

TERMS OF REFERENCE

ANTI MONEY LAUNDERING SYSTEM

Acquisition of the application for monitoring financial transactions and suspicious activity reporting.

1. BACKGROUND

Pastoralists represent between 33 and 65 percent of the population in the Horn of Africa (HoA). Overreliance on rainfed agricultural activities makes them particularly vulnerable to climate shocks, including droughts, and they are one of the poorest communities in the region. Pastoralists tend to keep large herds as protection against anticipated drought shocks. Yet when drought hits, the animals die, lose value, or are sold at rock-bottom prices to fund immediate needs. Emergency response can be subject to leakages or arrives too late after the animals have perished. Furthermore, pastoralists are currently at the bottom of the livestock value chains and must provide livestock of the required quality and quantity to livestock processors/exporters.

In this context, the World Bank Group (WBG) is supporting De-Risking, Inclusion, and Value Enhancement of pastoral economies in the Horn of Africa Project (DRIVE), a regional International Development Association (IDA) project implemented in Djibouti, Ethiopia, Kenya, and Somalia. The Project will support the climate adaptation of pastoralists and help them extract greater value addition from their livestock. It will protect them against drought with enhanced access to financial services, strengthen their inclusion in the livestock value chain, and facilitate the regional livestock trade.

The Project Development Objectives (PDO) are to enhance pastoralists' access to financial services for drought risk mitigation, include them in the value chains, and facilitate the livestock trade in the Horn of Africa.

2. OBJECTIVE OF THE ASSIGNMENT

The objective of the Anti-Money Laundering (AML) system implementation for the DRIVE (De-risking, Inclusion, and Value Enhancement) project, funded by the World Bank, is to establish a comprehensive and practical AML framework that promotes de-risking of the enterprise from money laundering and other illicit activities, ensures inclusion of pastoralists and farmers in the Horn of Africa, and enhances the overall value of financial transactions. The AML system uses advanced technologies and automation to streamline customer due diligence (CDD), transaction monitoring, and suspicious activity reporting while adhering to relevant regulations and best practices. The system will also

emphasize the identification and reporting of sanctioned individuals and entities, as well as monitoring financial transaction destinations under sanctions by the United States. By mitigating the risks associated with money laundering, including the detection of sanctioned parties and entities, the AML system will contribute to creating a safer and more inclusive financial environment for pastoralists and farmers in the Horn of Africa, fostering sustainable development and promoting integrity in financial transactions for the benefit of all stakeholders involved in the DRIVE project. Project management (incl. the bidding process for accessing WB project finance):

- Implement an AML system that complies with regulatory requirements and industry best practices.
- Reduce the risk of money laundering and terrorist financing.
- Improve operational efficiency by automating AML processes and reducing manual effort.
- Enhance the organization's reputation and credibility by demonstrating a solid commitment to AML compliance and risk management.

To achieve the defined outcomes, an Anti-Money Laundering System is proposed for acquisition. The goal of this tool will be to monitor and detect suspicious transactions, conduct customer due diligence, and report suspicious activities to regulatory authorities of pastoralists at a micro and macro level. Key features of the system are:

- Customer due diligence (CDD): AML systems should be able to conduct risk assessments on customers and monitor their transactions for suspicious activity. This can include identity verification, beneficial ownership identification, and ongoing monitoring of transactions to identify unusual patterns.
- Transaction monitoring: AML systems should be able to monitor transactions for potential money laundering or terrorist financing activities, such as large cash transactions, transfers to high-risk countries, or suspicious transaction patterns.
- Suspicious activity reporting: AML systems should be able to generate and file suspicious activity reports (SARs) to relevant regulatory authorities when unusual or suspicious activity is detected.

- Watchlist screening: AML systems should be able to screen customers and transactions against global watchlists of known terrorists, criminals, and politically exposed persons (PEPs).
- Risk assessment and management: AML systems should be able to conduct risk assessments of customers, products, services, and geographies to determine the level of risk they pose to the organization and implement appropriate risk management measures.
- Compliance reporting and recordkeeping: AML systems should be able to generate compliance reports and maintain accurate and complete records of customer information, transactions, and risk assessments for audit and regulatory purposes.
- Integration with other systems: AML systems should integrate with other relevant systems, such as CRM systems, payment processing systems, and fraud detection systems, Sanction List Repositories, to enable seamless data exchange and effective risk management.
- Analytics and reporting: AML systems should be able to provide real-time analytics and reporting on transaction data, customer behavior, and risk indicators to support proactive risk management and decision-making.

3. SCOPE OF THE WORK

The scope of this project includes implementing an AML system that will be hosted and managed by the software vendor. The system should include the following modules:

- Customer Due Diligence (CDD)
- Transaction Monitoring
- Watchlist Screening
- Suspicious Activity Reporting (SAR)
- Risk Assessment and Management
- Compliance Reporting and Recordkeeping
- Integration with other systems
- Analytics and Reporting

The implementation process will include the following steps:

- Project Initiation
- System Configuration
- Data Migration
- User Training
- Testing and Acceptance
- Go-Live and Support

Project Initiation: During this phase, the project team will be formed, and the project plan will be developed. The scope, timelines, budget, and project deliverables will be defined, and a kick-off meeting will be held to introduce the team members and stakeholders.

System Configuration: During this phase, the AML system will be configured to meet the organization's specific needs. The system will be customized to match the institution's organizational structure, business rules, and regulatory requirements. The vendor will also guide best practices and industry standards.

Data Migration: During this phase, the historical data from the organization's existing system will be migrated to the new AML system. The data will be validated to ensure accuracy and completeness, and any data cleansing or transformation requirements will be identified and addressed.

User Training: During this phase, the vendor will provide training to the system users to ensure that they are familiar with the system's functionality, business rules, and regulatory requirements. The training will include online tutorials, videos, and documentation, as well as live sessions with the vendor's training team.

Testing and Acceptance: During this phase, the vendor will conduct a series of tests to ensure that the system is functioning correctly and meeting the organization's requirements. The tests will include functional, integration, and performance testing, as well as user acceptance testing. The organization will have the opportunity to provide feedback and request modifications.

Go-Live and Support: During this phase, the system will be deployed to the production environment, and the vendor will provide ongoing support and

maintenance. The vendor will also provide regular software updates and enhancements to ensure the system complies with relevant regulations and industry standards.

4. CONSULTANT’S DELIVERABLES AND TIMELINE (EXPECTED OUTPUTS)

Working closely with the project team at ZEP-RE, the following deliverables are expected from the selected firm:

<i>Deliverable</i>	Tentative Deadline
<i>Project Plan</i>	One week
<i>System Configuration</i>	One week
<i>Data Migration</i>	Five days
<i>User Training</i>	One week
<i>Testing and Acceptance</i>	One week
<i>Go-Live and Support</i>	Ongoing
<i>System Documentation</i>	Ongoing
<i>User Guides and Tutorials</i>	Ongoing
<i>System Updates and Enhances</i>	Ongoing

5. DURATION OF THE ASSIGNMENT

The assignment is expected to be for a month.

6. CONTRACT FORM AND PAYMENT SCHEDULE

Contractual arrangements will be detailed in the appointment letter. Payments will be made based on the successful completion of the deliverables listed above, subject to quality control and validation by the Digital Systems Manager.

7. KEY PERSONNEL (QUALIFICATIONS AND EXPERIENCE)

The key personnel from the vendor who will be involved in the implementation of the AML system should consist of:

- Project Manager – *To be provided by the vendor.*

- Business Analyst - *To be provided by the vendor.*
- Solution Architect - *To be provided by the vendor.*
- Data Analyst - *To be provided by the vendor.*
- Technical Specialist - *To be provided by the vendor.*
- Trainer - *To be provided by the vendor.*

All key personnel should have excellent communication and collaboration skills, be self-motivated, and work effectively as a team. They should also be familiar with Agile methodologies and be able to work in a fast-paced, dynamic environment.

8. CLIENT OBLIGATIONS (SERVICES TO BE PROVIDED BY THE CLIENT)

Each deliverable must be submitted to the ZEP-RE for quality control and validation. Deliverables may need to be updated and finalized before formal approval by ZEP-RE.

- Provide accurate and complete information - providing accurate and complete information about ZEP RE, its operations, and its compliance requirements. This information will be used to customize the AML system to meet specific needs and to ensure compliance with relevant regulations.
- Allocate necessary resources – ZEP RE will allocate the necessary resources for successfully implementing the AML system. This includes providing access to key personnel, such as subject matter experts, and ensuring they are available to participate in the project as required.
- Participate in the project – ZEP RE will actively participate in the project and provide feedback on the design and functionality of the AML system. ZEP RE's input is critical to ensuring the system meets specific needs and is aligned with compliance requirements.
- Ensure system access and security – ZEP RE will ensure that the AML system is accessed and used only by authorized personnel through provided user configurations of the system and that appropriate security measures are in place to protect the system and its data from unauthorized access or disclosure.
- Comply with relevant regulations – ZEP RE will be responsible for complying with all relevant regulations and laws related to AML and financial crime prevention. This includes providing appropriate training to personnel, monitoring transactions for suspicious activity, and reporting suspicious activity as required by law.

9. REPORTING REQUIREMENTS



ZEP-RE
(PTA Reinsurance Company)

The firm will report to the Digital Systems Manager and work in close collaboration with the project and legal team of ZEP-RE.