

Annex-12 Additional compliance requirements to be applied when informal money transfer systems (IMTS) are used by partners to transfer Danish funds

1. Need and risk assessment of the use of IMTS
<i>Need assessment:</i> The use of all other payment options than IMTS/hawala should actively be considered and pursued, including but not necessarily limited to direct bank transfers, including through correspondent banking, money transfer services, transfers in virtual currencies, and other solutions meaning that IMTS should always be the last transfer option available.
<i>Risk assessment</i> of the use of IMTS in the project in question should be conducted to ensure that all risks and mitigating actions are identified. The risk assessment should be kept updated.
2. Legal aspects
<i>Legal compliance:</i> Any activities associated with the use of IMTS/hawala should always be in compliance with relevant Danish, local and international legislation and EU restrictive measures.
3. Internal governance measures
<p><i>Written guidelines:</i> Written guidelines should be in place that regulate the following:</p> <ul style="list-style-type: none"> • that IMTS is only used in situations where there are no other viable options to transfer funds, and relevant mitigating actions are in place to reduce risks. • who is authorised to take the decision on the use of IMTS/hawala in the concrete situation. The mandate should preferably remain at highest executive level in the organisation. • how IMTS fund transfers are to be conducted, use of companies/agents, vetting processes, audit trails etc. • that the amount of funds transferred to IMTS/hawala agent is based on an assessment of the concrete funding needs, and must avoid any fund accumulation with IMTS/hawala agents including any local agents. • that funds are forwarded from the IMTS/hawala agent/local agent to the end recipients without delay. • that any fee to IMTS/hawala agent is in line with principles of sound and proper financial management of funds, they are accounted for and included in the audit. • who to notify and how, in case of irregularities related to the use of IMTS/hawala, and what course of action is prescribed.
<i>Monitoring and control:</i> Internal procedures that regulate how the use of IMTS/hawala is being monitored and controlled on an on-going basis must be in place. The monitoring and control should be conducted throughout the chain, until and including receipt by the end recipient on an on-going basis with reasonable frequency, and should be documented.
4. Vetting requirements
<i>Identification of the IMTS/hawala agent including any local agent:</i> Documentation of the identity of the company/agent being used throughout the transaction-chain including local agents should be obtained.
<i>Sanctions screening of IMTS/hawala companies/agents including local agents:</i> Document that all IMTS/hawala agents being involved in the transaction has undergone sanction screenings that include as a minimum UN and EU sanctions. The sanctions checks need to be conducted on an on-going basis to as sanctions lists are constantly updated.
<i>Local regulations:</i> Partner organisations should only engage with properly licensed and registered parties, including local IMTS/hawala agents.
5. Fund transfer transparency
<i>Payment to IMTS/hawala agent and audit trail:</i> Document that funds to IMTS/hawala agent are transferred into an identified account with a bank or another regulated institution (i.e. cash should be avoided) to secure an audit trail. The requirement for audit trail applies to transfers from IMTS/hawala agent initially receiving the funds from the organisation as well as any further transfers to any local IMTS/hawala agents.
<i>Payment to end recipient:</i> Document that funds have been collected by end recipient.