (2020) believed that this was not only a challenge for developing

⁶⁷ Ibid.

⁶⁸ Ibid.

⁶⁹ Dev Kar, and Brian LeBlanc, *Illicit financial flows from developing countries: 2002-2011*, Washington, DC: Global Financial Integrity. Last modified Dec 11, 2013, <https://gfintegrity.org/report/2013-global-report-illicit-financial-flows-from-developing-countries-2002-2011/>.

⁷⁰ Ibid.

⁷¹ Dohlman, and Neylan, "Policy Coherence in Combating Illicit Financial Flows".

⁷² Dev Kar, and Joseph Spanjers, *Illicit financial flows from developing countries: 2004-2013*.

⁷³ Ibrahim Niankara, "The impact of financial inclusion on digital payment solution uptake within the Gulf Cooperation Council Economies," *International Journal of Innovation Studies* 7, no. 1 (2023): 1–17.

countries but also a challenge for OECD members⁷⁴. Thereafter, Dohlman and Neylan (2020)⁷⁵ suggested,

In order to manage the tensions between financial inclusion and anti-IFF measures, the FATF has developed guidance on financial inclusion, which sets out how countries can pursue the objective of financial inclusion without compromising measures to combat crime – for example by relaxing identification requirements or using alternative means of identification in low-risk situations, or by using thresholds and ongoing monitoring to mitigate the risks of reduced customer due diligence. This guidance should be mainstreamed into development planning in low-income countries to improve policy coherence at the national level.

After the foregoing discussion, it is obvious that adequate regulation, supported by an efficient regulatory framework, and sophisticated policy measures are the keys to successful MFS adaptation by producing an anti-IFF environment. However, over the past few years, law enforcement agencies in Bangladesh have identified various fraud cases involving MFS (as stated in the opening section). At the same time, a sizeable sum of money used to be transferred annually from Bangladesh to foreign countries. Hence it makes sense to examine whether the MFS RF is successful in Bangladesh.

1. 3 Theoretical framework of the MFS regulatory framework

Regulation, in any circumstances, remains an integral part of good governance, while a regulatory framework is a product of best policy practices both in the public and private realms. However, in order to address people's actions at all three levels – global, national, and local – on a single platform, both state and private actors, with the growth of the fourth industrial revolution (Industry 4.0), must cope with an increasingly complex array of RFs. Additionally, while “building better” and “finding the best one” are key policymakers' concerns and legislative steps for various stakeholders, respectively, understanding and applying an effective RF is left to a multidisciplinary endeavour. The nature of RF has then been widely determined to be critical and complex. However, from this perspective, Bluff (2018) has identified five distinct regulation theories that are widely used throughout the world (Table 1).⁷⁶ It is crucial to comprehend which theory will best explain the current Bangladeshi MFS RF in this phase of the study and which theory can help advance this structure.

⁷⁴ Dohlman, and Neylan, “Policy Coherence in Combating Illicit Financial Flows”.

⁷⁵ Ibid.

⁷⁶ Elizabeth Bluff, “Regulatory Theories and Frameworks,” in *Hybrid Public Policy Innovations*, eds. Mark Fabian, and Robert Breunig (New York: Routledge, 2018), 46–62.

Table 1 five different regulation theories

Theories	Description	Example
The Risk-based regulation	The regulator uses systematized decision-making to allocate resources and set priorities for regulatory actions based on an assessment of threats to its goals.	Food safety policy in different countries
The Regulatory craft	Regulators conduct systematic analyses of particular issues, dangers, or concentrations of risks and then take appropriate action.	The Australian Skills Quality Authority (ASQA)
The Responsive regulation	Uses a pyramid of supports to gradually build up regulator capacity and reinforce strengths, and if that does not work, a pyramid of increasingly harsh punishments until a change is achieved, in an effort to strike a balance between cooperative and deterrent regulatory approaches.	Work place Safety and Insurance Board (WSIB) in Ontario Canada
The Smart regulation	Builds on responsive regulation by putting in place a three-sided pyramid wherein the government, industry, and third-party regulators all collaborate to adopt complementary measures in a coordinated manner.	The Dutch Inspectorate of Environment adopted such regulation to regulate their hazards electronic equipment.
The Strategic enforcement	In order to plan and focus actions, regulators use supply chains, branding, franchising, third-party management, and other commercial systems.	The Working Hour Division (WHD) of the Department of Labor in the United States

(Source: Bluff, 2018)⁷⁷

The application of each of the theories highlighted in Table 1 depends on their own subject matter. Bluff (2018) believed that while in the responsive and intelligent regulation the regulator is responsive to reform (or not) with the regulations, the regulatory reaction in the risk-based regulation is appropriate to the risk⁷⁸. Developing strategies or taking steps to accomplish a specific goal is more in line with the regulatory craft and strategic enforcement regulator tactics.⁷⁹ Further, Bluff (2018) mentions risks or regulations that are more likely

⁷⁷ Ibid.

⁷⁸ Ibid.

⁷⁹ Ibid.

to endanger the regulator's aims are given priority under the risk-based regulation. The regulatory craft theory, in contrast, requires prioritization based on an evaluation of documented harms.⁸⁰ At the same time, "strategic enforcement" takes a different tack, since it places a higher priority on key players in supply chains and corporate structures that contribute to systematic non-compliance. Priority setting receives little insight from the responsive and smart regulation⁸¹. In line with this viewpoint, UNODC and the OECD (2016)⁸² have suggested four comprehensive frameworks to address IFF including,

...identifying and raising awareness of the types, magnitudes, and risks of IFFs (particularly at the political and policy-making level); considering the contextual factors that allow IFFs to thrive; supporting coherence within and between national and international normative frameworks (vertical coherence); Identifying critical, prioritized interactions across economic, social and environmental areas to address IFFs (horizontal coherence).
(p. 5)

The offered theories will be employed in this study to clarify the nature of Bangladesh's MFS regulatory framework and to determine which theory would be most effective in reducing IFFs.

1. 4 Approaches to MFS RF

In the context of MFS RF, two most popular lines of actions can be seen in most of the countries, though each of the nations has their own approach based on their political as well as legal structure and interest. The first trend generally includes those systems that are explicitly specified in the supply of financial services and, therefore, subject to regulation and expert supervision from the state, particularly when it comes to accepting deposits from consumers. Furthermore, in cases where mobile phones are regarded as a medium for the delivery of such services, financial services may only be delivered by organizations that have been specifically granted permission to do so. Further, in this line MFS is viewed as an extra channel for conducting financial transactions in the regulatory framework now in place, alongside branches or agent banks, ATMs, and POS. Mexico, Colombia and Guatemala's MFS RFs are examples for such kind of trends.⁸³

Another approach is to view MFS as a form of payment that enables regulation of payment systems under the Central Bank Law. This creates a legal

⁸⁰ Ibid.

⁸¹ Ibid.

⁸² OECD. Coherent policies for combatting Illicit Financial Flows. *Framework for Policy Coherence for Sustainable Development: Thematic Module on Illicit Financial Flows [SG/PCD(2016)3]*. Last modified February 25 2016, [https://www.chrome-extension://efaidnbmnnnibpcajpcgclefindmkaj/https://one.oecd.org/document/SG/PCD\(2016\)2/En/pdf](https://www.chrome-extension://efaidnbmnnnibpcajpcgclefindmkaj/https://one.oecd.org/document/SG/PCD(2016)2/En/pdf).

⁸³ AFI. "Regulatory Approaches to Mobile Financial Services in Latin America." Kuala Lumpur: Alliance for Financial Inclusion. Last modified August 2014.

framework that permits new operators to offer such services while being subject to specialized state oversight. Additionally, MFS is a novel operation that includes the issuing of electronic money that may be held on cards or mobile devices. It is not just a way for traditional financial services to be delivered. An example for the practice of such regulation could be found in the Bolivian system.⁸⁴ The following section will provide further analysis to classify Bangladesh's MFS RF approach.

2. Methodology

To determine the efficacy of the current regulatory framework for the mobile finance system in Bangladesh in reducing IFF, a comparative study method, following the study of Sony (2023)⁸⁵, with a qualitative approach has been used. The entire study is divided into three sections. The elements of the comparative evaluation and relevant assessment criteria, together with the study questions and objectives, have all been described in the introduction. The impact of the newly developed processes and instruments on the equilibrium of the national financial flow has been investigated in the second section. Finally, a conclusion has been reached with suggestions to strengthen the regulatory framework in order to counter the influence of new platforms and safeguard the national economy.

The policies of several organizations and nations, as well as a variety of secondary sources, served as the primary source of information. The comparative discussion has been presented utilizing contentment analysis and the most recent BB MFS RF policies. These data have then been used to address the study question, "What are the strengths and weaknesses of the existing MFS RF in Bangladesh to control IFF and how could MFS RF in Bangladesh be improved to control IFF?" The researcher presents a number of examples of successful international policy initiatives as support for the conclusion.

3. Bangladesh MFS and their regulatory framework

Over the past couple of years, MFS have been expanding and becoming more well-liked by consumers in Bangladesh. Since consumers may efficiently access those banking services, a growing number of people currently unbanked are coming within these mobile financial services. There are now thirteen organizations offering MFS across the nation, among them Nagad, a state-owned company that is run by the Bangladesh Post Office, an agency linked to the Ministry of Post and Telecommunication.^{86, 87} Other companies offering

⁸⁴ Ibid.

⁸⁵ M. M. Abdullah Al Mamun Sony, "A review of online business regulatory framework to reduce IFF in Bangladesh," *Essays of Faculty of Law University of Pécs, Yearbook of 2021-2022* (2023): 167–182.

⁸⁶ BB. 2022b. Mobile Financial Services. Dhaka: Bangladesh Bank.

MFS include bKash, Rocket, mCash, Upay, and Rocket. According to BB data, at the end of January 2023, there were more than 1941 Lac active MFS consumers and approximately 1569111 active agents. By January 2023, these services had processed more than BDT 3244.95 crore in transactions.⁸⁸ The number of customers increased by around 1.75 percent between December 2022 and January 2023.⁸⁹ Officially, the BB is in charge of regulating the market for MFS in order to advance both business and society as a whole. However, BB (2022a)⁹⁰ has defined MFS as,

MFS refers to E-money services provided against a particular mobile/cell phone number of a client (termed as Mobile Account), where the record of funds is stored on the electronic general ledger. These services can be draw-down through specific payment instructions to be issued from the bearer's mobile phone or through alternative digital process or device by ensuring authenticity of the transaction. However, unlike e-money products, 'cash-in' and 'cash-out' and other services as permitted by BB (Bangladesh Bank) at agent locations are allowed for MFS accounts. (p. 2)

Like a regulatory model presented by Dohlman and Neylan (2020)⁹¹, Bangladesh Bank (BB) plays the role of the sector-specific regulator in the regulatory arrangements for the regulation and oversight of MFS in Bangladesh (Bangladesh Bank, 1972, 2011, 2018). Whereas several political authorities, including the Finance Division of the Ministry of Finance, the Parliamentary Standing Committee on the Ministry of Finance, and some co-regulators, including the Bangladesh Telecommunications Regulatory Commission (BTRC), the Directorate of National Consumer Rights Protection (DNCRP), and the Bangladesh Competition Commission (BCC) as general competition authority, are also directly and indirectly involved with the regulatory process (Governance).⁹² In addition to co-regulatory actors, the Association of Mobile Telecom Operators (AMTOB), the Association of Bankers, Bangladesh Limited (ABB), and the Consumers Association of Bangladesh (CAB) as a national interest group of consumers and Consumers International have a connection with the regulations that pertain to the sector, and all of them have interactions

⁸⁷ Nagad. "About Us." *Nagad.com*. <https://nagad.com.bd/pg/?n=about-nagad>.

⁸⁸ Bangladesh Bank. "Mobile Financial Services," <https://www.bb.org.bd/en/index.php/financialactivity/mfsdata>.

⁸⁹ Ibid.

⁹⁰ Bangladesh Bank. *Bangladesh Mobile Financial Services (MFS) Regulations*, Edited by *Payment Systems Department*. Dhaka: Bangladesh Bank. 2022a. <https://www.bb.org.bd/en/index.php/about/guidelist>.

⁹¹ Dohlman, and Neylan, "Policy Coherence in Combating Illicit Financial Flows".

⁹² Dr. Md. Nurul Amin, "Regulation of Mobile Financial Services in Bangladesh: Constraints and Prospects." *International Journal of Research and Innovation in Social Science* V, no. VI (2021): 565–570.

with the primary regulatory actors and co-regulators throughout the oversight layouts.⁹³

A new regulation has been adopted by BB to replace the “Bangladesh Mobile Financial Services (MFS) Regulations, 2018” by 2022, since having some core limitations, the earlier MFS RF (2018) has failed to integrate all people in the same line and minimize fraud cases. For instance, four major limitations of the MFS RF (2018) have been identified by Amin (2021).⁹⁴ First, the study has concluded that the service cost was too high.⁹⁵ In comparison to similar services in other developing nations like Kenya, clients or users must pay extra to use mobile banking services. The second issue was fixing transaction selling⁹⁶. New guidelines for improving transaction selling were published by Bangladesh Bank. Third, the use of mobile money transaction services by criminals poses a threat to this industry due to many significant fraud cases. Lastly, according to Amin (2021), in the Bangladesh mobile banking services sector, the service provider’s responsiveness was deemed to be inadequate, whereas the monopoly of service providers was another limitation, since a single operator, bKash, has a substantial market share.⁹⁷ However, in the following section the authors have briefly presented the features of the latest MFS RF of Bangladesh and its efficiency in controlling IFFs.

3. 1 Bangladesh MFS Regulations, 2022

To overcome the limitations of earlier MFS RFs, the new regulation has adopted three core objectives, such as “...to cater cost efficient and prompt MFS”; “Promote convenient access to formal financial services at an affordable cost especially for the poor and unbanked population segments”; and “Ensure compliance with Anti Money Laundering and Combating Financing of Terrorism (AML/CFT) standards set by AML/CFT rules, regulations, guidelines and instructions issued by Bangladesh Financial Intelligence Unit (BFIU)”.⁹⁸ Though for the legislative structure of the latest MFS RF, BB (2022a)⁹⁹ has followed the earlier one,

... the Board of Directors of Bangladesh Bank (BB), in terms of Section 7A(e) and section 82 of the Bangladesh Bank Order, 1972 and in terms of Section 26 (cha) of Bank Companies Act, 1991 has decided to issue Bangladesh Mobile Financial Services (MFS) Regulations, 2022 replacing the Bangladesh Mobile Financial Services (MFS) Regulations, 2018 issued in July 2018 and its

⁹³ Ibid.

⁹⁴ Ibid.

⁹⁵ Ibid.

⁹⁶ Ibid.

⁹⁷ Ibid.

⁹⁸ Bangladesh Bank. Bangladesh Mobile Financial Services (MFS) Regulations, Edited by *Payment Systems Department*. Dhaka: Bangladesh Bank. 2022a. <https://www.bb.org.bd/en/index.php/about/guidelist> .

⁹⁹ Ibid.

subsequent amendments. Bangladesh Mobile Financial Services (MFS) Regulations, 2022 will be in effect along with the Bangladesh Payment and Settlement Systems Regulations, 2014, Guidelines for Trust Fund Management for Payment and Settlement Services or any other law(s) shall come into effect regarding these regulations. (p. 1)

This is due to the fact that a financial inclusion via MFS greatly depends on complete integration between banks and MNOs, which represents multiple ownership models. In keeping with the prior RF, the most recent BB MFS typically operated as an affiliate of a bank where one bank or financial institution was required to hold at least 51% of the market, opening the door for monopoly. Although there have been some significant changes brought about by the most recent MFS RF, MNO participation and interoperability are still crucial ownership channels. Interoperability is defined as “the set of arrangements/procedures that enable participants in different systems to conduct and settle payments or securities transactions across systems while continuing to operate only in their respective systems” by BB (2022a: 2). Here, the BB MFS fails to connect with the national payment switch, in contrast to the regular banking channel. A single user formerly had numerous MFS accounts, and of those, one is still active while the others have, up until this point, remained inactive, or all of them are still active. However, there is a chance that one or all accounts could be lost, which opens the door for fraud.

Regarding the research questions, however, which examine the effectiveness and limitations of the current MFS RF in Bangladesh to regulate IFFs, the most recent BB MFS RF has incorporated a number of additional provisions to stop unauthorized cross-border money transfers. For instance, section 7.6 of BB (2022a: 8) states that “MFS providers will only handle foreign inward remittances if received through credits in Nostro Accounts of scheduled commercial banks in Bangladesh and pay out the same exclusively in Bangladeshi Taka (BDT) to MFS accounts of the beneficiaries. MFS providers are not allowed to conduct outgoing or international payment transactions, because only Bangladesh’s scheduled banks’ AD offices can do so”.¹⁰⁰ This legal initiative may be very helpful in preventing external economic flow.

In addition to the aforementioned paragraph, the most recent MFS RF includes a risk-based regulation approach to fight financial terrorism (CFT) and anti-money laundering (AML). For instance, clause 11.1 states that “MFS providers shall comply with the provisions of the existing Anti-Terrorism Act and Money Laundering Prevention Act and respective Rules issued thereunder, instructions and guidelines issued by Bangladesh Financial Intelligence Unit (BFIU) from time to time.” AML/CFT and know your customer (KYC) compliance clause 11.2 of the MFS RF further states that “MFS providers shall remain responsible

¹⁰⁰ Ibid.

for authenticity and timely updating of the KYC records as per the instructions of BFIU as and when required”.¹⁰¹

The current MFS RF’s clause 12, in which the authentication procedure for MFS transactions and security have been addressed clearly, is its strongest point. In order to prevent unauthorized parties from reading transaction information, for instance, confidentiality has been secured as a property. Similarly, integrity is another important property, ensuring that the transactional data is transferred in its original, undisturbed form. Regarding authorization, it has been emphasized that the rightful user is qualified to execute the given transaction. It ensures the method through which the system decides what actions users are allowed to take. However, it is still unclear how these legitimate users could be identified. Additionally, a user who initiates a transaction cannot later withdraw their consent, as stated in section 12.2 (iv). This sentence looks too problematic from the perspective of a legitimate user if an account is compromised.¹⁰²

The MFS RF has included two more clauses to address this uncertainty. First, the requirement in section 12.3 that “All transactions shall be authenticated by the account holders using their respective Personal Identification Numbers (PINs) or similar other secured mechanism.” MFS suppliers need to make sure that the PINs and other secured procedures are issued and authenticated with the correct protection and security features. Second, according to section 12.4: MFS providers shall guarantee that suitable procedures are in place for identifying consumers while the service is enabled/executed. An appropriately selected second authentication factor would be suggested for inclusion as additional security in addition to the PIN.¹⁰³

Another crucial tool for preventing IFF is the “Complaint and Grievance Redressal.” However, section 17.3 of the BB MFS (2022a)¹⁰⁴ can be criticized because it states that “[T]he MFS Provider shall maintain a call centre to receive and process disputes 24 hours a day via telephone, SMS, IVR and mail.” The centre has ten (10) working days to settle every claim it receives. The MFS supplier must make sure they have the tools necessary to keep track of all disagreements, log them, and assess the progress of each one toward a speedy resolution. Ten working days in this case could potentially pave the way for a financial crime to develop.

Although the most recent MFS RF in Bangladesh contains extensive guidelines and a monitoring process, unlike conventional banking, the Bangladesh mobile finance system can be seen as a techno-centric mechanism that is unrelated to the USSD and other conventional channels’ exchange problems. Even though the MFS is easily accessible due to its technological focus, fraud is a risk that it poses. The trustworthiness of the MNOS’ KYC is particularly still under question. The main cause is the difficulty in accessing KYC verification. If law

¹⁰¹ Ibid.

¹⁰² Ibid.

¹⁰³ Ibid.

¹⁰⁴ Ibid.

enforcement merely has access to demographic data, it will be challenging to actually catch a criminal.

The national identity card cannot be verified through the banking channel. Since the service providers are unable to verify whether the identity card is real or fraudulent, there is limited opportunity to challenge individuals who arrive at the registration station with an NID. Therefore, if access to verify NIDs is available, the specific demographic data provided by the consumer may one day be used to help identify a criminal. This problem should be a priority for Bangladesh Bank.

The most recent legal framework must place more emphasis on the service's security features in order to avoid illicit usage of MFS. BB will be able to keep track of every transaction if it becomes necessary for every MFS user to have comprehensive KYC. In Bangladesh, using a national identity card (NID) is still an optional practice. In order to quickly manipulate the system, fraudsters might use fake NIDs. Tracking illegal transactions is not a topic that is covered in great detail in the guideline. The study strongly advises Bangladesh Bank to concentrate on the Payment System Act in order to achieve a successful anti-IFF regulation. Though the legislation has a section on establishing a payment system platform, but its action plan is not clearly highlighted. Concerns about the cash transaction verification process have been raised by the researchers. Another crucial challenge is obtaining MNO collaboration since they charge a high price and provide a slow USSD service.

4. Concluding remarks

The objective of this essay is to critically evaluate the most recent regulatory framework for Bangladesh's mobile finance system, as established by Bangladesh Bank, the country's central bank, in consideration of its effectiveness in establishing an anti-IFF ecosystem. According to the Basel Institute on Governance, Bangladesh has seen a slight improvement in terms of money laundering and terrorist financing, moving back to position 41 from 38 between 2021 and 2022.¹⁰⁵ However, the Bangladesh Financial Intelligence Unit reports that suspicious transactions and operations related to money laundering increased by 62.33% in the fiscal year 2021–2022 due to an increase in fraudulent activities in the field of e-commerce and multi-lender lending.¹⁰⁶ Due to the scope of rapid transactions and contactless financial transactions, the MFS remains a popular method for e-commerce and other online transactions.

¹⁰⁵ BI. "Bangladesh improves in anti-money laundering index." *Business Insider*, Economy. Last modified 5 October 2022.

<https://www.businessinsiderbd.com/economy/news/29294/bangladesh-improves-in-anti-money-laundering-index>.

¹⁰⁶ Mostafizur Rahman, "Suspicious transactions of money go up by 62pc.," *New Age*, Last modified October 31 2022. <https://www.newagebd.net/article/185163/suspicious-transactions-of-money-go-up-by-62pc>.

Thereafter, a doubt could be raised concerning the existing MFS legal structure as to whether the Bangladeshi MFS RF is strong enough to control IFFs.

From such a background, after a critical examination, researchers have noticed a similarity between the Mexican MFS regulatory approach and the latest BB MFS regulation. The common feature of such models is that the MFS works as a subsidiary to conventional banks along with MNOs. Such a framework's strength lies in its capacity to be interoperable and simple to access because of its techno-centric operation, which also makes it vulnerable to criminal activities. The latest BB MFS RF's access to KYC verification is where the vulnerability may be detected. Despite having certain essential AML and CFT components, the system takes a weak approach to confirming KYC as it cannot access the national identity card. Because of this, it is challenging for law enforcement authorities to successfully locate a criminal if they simply have access to a beneficiary's details.

Other factors that render this policy less prone to combating IFFs include the absence of a precise definition of cross-border and illicit financial transactions and the paucity of standards and guidelines for e-commerce payment systems. Then, in order to decrease the IFF, it is urged to reconsider these recent policies' shortcomings. To control these diversified and continuously changing financial transactions, it is likewise advisable to use the Smart regulatory strategy. By employing a three-sided pyramid where government agencies, companies, and third-party regulators all work together to adopt complementary mechanisms in a coordinated manner, a regulatory body can use this technique to establish a regulatory net based on flexible regulation. The current BB policy, however, adheres to the risk-based supervision paradigm, whereby measures are only taken if a hazard has been recognized. Since creating an anti-IFF environment requires a multi-governmental effort and this study only reviewed one governmental stakeholder's strategies, it would be recommended to future researchers to review other legislative structures in developing countries by using this study's framework.