



# Technical Assistance Report

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**PUBLIC**

Project Number: 56037-001  
Knowledge and Support Technical Assistance (KSTA)  
February 2023

## Improving Finance Sector Know Your Customer Capacity in the Pacific

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Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
AML	–	anti-money laundering
CFT	–	combating the financing of terrorism
DMC	–	developing member country
eKYC	–	electronic know your customer
KYC	–	know your customer
PNG	–	Papua New Guinea
SDG	–	Sustainable Development Goal
TA	–	technical assistance
TASF	–	Technical Assistance Special Fund

## NOTE

In this report, "\$" refers to United States dollars.

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## KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number:</b> 56037-001
<b>Project Name</b>	Improving Finance Sector Know Your Customer Capacity in the Pacific	<b>Department/Division</b> PARD/PLCO
<b>Nature of Activity</b>	Capacity Development	<b>Executing Agency</b> Asian Development Bank
<b>Modality</b>	Regular	
<b>Country</b>	REG (PNG, SAM, SOL, VAN)	
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>
✓ Finance	Banking systems and nonbank financial institutions	1.000
	Finance sector development	1.000
	<b>Total</b>	<b>2.000</b>
<b>3. Operational Priorities</b>		<b>Climate Change Information</b>
✓ OP1: Addressing remaining poverty and reducing inequalities		GHG Reductions (tons per annum) 0
✓ OP7: Fostering regional cooperation and integration		Climate Change impact on the Project Low
		<b>ADB Financing</b>
		Adaptation (\$ million) 0.000
		Mitigation (\$ million) 0.000
		<b>Cofinancing</b>
		Adaptation (\$ million) 0.000
		Mitigation (\$ million) 0.000
<b>Sustainable Development Goals</b>		<b>Gender Equity and Mainstreaming</b>
SDG 8.10		No gender elements (NGE) ✓
		<b>Poverty Targeting</b>
		General Intervention on Poverty ✓
<b>4. Risk Categorization</b> Complex		
<b>5. Safeguard Categorization</b> Safeguard Policy Statement does not apply		
<b>6. Financing</b>		
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>
<b>ADB</b>		<b>2.000</b>
Knowledge and Support technical assistance: Regional Cooperation and Integration Fund		1.500
Knowledge and Support technical assistance: Technical Assistance Special Fund		0.500
<b>Cofinancing</b>		<b>0.000</b>
None		0.000
<b>Counterpart</b>		<b>0.000</b>
None		0.000
<b>Total</b>		<b>2.000</b>
<b>Currency of ADB Financing:</b> US Dollar		

## I. INTRODUCTION

1. The knowledge and support technical assistance (TA) will support improvements to know your customer (KYC) processes in four participating Pacific developing member countries (DMCs): Papua New Guinea (PNG), Samoa, Solomon Islands, and Vanuatu. The governments of PNG, Samoa, and Vanuatu requested the TA during fact-finding missions from September to November 2022.<sup>1</sup> The TA will support the use of a technology-based KYC platform for participating financial institutions and regulatory agencies in these countries. The platform will facilitate the standardization of workflows. It will (i) enhance KYC processing based on risk assessments and consistent information sharing with partner institutions and regulators in the finance sector; (ii) facilitate the development of a legal and regulatory framework; and (iii) support consistent guidance on required standards and workflows for financial institutions. The TA will help reduce the cost of remittances and the likelihood of financial institutions losing correspondent bank accounts by strengthening anti-money laundering/combatting the financing of terrorism (AML/CFT) compliance.

2. The TA is consistent with (i) the objectives of the Asian Development Bank (ADB) Pacific Approach, 2021–2025, of facilitating the development of the finance sector in Pacific DMCs and promoting regional cooperation and integration; (ii) ADB's Strategy 2030 Operational Plan for priorities 1 and 7; and (iii) the Sustainable Development Goals (SDGs) 8.10: strengthen the capacity of domestic financial institutions to encourage and to expand access to banking, insurance and financial services for all, and 10(c) reduce transaction costs for migrant remittances.<sup>2</sup>

## II. ISSUES

3. **High costs of manual compliance.** High costs result from time-intensive manual KYC processes and a lack of competition among financial institutions.<sup>3</sup> Lack of competition is exacerbated by stricter global regulatory enforcement of anti-money laundering regulations, increased tax transparency, and the need for banks to hold larger capital buffers to draw on during economic downturns. High compliance costs have also impeded the entry of new financial institutions and the development of new financial products and electronic commerce. These factors have caused international correspondent banks to reevaluate their risk appetite when transacting with jurisdictions that lack robust implementation and enforcement, such as Pacific DMCs. As a result, international banks have been paring back cross-border banking relationships (correspondent banking), leading many Pacific money transfer operations to close or rely on alternative and expensive channels for remittances.

4. **Limited access to data impacts the time and complexity of verification.** Financial institutions in the Pacific region lack access to reliable online identity verification databases for timely and cost-effective verification. This limitation increases the time and complexity of

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<sup>1</sup> The Central Bank of Solomon Islands requested technical assistance to support its readiness for use of a technology-based know your customer platform. The level of readiness is lower in Solomon Islands than the other participating countries.

<sup>2</sup> ADB. 2021. [Pacific Approach, 2021–2025](#). Manila; ADB. 2019. [Strategy 2030 Operational Plan for Priority 1: Addressing Remaining Poverty and Reducing Inequalities, 2019–2024](#), Manila; 2019. [Strategy 2030 Operational Plan for Priority 7: Fostering Regional Cooperation and Integration, 2019–2024](#), Manila; and United Nations. 2015. [Transforming Our World: The 2030 Agenda for Sustainable Development](#). New York. The TA was published in the business opportunities section of ADB's website on 12 September 2022.

<sup>3</sup> Asian Development Bank Institute, Organisation for Economic Co-operation and Development, and International Labour Organization. 2018. [Labor Migration in Asia: Increasing the Development Impact of Migration through Finance and Technology](#). Tokyo, Paris, and Bangkok.

verification processes because manual checks are needed at one or more institutions to verify customer information. Lack of access to verification data restricts the development of technology solutions for electronic know your customer (eKYC) processing needs and limits people's access to financial and other services (e.g., regional seasonal workers' access to services).

5. **Regulatory impediments limit access to data.** Insufficient enabling regulations and concerns about data privacy and sovereignty inhibit financial institutions' access to verification data and impede efforts to create consolidated databases. Regulations differ from country to country, and lax verification requirements in some countries provide little incentive to database owners to improve access to data for verification services.

6. **Shared platforms reduce costs.** Given the small volumes and values of transactions in Pacific DMCs, local banks and other payment service providers (e.g., money transfer operators) view the cost of digitizing data and using online facilities for eKYC processing as prohibitive. Shared platforms can facilitate lower costs and reduce risks by using a higher standard of KYC processing, including checks against credit histories, politically exposed persons, and sanctions lists. The private sector could provide verification services, but key conditions, such as access to verification databases and the small market size of Pacific DMCs, can make that too expensive. Thus, the public sector must enable such services to support financial inclusion and financial sector development in the respective jurisdictions.

7. **Increased de-risking in the Pacific.** With increasing money transfer operators experiencing bank account closures because of weak KYC checks, loss of correspondent banking relationships, and persistently high remittance costs, PNG, Samoa, Solomon Islands, and Vanuatu have requested ADB support in improving their eKYC capacity. Most Pacific DMCs have established AML/CFT frameworks in response to international requirements but require manual record-keeping and reporting. Digital KYC processing, record-keeping, and reporting need to be incorporated into legal frameworks to facilitate the use of technology, including by regulatory agencies. Collaboration among development partners, governments, technology providers, and service providers will be required to help Pacific countries adopt practices compliant with international standards, rebuild and maintain correspondent banking relationships, and lower the cost of remittances.

8. **High cost of remittances to the Pacific.** Average remittance costs in the Pacific DMCs are more than 10% of the amount sent—significantly more than the global average of 6.8% and more than triple the 2030 SDG target of less than 3%.<sup>4</sup> High personal and trade-based remittance costs impact the region's economic activities, incomes, and well-being. These result in lower disposable income for recipients, decrease the incentive to remit and reduce cross-border flows for e-commerce. The lower flows contribute to persistent poverty levels and low levels of financial inclusion; and constrain the growth of micro, small, and medium-sized enterprises.

9. **Regional central bank collaboration.** Central banks in the Pacific established a working committee on remittances in November 2020 to consider options to reduce the cost of remittances and instances where correspondent banking relationships have been pared back.<sup>5</sup> The participating central banks have issued regional AML/CFT compliance guidance and considered several models for a regional eKYC facility. The central banks agreed to a country-by-country

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<sup>4</sup> H. Hahm, T. Subhanij, and R. Almeida. 2021. [Finteching Remittances in Paradise: A Path to Sustainable Development](#). *Asia & the Pacific Policy Studies*. 8 (3). pp. 435–453; and A. Betteridge and S. Howes. 2015. [The Persistently High Cost of Pacific Remittances](#). Devpolicy Blog. Percentages are based on a remittance value of \$200 for comparison purposes.

<sup>5</sup> De-risking in the Pacific (accessible from the list of linked documents in Appendix 3).

rollout of a common eKYC platform that will standardize sharing of KYC data based on each country's readiness.<sup>6</sup>

10. **Development partner support.** Following a request for assistance from the Government of Samoa, ADB successfully concept-tested an eKYC platform in Samoa in 2021.<sup>7</sup> The Samoa platform will be integrated with databases and participating financial institutions' data systems, where possible.<sup>8</sup> The improved platform will be pilot-tested. Other development partners have agreed to support the implementation of eKYC projects in the region. The World Bank supports Samoa in establishing a national identity database. The United Nations Development Programme is working with the Vanuatu Department of Civil Registration and Identity Management to improve the coverage and quality of the national identity database in the country. The International Monetary Fund provides limited support to central banks through advice, legal diagnostics, and drafting assistance for AML/CFT regulations and guidelines.

11. **Alignment with ADB's Strategy 2030.** The TA aligns with operational priorities 1 and 7 of ADB's Strategy 2030. It will strengthen cooperation among Pacific central banks in exploring solutions to reduce the cost of remittances. The TA will extend knowledge and support to smaller Pacific DMCs that do not have central banks but are affected by increasing compliance costs with AML/CFT reporting requirements and risk losing correspondent banking services.<sup>9</sup> It aligns with ADB's Strategy 2030 to address remaining poverty, reduce inequality, and promote regional cooperation and integration. The TA will contribute to SDG 8.10 and 10(c) as it aims to strengthen the capacity of domestic financial institutions to expand access to financial services and reduce remittance transaction costs. Migrant remittances also contribute directly and indirectly to several other SDGs.

12. **Lessons from the Samoa pilot project.** Lessons learned from the Samoa pilot project preparations include the need to ensure that (i) standards for data privacy are applied, (ii) access to verification services is available, (iii) international KYC processing requirements are met, (iv) legal frameworks accept eKYC, (v) regulators enforce compliance requirements, and (vi) participating financial institutions are willing to invest in technology.<sup>10</sup>

### III. THE TECHNICAL ASSISTANCE

#### A. Impact and Outcome

13. The TA is aligned with the following impacts: (i) likelihood of financial institutions losing bank accounts because of noncompliance with KYC requirements reduced,<sup>11</sup> and (ii) costs of

<sup>6</sup> The TA will support the rollout of a platform for sharing KYC data across at least four jurisdictions (four Pacific DMCs). Support could be extended to additional Pacific DMCs through cofinancing, additional financing, or follow-on TA or projects. The four DMCs will be able to share KYC data with remittance sending jurisdictions such as Australia and New Zealand.

<sup>7</sup> A concept-test was done to confirm if a KYC platform can be developed and a pilot-test will confirm if the financial institutions will use the platform.

<sup>8</sup> The pilot projects in Samoa and Vanuatu are supported by ADB. [Regional: Supporting Finance Sector and Private Sector Development in the Pacific](#). The pilot project in Papua New Guinea is cofunded by ADB. [Regional: Supporting Finance Sector and Private Sector Development in the Pacific](#), and ADB. [Regional: Strengthening Financial Sector Operations in Asia and the Pacific](#)

<sup>9</sup> Reserve Bank of Australia. 2020. Media Release. 2020. [South Pacific Central Bank Governors Committed to Cost Effective Remittances](#). Joint media release. 20 November.

<sup>10</sup> The pilot project is described in Electronic Know Your Customer Platform Pilot Projects (accessible from the list of linked documents in Appendix 3).

<sup>11</sup> M. Erbenová et al. 2016. [The Withdrawal of Correspondent Banking Relationships: A Case for Policy Action](#). *IMF Staff Discussion Note*. No. SDN/16/06. Washington, DC: International Monetary Fund.

remittances to Pacific DMCs moved closer to global averages.<sup>12</sup> The TA will have the following outcome: compliance of participating financial institutions with AML/CFT reporting requirements improved. These are expected to be achieved through the outputs outlined in paras. 14–16. All outputs apply to the participating Pacific DMCs: PNG, Samoa, Solomon Islands, and Vanuatu.<sup>13</sup>

## **B. Outputs, Methods, and Activities**

**14. Output 1: Existing identity verification databases improved, and linkage utility established.** Pacific DMCs have functional databases for passports, driver's licenses, and eligible voters, but these database owners do not offer online verification services.<sup>14</sup> The TA will support verification services by improving databases identified by Pacific DMCs as acceptable for verification purposes in the finance sector and developing linkage utilities. The linkage utility will be an interface that will receive data provided by customers of financial institutions through the eKYC platform and check against records in the database only to confirm the accuracy of the data provided by customers. No data will be extracted, ensuring data privacy and security in line with international standards. The use of technology will facilitate efficient verification services. Identity verification is essential for satisfying the KYC required to comply with AML/CFT. Online verification services help reduce the cost and time required for verification.

**15. Output 2: Technology platform for know your customer facility implemented.** The pilot-tested eKYC platform will be improved to (i) standardize KYC processing for individuals and incorporated entities, (ii) establish procedures for checks, (iii) perform transaction screening (politically exposed persons and sanctions list), (iv) enforce required KYC workflows to ensure that checks meet the required standards of regulators and correspondent banks, (v) provide digital evidence of the outcomes of KYC processing using acceptable standards, (vi) support required reporting, and (vii) share consistent transaction-based data among participating financial institutions across the participating DMCs. The facility will integrate with identity databases to access verification services. Manual verification procedures will be facilitated for identity databases that cannot be accessed online. The facility will create reusable customer profiles, updated through KYC workflows developed from public and private information sources. The facility will provide access linkages to participating financial institutions and credit bureaus through a shared platform. The KYC processing framework of participating financial institutions will be reviewed, and users will be supported through tailored training programs. The platform will be improved to integrate participating countries' lessons and new KYC processing requirements. It will be available for use by financial institutions in other Pacific DMCs with accessible databases for end-to-end verification of international transactions, contributing to cost reductions and allowing opportunities for new institutions to meet their compliance requirements. The platform will use licensed database software with a tailored user interface that will be integrated with existing systems for identity databases and financial institutions through a consulting firm experienced in KYC processing. The eKYC platform will build on the lessons from the eKYC pilot projects in Samoa. Participating institutions will be supported over 12 months to implement and operate the eKYC platform. The timeline will be adjusted during implementation. Ownership and

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<sup>12</sup> United Nations. 2015. [Transforming Our World: The 2030 Agenda for Sustainable Development](#). New York; and M. Erbenová et al. 2016. [The Withdrawal of Correspondent Banking Relationships: A Case for Policy Action](#). *IMF Staff Discussion Note*. No. SDN/16/06. Washington, DC: International Monetary Fund.

<sup>13</sup> The design and monitoring framework is in Appendix 1.

<sup>14</sup> Samoa intends to use the electoral database. Vanuatu intends to use the national identity database. Solomon Islands intends to use the telecommunications registration database. PNG has identified the driver's license, national identity, passport, and electoral databases. ADB has supported PNG in developing an eKYC framework to assist in improving compliance capacity. A digital access tool pilot is also underway in PNG supporting eKYC for access to microfinance services.



governance structures for the eKYC platform, including a sustainable operating model, will be explored early in the implementation period to reach an agreement prior to exhausting TA resources.

**16. Output 3: Legal and regulatory diagnostics and reforms to enable the use of electronic know your customer facility in Pacific developing member countries supported.**

The TA will assess overlaps and dependencies on other AML/CFT regulatory reforms and identify gaps in the regulatory environment relevant to an eKYC facility operating in the country, including privacy, customer consent, data sovereignty, and identity verification requirements. Regulatory reforms will be supported to facilitate access to databases to verify information and support the enforcement of a higher KYC standard for financial institutions. The TA will provide capacity support for in-country reforms if needed. The proposed eKYC platform must comply with regulatory requirements in all supported jurisdictions. Diagnostics will also consider the legal framework for the sustainable operating model.

**17. ADB's value addition.** ADB has ongoing assistance programs in the Pacific that contribute to trusted relationships with financial institutions and regulators and has a strong convening power to bring together financial sector stakeholders. Through this TA, ADB will support regional financial cooperation, help improve the regional business environment and support financial inclusion. This TA will build on ADB's existing support to Pacific DMCs to improve AML/CFT capacity.<sup>15</sup> ADB has a strong team working on the issue, and this TA will bring additional expertise and resources to scale up the support.<sup>16</sup>

**18.** The TA will help support regional cooperation and knowledge sharing in the finance sector. The TA allows ADB to implement a standard eKYC solution for sharing standardized KYC information across several Pacific DMCs. The TA may build demand to develop projects to establish new digital verification databases and support digital capacity in Pacific DMCs.

### **C. Cost and Financing**

**19.** The TA financing amount is \$2.0 million, of which (i) \$0.5 million will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 7), and (ii) \$1.5 million will be financed on a grant basis by the Regional Cooperation and Integration Fund.<sup>17</sup> The key expenditure items are listed in Appendix 2. The governments will provide counterpart support through staff and access to databases.

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<sup>15</sup> Financial Action Task Force. 2012–2022. [International Standards on Combating Money Laundering and Financing Terrorism and Proliferation: The FATF Recommendations](#). Paris.

<sup>16</sup> PNG was assisted in preparing laws and regulations related to AML/CFT: (i) the Anti-Money Laundering and Counter-Terrorist Financing Act, 2015; (ii) amendments to the Proceeds of Crime Act, 2005; (iii) amendments to the Criminal Code Act, 1974; (iv) the United Nations Financial Sanctions Act, 2015; and (v) the Cash Courier Draft Bill through ADB. [PNG: Supporting Anti-Money Laundering and Combating the Financing of Terrorism](#). Fiji and Vanuatu were assisted in preparing their national risk assessments through ADB. [Regional: Targeted Pacific Financial Sector Strengthening: Supporting National Risk Assessments](#). ADB provided Vanuatu with follow-on assistance on risk assessments for terrorist financing and offshore financial centers; PNG was assisted in developing implementation arrangements for conducting risk-based KYC checks and reviewing AML/CFT requirements; Samoa was supported with its national risk assessment and the formulation of a national AML/CFT strategy, and the Marshall Islands was supported in preparing the requirements and activities for an evaluation through ADB. [Regional: Developing Anti-Money Laundering and Combating the Financing of Terrorism \(AML/CFT\) Approaches, Methodologies, and Controls](#).

<sup>17</sup> Established by ADB. Financing partner: the Government of Japan.

20. Eligible expenditures under the Regional Cooperation and Integration Fund include consulting services, minimal equipment and other goods that are indispensable for TA implementation, and related activities. Civil works, procurement of large-scale equipment, and salary for permanent staff of TA executing and/or implementing agencies are typically ineligible, and not envisaged under the TA.

#### D. Implementation Arrangements

21. ADB will administer the TA. Individual consultants will be recruited to provide international consulting inputs. Firms will be recruited using quality- and cost-based selection. Implementation arrangements are summarized below. ADB will engage consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration and/or staff instructions.<sup>18</sup>

#### Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	March 2023–December 2028		
Executing agency	Asian Development Bank		
Consultants	To be selected and engaged by ADB through QCBS method with a quality–cost ratio of 80:20.		
	Firm(s): QCBS	Improving identity verification databases and establishing linkage utility	\$400,000
	Firm(s): QCBS	Implementing a technology-based KYC platform	\$600,000
	Individuals: ICS	International expertise (50 person-months)	\$600,000
	Individual: ICS	International expertise (25 person-months)	\$300,000
	Individual: ICS	International expertise (6 person-months)	\$100,000
Disbursement	Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		
Asset turnover or disposal arrangement upon TA completion	Assets acquired will either be transferred to a subsequent phase of the TA or provided to an institution nominated by the participating Pacific DMC.		

ADB = Asian Development Bank, DMC = developing member country, ICS = individual consultant selection, KYC = know your customer, QCBS = quality- and cost-based selection, TA = technical assistance.

Source: Asian Development Bank.

#### IV. THE PRESIDENT'S DECISION

22. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$2,000,000 on a grant basis for Improving Finance Sector Know Your Customer Capacity in the Pacific, and hereby reports this action to the Board.

<sup>18</sup> Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

## DESIGN AND MONITORING FRAMEWORK

<b>Impacts the TA is Aligned with:</b> Likelihood of financial institutions losing bank accounts because of noncompliance with KYC requirements reduced (International Monetary Fund Discussion Note on Withdrawal of Correspondent Banking Relationships) <sup>b</sup> Costs of remittances to Pacific DMCs moved closer to global averages (United Nations Sustainable Development Goal 10c) <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks and Critical Assumptions</b>
<b>Outcome</b> Compliance of participating financial institutions with AML/CFT reporting requirements improved	By 2029, 50% of participating financial institutions use the KYC platform introduced by the TA (2022 baseline: 0)  By 2029, 100% of participating financial institutions achieve compliance with all AML/CFT reporting requirements (2022 baseline: not applicable)	Project report, ADB, biannual  Impact study report by consultant at the end of the TA  Project report, ADB, biannual  Impact study report by consultant at the end of the TA	R: Implementation is delayed, and more foreign commercial banks withdraw correspondent banking relationships  A: Participating financial institutions continue to use the KYC facility for their KYC requirements
<b>Outputs</b> 1. Existing identity verification databases improved, and linkage utility established  2. Technology platform for KYC facility implemented	1. By 2028, at least one identity verification database in each participating Pacific DMC launched or made accessible online (2022 baseline: 0) (OP1.3.2)  2a. By 2028, at least one technology-based platform compliant with standardized regional AML/CFT requirements linked with an identity database and integrated with financial institutions' IT systems (2022 baseline: not applicable) (OP7.2.3; OP7.2.4)  2b. By 2028, staff of at least one participating financial institution in each participating Pacific DMC received training on the use of technology-based platform for KYC checks (2022 baseline: not applicable) (OP7.2.3; OP7.2.4)	1. Project report, ADB, biannual  2a. Project report, ADB, biannual  Impact study report by consultant at the end of the TA  2b. Project report, ADB, biannual	A: Pacific DMCs allocate sufficient resources to establish or improve identity databases  A: Development partners of Pacific DMCs support legal and regulatory changes in selected Pacific DMCs  R: Implementation of the technology platform is delayed by financial institutions' lack of readiness  R: Use of technology-based platform restricted by anti-competitive behavior of financial institutions

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
3. Legal and regulatory diagnostics and reforms to enable the use of eKYC facility in Pacific DMCs supported	3a. By 2028, legal and regulatory diagnostics for participating Pacific DMCs completed (2022 baseline: 0)  3b. By 2028, eKYC integrated into the legal and regulatory frameworks of the participating Pacific DMCs (2022 baseline: not applicable)	3a. Legal diagnostic reports, consultant reports, per participating DMC  3b. Project report, ADB, biannual	
<p><b>Key Activities with Milestones</b></p> <p><b>1. Output 1: Existing identity verification databases improved, and linkage utility established</b></p> <p>1.1 Undertake a survey of available databases and data (December 2023)</p> <p>1.2 Establish linkages to databases to access verification services (December 2025)</p> <p>1.3 Upgrade databases and reformat data (if required) (December 2028)</p> <p><b>2. Output 2: Technology platform for KYC facility implemented</b></p> <p>2.1 Confirm platform meets requirements of regulators and correspondent banks (December 2024)</p> <p>2.2 Test functionality of the platform (December 2024)</p> <p>2.3 Undertake required due diligence of financial institutions intending to participate (December 2024)</p> <p>2.4 Implement software with participating financial institutions, with options for user interfaces or application programming interfaces (December 2028)</p> <p>2.5 Train users of the platform (December 2028)</p> <p><b>3. Output 3: Legal and regulatory diagnostics and reforms to enable the use of eKYC facility in Pacific DMCs supported</b></p> <p>3.1 Undertake diagnostics in selected Pacific DMCs (December 2024)</p> <p>3.2 Recommend policy changes (December 2024)</p> <p>3.3 Recommend ownership and governance structure of the eKYC platform (December 2025)</p> <p>3.4 Draft required changes to law and regulations supported in selected Pacific DMCs (December 2028)</p> <p><b>TA Management Activities</b></p> <p>Prepare a work plan (by June 2023)</p> <p>Assess key areas of project risk, prepare project risk register and project management plan (by December 2023)</p> <p>Recruit KYC Expert/Project Manager for TA implementation (by December 2023)</p> <p>Recruit personnel for legal diagnostics (legal expert and AML/CFT compliance expert) (by December 2023)</p> <p>Recruit firm for improvements to identity databases (by December 2023)</p> <p>Recruit firm for implementation of KYC platform (by December 2024)</p> <p>Recruit personnel for impact study (by December 2023)</p> <p>Conduct biannual meetings of the project steering committee</p> <p>Coordinate the TA during the implementation period</p> <p>Continually monitor and evaluate performance during the implementation period</p>			
<p><b>Inputs</b></p> <p>ADB (TASF 7): \$500,000</p> <p>Regional Cooperation and Integration Fund: \$1,500,000</p>			

A = assumption, ADB = Asian Development Bank, AML/CFT = anti-money laundering and combating the financing of terrorism, DMC = developing member country, eKYC = electronic know your customer, IT = information technology, KYC = know your customer, OP = operational priority, R = risk, TA = technical assistance, TASF = Technical Assistance Special Fund.

<sup>a</sup> United Nations. 2015. [Transforming Our World: The 2030 Agenda for Sustainable Development](#). New York.

<sup>b</sup> M. Erbenová et al. 2016. [The Withdrawal of Correspondent Banking Relationships: A Case for Policy Action](#). *IMF Staff Discussion Note*. No. SDN/16/06. Washington, DC: International Monetary Fund.

**Contribution to Strategy 2030 Operational Priorities:**

The expected values and methodological details for all OP indicators to which this TA will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 3).  
Source: Asian Development Bank.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Amount
<b>A. Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Out-of-pocket expenditures	
i. International and local travel	200.0
ii. Reports and communications	50.0
iii. Miscellaneous TA administration costs	50.0
iv. Others	50.0
2. Miscellaneous technical assistance administration costs <sup>b</sup>	50.0
3. Contingencies	100.0
<b>Subtotal (A)</b>	<b>500.0</b>
<b>B. Regional Cooperation and Integration Fund<sup>c</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	500.0
ii. National consultants	500.0
b. Out-of-pocket expenditures	
i. Goods	450.0
ii. Trainings, seminars, and conferences	50.0
<b>Subtotal (B)</b>	<b>1,500.0</b>
<b>Total</b>	<b>2,000.0</b>

TA = technical assistance.

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 7).

<sup>b</sup> Includes office costs, governance costs, software licenses, database access fees, interpretation, printing, and typesetting costs.

<sup>c</sup> Established by ADB. Financing Partner: the Government of Japan.

Source: Asian Development Bank estimates.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/LinkedDocs/?id=56037-001-TARreport>

1. Terms of Reference for Consultants
2. Contribution to Strategy 2030 Operational Priorities

**Supplementary Documents**

3. De-risking in the Pacific
4. Electronic Know Your Customer Platform Pilot Projects