



Inspiring Excellence

**Internship Report on
Fraud Risk Management of bKash Limited**



Submitted to:

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Fraud Risk Management of bKash Limited

Letter of Transmittal

September 7, 2018

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Subject: Submission of Internship Report on Fraud Risk Management of bKash Limited.

Dear Sir,

It is my pleasure to submit the internship report on '**Fraud Risk Management of bKash Limited**' as a part of the requirement of my internship. I have tried my level best to collect relevant information from relevant reports and discussion with bKash officials.

This report is both educative and practical, and has given me the access to the investigation of new learning from genuine techniques of Fraud Risk Management. I have put in my best effort to contribute towards the successful completion of the report. I cordially thank you for giving me the chance to undertake the study. This report is not free of slip-ups because of a few impediments. I hope you accept it with thoughtful consideration.

Thanking you
Yours Sincerely

Shemonti Shahrin
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Acknowledgement

Firstly, with due respect, I would like to express my gratitude and indebtedness to my faculty, **Dr. Suman Paul Chowdhury**, Assistant Professor and MBA Program Coordinator, BRAC Business School, BRAC University for his constant and continuous support, guidance, encouragement and suggestions during the preparation of my internship report. I cordially thank him for sparing his valuable time to read my report.

Secondly, I would like to convey my sincere gratitude to **Mr. Ahammad Ali**, Senior Officer, External Affairs Department, External and Corporate Affairs Division, bKash Limited and **Mr. Sujay Roy**, Officer, External Affairs Department, External and Corporate Affairs Division, bKash Limited for their guidance, constant support and supervision. Without their help, I would not have ended up with meaningful internship experience. Moreover, upon their guidance I have worked in the Fraud Risk Management Team where I have gathered hands on experience on the procedures of risk management. For all these, I am highly grateful to them.

Executive Summary

bKash, the largest mobile financial service provider company in Bangladesh has grown rapidly with their services of cash in, cash out, buy Airtime, payment, remittance and so on. bKash has made money transfer a lot easier for people of Bangladesh specially for those in rural areas without any bank accounts. But on the other hand, this platform is being misused through fraudulent activities and money laundering. Many people become the victim of fraud everyday and bKash is a very common platform to use for fraudsters. For some reasons, the frauds have been increasing day by day. In this report I have tried to find out the reasons behind the frauds taking place, in what ways bKash customers and agents are defrauded and the measures taken by bKash to combat these risks. In addition to that, I have mentioned some observations based on the tasks I was assigned to. Based on the observations I have stated some constraints and possible course of improvement depending on my practical experience for the past three months. The report has delivered the information about how effectively bKash is performing to manage their fraud risks through External Affairs Department. This department very efficiently handles all the fraud related issues in four ways, LEA Management, Fraud Risk Governance, Intelligence Evaluation and Planning and Relationship Management. The work process of each and every part is explained in details. Based on the observations, I have tried to find out what challenges bKash is facing in the process of managing risks both internally and externally. At the end of the report, I have incorporated some recommendations in response to the challenges.

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Part – 1

Introduction to the Report

1.1 Rationale

This report is prepared to show how the Mobile Financial Service Platform is being abused by fraudsters, the impact of fraud on common people and how the organization is fighting back to minimize these risks. It is focused towards the company bKash Limited which is now the market leader in the MFS industry. In this report I have addressed fraud as a challenge in the provision of mobile financial services and how bKash is trying to minimize these challenges with the best of their ability. While working on the report, I got the chance to use my theoretical knowledge in the practical sector that has enabled me with a better understanding about the functions of a business.

This report can be helpful in learning more about the compliance process of bKash Limited. The report is focused towards fraudulent activities that will help mobile financial service providers build a fraud lifecycle that is closely aligned to the product lifecycle. Different types of fraud will occur at different stages of the product. The study will help stakeholders understand the kind of interventions that are necessary to address these risks. Understanding fraud enables better knowledge of investment required in mobile financial services.

The report addresses how the bKash platform is being misused by many fraudsters on a day to day basis and common people become the victim of these activities. This is because bKash was mainly targeted to the low income earners and people in rural areas who cannot afford to have a bank account. For them bKash made it easier to transfer and save money. But now the innocent people are targeted by fraudsters. The number of victims kept increasing since most people in Bangladesh are less educated and did not have understanding about the fraudulent activities until it happened to them for real. Therefore, through this report, I have tried to showcase how strictly bKash Limited deals with such incidents by maintaining a tight compliance process in the organization, which is now their highest priority.

1.2 Objectives of the Report

Broad Objective: The main objective of this report is to find the strategies, role and responsibilities adapted by bKash to combat and mitigate the risk of fraudulent activities in the Mobile Financial Service (MFS) market.

Specific Objective: To attain the broad objective, the following specific objectives will be pursued:

- Reasons behind the occurrence of fraudulent activities.
- Categories and types of fraud at bKash Limited.
- Impact of fraud on bKash, its agents and customers.
- Course of action to deal with fraudsters, victims and measures to mitigate the risk of fraudulent activities in future.

1.3 Scope of the Study

I have worked with the Fraud Risk Management team in the External Affairs Department of bKash Limited. So, this report only includes the fraud risk factors, risk management framework, identification process of fraud, analyzing and mitigating of related risk by the External Affairs Department. This report does not include details about any other kinds of risks except fraud, or any details about other products or services.

1.4 Methodology

The report is prepared based on the information extracted from different sources that includes both primary and secondary data. To fulfill the objectives of the report, the methodology has been divided into two major parts:

Primary Sources:

- Three months practical participation in the internship.
- Face-to-Face conversation with the respective officers.
- Relevant file study provided by the officers concerned.

Secondary Sources:

- Guidelines for Mobile Financial Services published by Bangladesh Bank.
- Relevant books, research papers, newspapers and journals.
- Internet and various reports related to the topic.

1.5 Limitations

In preparing this report, some problems and limitations have been encountered which are as follows:

- Difficulty in gathering required information. There are various information employees cannot provide due to confidentiality and other corporate obligations.
- Due to limitation of time and information, many aspects could not be discussed in the report.
- Lack of opportunity to access internal data.
- The report is based more on secondary data rather than primary data.
- Since the employees are very busy, they could not pay enough time.

1.6 Literature Review

Mobile Financial Service (MFS)

Mobile Financial Service (MFS) is a technique to offer financial services which incorporate banking with wireless remote systems that makes empower clients for performing banking transactions. It demonstrates the capacity to influence deposits, to pull back, and to send or get cash from a mobile account and constantly such services are empowering by the utilization of bank operators which allow mobile account holders to execute at free specialist areas outside of bank offices (Bangladesh Bank, 2012). Therefore, this new mode enables the client to access to money related services in whenever, place and setting, there by changing the principles of rivalry in the between bank. The banks are not any more simply worried about the quantity of outlets and scope, however more centered on giving proficient and customized benefit (Hassan, Rahman, Afrin, & Rabbany, 2014). (Amin, Hamida, Ladaa, & Anis, 2008) analyzed the elements that decide expectation to utilize mobile banking among BIM Bank's clients. They found that apparent convenience, usability, perceived believability, the measure of data on mobile banking and regularizing weight are huge factors in clarifying the acknowledgment of mobile banking.

Emerging of Mobile Financial Services in Bangladesh

Bangladesh Bank has presented authorizations for Mobile Financial Service on July 2011 to advance market improvement. At first five banks have reacted decidedly to build up dynamic arrangements where three biggest of these were propelled instantly at the season of propelling and others in mid 2012 (Shezan, 2015). By the end of the first quarter of 2012 the quickest early development has originated from bKash (BRAC Bank) and Dutch Bangla Bank Limited (DBBL). Despite the fact that Bangladesh's national bank has affirmed in excess of 20 licenses to offer versatile money related administrations, in excess of 80 percent of exchanges are through a solitary organization—bKash Limited. bKash propelled in the second half of 2011, grew to 3 million accounts by the end of 2012, and shot up to 11 million enlisted accounts by the end of 2013 (CGAP, 2014).

Consumers' attitude and perception towards Mobile Financial Services

As indicated, there are five seen qualities of advancement that can be utilized to shape a favorable or unfavorable attitude toward a development, specifically: relative favorable position, similarity, intricacy, trial-ability and discernibleness. It's a helpful structure to test the impact of a few factors on mobile bank services selection (Rogers, 2003). It is discovered that Indian mobile banking users are extraordinarily worry with security issues like budgetary cheats, account abuse and user friendliness issue - trouble in recollecting the distinctive codes for various kinds of exchange, application programming establishment and refreshing, because of absence of standardization (Sharma & Singh, 2009). For customers in developed nations, m-banking can be a complimentary service offered by financial institutions notwithstanding ATMs and Internet banking. In this way, factors, for example, comfort and usability may turn into significance criteria when they consider embracing m-banking. Be that as it may, consumers in the developing nations, the interest of m-banking might be less about comfort, however more about openness and reasonableness because of network coverage, quality association, and expenses (Donnar & Tellez, 2008).

Part – 2

Industry and Organization Overview

2.1 Industry Overview

Recent innovation in telecom industry is the launch of mobile banking or m-banking which has enabled the use of banking services in someone's fingertip. Mobile Financial Service (MFS) is a technique that combined all the banking services at one single point with the use of wireless systems. This initiates the ability to make deposits, withdraw, to send or receive funds from a mobile account. Often these services are enabled by the use of bank agents that allow mobile account holders to transact at independent agent locations outside of bank branches. MFS offers the opportunity to build another channel beyond the bank branch and ATM network to enable millions to have easier access to the formal banking system. Bangladesh Bank aims to build a commercially viable, competitive and safe MFS market.

Given the need to continue to advance financial inclusion Bangladesh Bank believes that fully developed MFS operations can reduce barriers of physical access and cost and over time enable a much higher proportion of the population to use basic formal sector deposit and payment services. Access into the formal system might eventually lead to product innovations in insurance, credit, pensions and government payments that reach many millions of Bangladeshis. Entry to the formal financial sector can lead to greater financial intermediation and contribute to growth. Accordingly, Bangladesh Bank has established a guideline for MFS market growth. As a result BRAC Bank/bKash, Dutch Bangla Bank Rocket and some other banks are operating throughout the country.

2.2 Company Background

bKash Limited is a subsidiary of BRAC Bank, started as a joint venture between BRAC Bank Limited, Bangladesh and Money in Motion LLC, USA in mid-2011. bKash is the first company in Bangladesh functioning with multinational collaboration. In April 2013, International Finance Corporation (IFC), a member of the World Bank Group, became an equity partner and in April 2014, Bill & Melinda Gates Foundation became the investor of the company. bKash is governed by Board of Directors elected from different financial intermediaries.

bKash is licensed as a Financial Institution by the Bangladesh Bank and has been contributing in the country's growing economy. Its mission is to provide affordable, convenient and reliable financial service towards the customers. It is the only the mobile

financial service provider which has one service menu for all the operators. Currently bKash's mobile network partners are Robi, Grameen Phone, Banglalink and Airtel. From the data of June 2017 the current number of agents of bKash is 758,570. Until now it has the highest numbers of agents in Bangladesh.

Since its inception in mid-2011, bKash has been showing a spectacular effect in bringing informal sector into the formal economy and simplifying the process of sending money from urban to rural, rural to urban or to and from distant locations. This exponential growth of bKash has made it essential of addressing security issues to minimize business risk in the competitive MFS market arena. Still now, bKash is the most visible mobile bank in Bangladesh.

With bKash, people can send and receive money, recharge their mobile balance and they can save their extra money in their bKash wallet. bKash is acting like a bank for those people who don't have a bank account giving them extra facilities more than a bank.

Recently bKash has launched its remittance service. Now by Western Union from more than 200 countries people can send their money to Bangladesh directly in the receivers' bKash account. bKash has also collaborated with companies like Index, Valyou, Tranglo, TransferTo and NEC to bring remittance money from countries like UAE, Malaysia, Italy etc. By this service, Bangladeshi people living in abroad will be able to send their hard earned money to their home country 24*7. And this will be a huge contribution to Bangladesh's economy as well.

Apart from remittance and other services mentioned above, bKash does have a unique service called bKash Payment. There are more than 47,000 merchants all around the country who accept payment through bKash. By this service, people do not have to carry cash with them. From these merchants who accept payments through bKash, people can buy their necessary items by using the e-money from their bKash wallet.

The management of bKash is committed to condemn all forms of Money Laundering and Terrorist Financing. It is committed to manifest planning, implementation, monitoring and control tools in accordance to the prescribed rules and regulations of Bangladesh Bank and other regulatory bodies. The company has engaged intensively in AML & CFT Monitoring and Control measures associated with high risk areas considering illegal remittance, fraudulent activities, human trafficking, terrorism etc.

Company Mission

By providing financial services that are convenient, affordable and reliable, bKash aims to widen the net of financial inclusion. bKash wants to provide a solution for Mobile Financial Services, built on a highly scalable Mobile Money platform, allowing the people of Bangladesh to safely send and receive money via mobile devices.

Products and Services

The success of bKash lies on a strengthened and sincere network of agents across the country. There are 176,000 active agents who offer cash-in and cash-out services to bKash users all over the country. Agents act as depository of electronic money while the transactions are carried out through a user's mobile phone while the distribution companies collaborate with bKash to carry out the services. The products are as follows:



- Cash in:** this requires sufficient balance in clients/customers account.
- Cash out:** Cash Out from Agent: Money can be withdrawn or cash out anytime from any bKash Agent if there is sufficient balance available into the account.
- Cash Out from BRAC Bank ATM:** To avail the bKash ATM Cash Out service, it is required to activate this feature from the customers' bKash Mobile Menu. This is a onetime action.
- Send Money:** This refers to transferring money from one bKash Account to another bKash Account.
- Payment:** Payment is also possible from the bKash Account to any "Merchant" who accepts "bKash Payment".
- Buy Airtime:** Recharging of Mobile Airtime is possible from bKash Account.
- Remittance:** Western Union, MasterCard and bKash have has launched a ground breaking service for Bangladeshis to receive international remittance in a convenient way. People can

receive money sent from abroad using Western Union directly into their bKash account at the comfort of their home, 24/7. The money will be transferred through MasterCard’s secured network, hence the efficacy of this new service is highly ensured. People can send money from more than 200 countries to their loved ones living in Bangladesh. Anyone with an active bKash account can avail this service.

□ **Others Remittance:** Bangladeshis living abroad can send their remittance in the easiest and most convenient way to the nominated registered bKash Account Holders in Bangladesh through enlisted Bank and Exchange Houses.

□ **Interest on Savings:** Interest on savings is offered to bKash Customer Accounts. A minimum balance of BDT 1,000 is required to be eligible to receive interest against the savings.

Corporate Divisions

bKash Limited is divided into several divisions and the divisions are divided into different departments. Moreover, the departments are also sub categorized into some channels. Some of the departments of bKash limited and their tasks are given below:

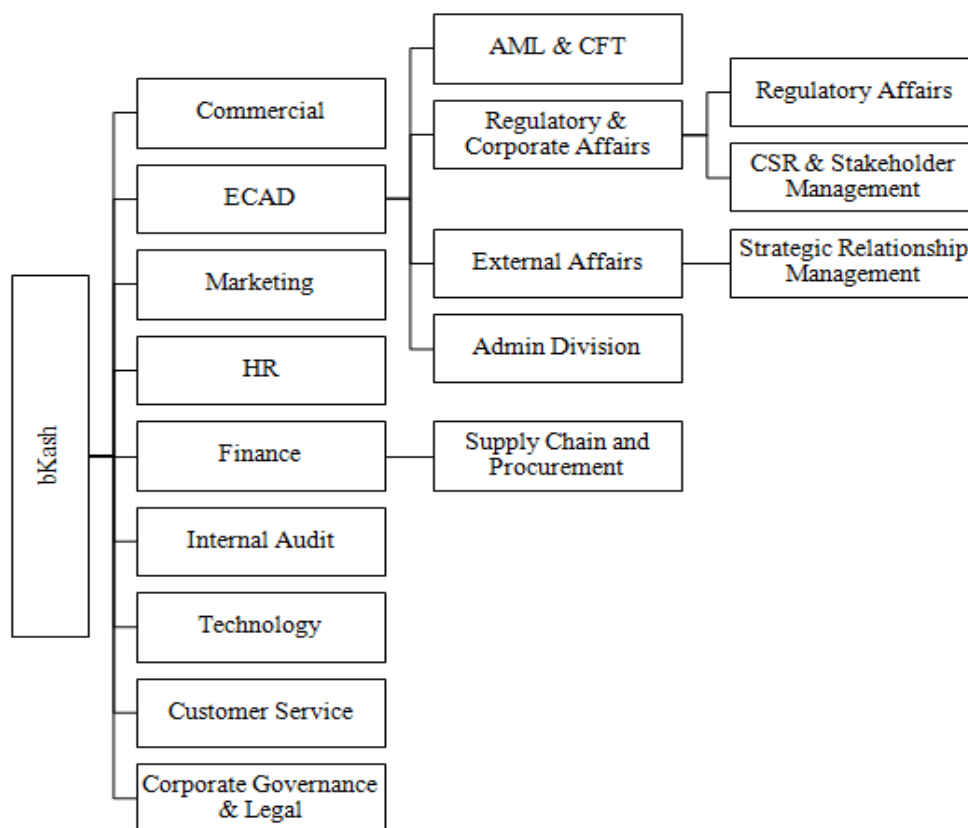


Figure 1: Corporate Divisions

Part – 3

Fraud Risk Management Process of bKash Limited

3.1 Definition of Fraud

Fraud is normally understood as deceit intended for advantage, a deception intentionally accomplished in order to secure unfair or unlawful gain. Fraud in the framework of Mobile Financial Service (MFS) is the intentional and deliberate action undertaken by fraudsters in the mobile financial services bionetwork intended at deriving gain and damaging the reputation of the other stakeholders in the industry.

3.2 MFS Fraud Risk Factors and Vulnerabilities

The risk factors that make MFS platform vulnerable to fraud and money laundering activity, and the various accompanying fraud typologies, should be analyzed first before any risk management process is programmed. The key mobile money risk factors indicators include the following:

1. **Customer Driven Fraud:** Consumer driven fraud is initiated by fraudsters appearing as customers. Consumer fraud targets agents, other consumers, businesses and mobile financial service providers. Consumer driven fraud is the most common fraud in Bangladesh and transcends the different stages of the deployment. It is more prevalent during the transaction activation stage of the business when consumers begin to trust the mobile financial service better, but are yet to understand many of the potential risks in the service. The key method of managing consumer driven fraud is consumer education activities, although there are many processes and system-based checks that can also help mitigate these challenges.
2. **Agent Driven Fraud:** Agent driven fraud is perpetuated from within the agent network. The fraud is initiated and operated by agents or their employees. It includes agent employees defrauding agents, master agents defrauding their own sub-agents, agents defrauding customers and, agents defrauding the mobile financial service provider. Agent driven fraud is most prevalent at the beginning of the deployment, catalyzed by early loopholes in product pricing. The fraud evolves over time changing form, victims and impact on the deployment.

3.3 Types of Fraud Risks at bKash

1. Fraud Risk to Agents

- **Risk of information exposure from agent points:** Fraudsters may roam around near agent points in disguise of customers to gather information related to the visitors' account balance, personal information or the account information of the agents. This information can be used to defraud customers later in many ways.
- **Transaction by Agents without receiving cash:** Agents transact e-money without receiving cash for which customers can escape later on without paying the money.
- **Giving handset to customers:** bKash agents sometimes handover their handset to talk to the customer from the other end. Fraudsters carry similar looking handset and exchange with that of the agent's and withdraw money from the agent account. In this case, fraudsters follow the style of pressing button by the agents to gain access to the password.

2. Fraud Risk to bKash Customers

- **Masked SMS:** Fraudsters use the exact masking of different popular MFS and MNO's like bKash, GP, Banglalink, etc. This helps to convince the customers on different alluring offers.
- **Fake online business pages:** Fraudsters may use fake facebook pages or any other social media pages to do business and seek for advance payment from customers through bKash to defraud them against a chosen product or service.
- **Hacking:** Fraudsters sometimes hack facebook ID of individuals and seek money from his/her friends and families.

3. Fraud Risk on sharing Confidential Information

Confidential information such as PIN number, account balance, KYC information must not be shared with anyone no matter how close relatives or friends they are. It is same for both agents and customers. The tendency of sharing PIN to others paved the scope of fraud. To

send masked SMS, fraudsters often require knowing the account balance of the customers. If customers do not share account balance then the probability of fraud reduces significantly.

3.4 Impact of Fraud

Fraud occurs in all financial services, not only in Mobile Financial Services. Nevertheless, since mobile financial services are one of the high potential methods to increase financial inclusion and extend financial services to the mass market, fraud in this domain has wider implications. Fraud has far reaching impact on the mobile money ecosystem in a number of ways:

- **Money Laundering:** Fraud will lead to money laundering and associated criminal activities. This may include terrorism financing due to negligent KYC in customer registration and cover of funds brought into the financial system by criminals using false identities. It is important for bKash to be aware of the risks around this.
- **Credibility of the Mobile Financial Service:** The credibility of bKash will be severely reduced if fraud is out of control and persistent. Existing and new customers will be discouraged from using the services for fear of losing funds through fraudulent activities.
- **Impact on Brand:** An organization's brand represents the values that define how it is perceived by the environment. If the organization's products are negatively impacted by fraud, users will associate the brand with fraud and this may also affect any other services or products offered by the organization.
- **Growth in Number of Subscribers:** Customers want to transact with a financial services platform that is secure, on which they can trust to deliver services on time and efficiently. In Bangladesh, the fear of fraud and loss of money means that mobile money adoption takes time. In the same way, the acceptance of debit and credit cards in developing markets has been negatively affected by fear of fraud. Therefore, if fraud in bKash is not controlled, it will affect transaction and customer growth.

3.5 Management of fraud at bKash through External Affairs Department

The entire fraud risk management process of bKash is managed by the External Affairs Department under External and Corporate Affairs Division (ECAD). External Affairs (EA) Department was formed in 2015 while restructuring External and Corporate Affairs Division (ECAD) to provide a dedicated platform to manage External Stakeholders especially Law Enforcement Agencies (LEA) including but not limited to Bangladesh Police, Rapid Action Battalion (RAB), Special Branch (SB), Border Guard Bangladesh (BGB), Bangladesh Ansar, National Security Intelligence (NSI) and Directorate General of Forces Intelligence (DGFI).

Later the area of activities of EA was flourished when different responsibilities were bestowed upon EA to deal with. The responsibilities may include the investigation against different AML/CFT related issues reported from LEA, media and other authentic sources, identification of loopholes, anomalies and involvement of bKash accounts in unlawful activities and providing AML/CFT recommendations to make bKash a platform free from unscrupulous entities; different activities related to Bangladesh Telecommunication Regulatory Commission (BTRC) like – procurement of license, submission of CDR Report, payment of short code; security issues to minimize Business Risk of channel partners as well as that of the company, attend foreign delegates etc.

In recent times, the responsibilities of EA has been diversified in manifold when EA was assigned with different tasks like - mitigation of fraud risk, provide support to other departments in establishing rapport with different LEAs and SAGs, managing the procurement from govt. agencies like – Survey of Bangladesh, Bangladesh Telecommunication Company Ltd, provide research support to different national and international NGOs/Research Firms including but not limited to Bangladesh Institute of Development Studies (BIDS), Bangladesh Institute of Bank Management (BIBM), microsave, UNCDF, InM etc. The latest function added to the activities of EA is to deal with the issues related to ‘Mistakenly Sent Money’.

EA is a young department and is still in a forming stage. In the forming stage, EA has already shown its excellence in all the sectors where it appeared. The responsibilities of EA is still growing to represent ECAD in different aspects required by bKash Ltd. EA is committed to demonstrate maximum level of integrity, professionalism and efficiency against all of the tasks which are assigned to.

Main Purpose of EA Department

- Building and maintain rapport with LEA and SAG.
- Address activities related to BTRC, BTCL, Survey of Bangladesh and other govt. agencies to support other departments as well as overall business operation of bKash.
- Support Central Compliance Committee (CCC) by providing:
 - AML/CFT Recommendations through investigation against the issues reported from LEA, SAG, Media and other authentic sources.
 - Work as the center point in reporting all the fraudulent activities to CCC.
 - Reporting all the incidents related ‘Mistakenly Sent Money’ to CCC.
- Provide research support to different national and international NGOs and Research Firms.

Core Functions of EA

Currently the activities of EA are divided into following 04 (Four) wings:

- LEA Management
- Intelligence Evaluation
- Fraud Risk Governance
- Planning and Relationship Management



1. LEA Management

The key purpose of this wing is to build and maintain rapport with LEA by providing 24/7 information support against LEA queries and written support against court orders. Previously all of these activities were carried out under Special Support Team. Later the requirement of recognizing verbal and written information support, two separate cells under a wing became necessary. To comply of that necessity, LEA Management wing is formed to carry out activities under below 02 (Two) cells:

- **Special Support Team (SST):** The purpose is to carry out below activities:
 - Initiate change of account status involved in ML/TF issues
 - 24/7 information support to LEA
 - Account monitoring linked to ML/TF issues
 - Reporting ML and TF issues to relevant internal stakeholders
- **Support Coordination (SC):** To support the LEA coordination further, the support coordination cell is introduced along with SST under LEA Management wing:
 - Carry out visits to LEA offices for coordination, building and maintaining rapport.
 - Provide written information Support against Court Orders.
 - Conduct Training for CID Officials

2. Intelligence Evaluation

To fulfil the requirement of investigating the issues reported from LEA, SAG, media and other authentic source, Intelligence Evaluation Team (IET) was formed. The purpose is to identify loopholes, anomalies and involvement of bKash accounts in unlawful activities and to provide AML/CFT recommendations so that bKash can be platform free from unscrupulous entities. In addition, IET is also responsible to provide time to time Intelligence support in order to facilitate Law Enforcement Agencies (LEA) and Special Agencies of Governments (SAG) in identifying the criminals/ fraudsters.

While investigating, below parameters are covered:

- **A/C & Registration Details**

- Alleged A/C
- Suspected A/C
- Beneficiary A/C
- Immediate Cash Out Agent
- Frequent Cash Out Agent (P2B)
- Frequent Send Money Accounts (P2P)

- **Transaction Analysis**

- Transaction Confirmation of the alleged A/Cs
- Cash Flow
- Frequency of Transaction with other Accounts
 - Beneficiary A/C
 - Immediate and Frequent Cash Out Agent
 - Suspected A/C
- OTC Pattern
 - Alleged A/C
 - Beneficiary A/C
 - Suspected A/C
- Correlation Analysis among all involved A/C

- **Multiple Account Analysis**
 - Account and Registration Details
 - Transaction Analysis (OTC Pattern)
 - KYC Analysis (QC)
- **Any Other Involvement**
 - ECAD
 - Customer Service
 - Commercial

3. Fraud Risk Governance

bKash platform is being abused by some unscrupulous entities. The innocent customers of bKash are being defrauded. In recent times, fraudulent activities are being reported to many ends and were dealt without any central control of Chief Anti Money Laundering and Compliance Officer (CAMLCO). Fraud is a predicate offense under AML/CFT act 2012 (Amendment in 2015) and should be dealt under the control of CAMLCO.

In view of above, the escalation process of changing account status related to ML & TF issue instructed EA to report all sorts of fraudulent activities received from different ends, analyze the issues and obtain approval from CAMLCO and submit the summary report to CCC time to time.

Moreover, to reduce the fraud risk by creating awareness among customers as well as by creating a defense mechanism against fraud, EA has formed Fraud Risk Governance (FRG) wing.

Activities of Fraud Risk Governance would be as follows:

- Developing and maintaining the ongoing fraud risk profile (Book of record).
- Identifying emerging/systemic issues and developing means to improve strategies.

- Identifying trends to improve fraud management techniques.
- Working with partners to determine action plan against fraud.
- Reporting to CCC regarding fraud issues.
- Carry out workshop, campaigns to reduce fraud.

4. Planning and Relationship Management

The activities of EA are robust and new functions, scope of work, areas to support other departments/divisions are increasing day by day. To accomplish the tasks being bestowed upon EA, recognizing the requirement of managing stakeholders of EA under a separate platform became pivotal. On the other hand, with the increased amount of diversified works, the planning related activities were also required to be addressed with key attention.

To fulfill, above requirements, a wing was created to look after all the relationship management and planning related activities and was named as ‘Planning and Relationship Management’ wing (PRM)

PRM carries out following activities:

- **Relationship Management:**
 - Stakeholders Management
 - Research Support
 - Supports to other departments
- **Planning:**
 - Content Development
 - Events
 - Formation of new functions
 - Development of new process
 - Case Study on EA for MTO Recruitment

Key Interactions of EA Department

1. External

Following are the external Stakeholders of EA:

- Bangladesh Police, CID, DB, SB, PBI, RAB and all other Law Enforcement Agencies.
- Bangladesh Army, Navy, Air Force, BGB, Ansar & VDP.
- DGFI, NSI, NTMC and all other Special Agents of Government.
- BTRC, BTCL
- Survey of Bangladesh
- MFSs functioning local and abroad.
- Local and International Bodies associated with relevant Training.
- NGOs and IOs.
- Foreign Delegates

2. Internal

All Internal Stakeholders associated with Regulatory and External Affairs particularly Commercial Division, Customer Service Division, Technology Division as well as AML/CFT and Regulatory & Corporate Affairs (RCA) Department of ECAD.

- **Commercial**
 - Provide policy guidelines to reduce security threat of the channel partners.
 - Provide support in case of LEA interventions.
 - Carry out Security Awareness Training
 - Facilitate channel partners in getting security support from government.

- **Customer Service**
 - Provide support in case Of LEA interventions in Customer Services Centers.
 - Assist CS in providing customer service support to LEA individuals.
 - Assist arranging E1 connections from BTRC.
- **Technology**
 - Procurement of license.
 - Collaboration for research activities.
- **Other Departments of ECAD (AML/CFT and RCA)**
 - Provide AML/CFT related recommendations to CMI through investigation.
 - Provide CCU forum with the loopholes/anomalies received from LEA complaints.
 - Assist changing account status and BAR/UnBAR service.
 - Suggest different divisions with scope of improvements.
 - Carry out investigations and perform claim settlement activities against the queries received from Regulatory Bodies.

Standard Accountability Statements

- Accountable to CECAO for its functions.
- The EA Department is required to comply with the Policies of the Management and take necessary steps to maintain healthy relationship with LEA, SAG and other concern stakeholders to facilitate the company with a better business environment.
- Responsible for ensuring support to LEA, SAG and other concern stakeholders.
- To comply with the orders received from court.
- Responsible to carry out investigation and provide intelligence feedback to LEA.

- Responsible to communicate with different internal stakeholders if any anomaly related to AML/CFT is found during investigation.
- Responsible to carry out different awareness program to create awareness against fraudulent and criminal activities occurring in abusing MFS platform.
- Taking measures to reduce fraudulent/criminal activities abusing bKash platform.

Departmental Work Process

- Assist in the function of Chief External and Corporate Affairs Officer (CECAO) to ensure building and maintaining rapport with LEA, SAG, BTRC and Other stakeholders
- Address all the complaints and queries being received from LEA.
- Address all the Court Orders received through LEA.
- Comply all the instructions received from BTRC.
- Suggest different measures to concern divisions against different agents or customers to counter fraudulent/criminal activities abusing bKash platforms
- To keep continuous alignment with other departments/divisions with the complaints received from LEA in a view of improving the standard of AML/CFT of bKash Ltd.
- To keep continuous rapport with stakeholders to find out policies in view of preventing bKash platform from being abused.
- To keep rapport with BTRC to avoid unwanted circumstances.
- To train channel partners on security awareness issues and facilitate reducing security breach incidents.
- To coordinate with government agencies for getting support in case safety and security of channel partners.
- To represent bKash before foreign delegates.

- To facilitate Non-Governmental Organizations (NGOs) and International Organizations (IOs) to explore the experience of bKash in their research and analysis on MFS.
- To carry out fraud awareness campaigns.
- To communicate with concern divisions in planning fraud awareness campaigns.

Major Initiatives

From the inception, EA Department has undertaken enormous major initiatives in each and every year and has come up with successful outcomes. As a consequence of that confidence in the working process, in the 2018, EA has initiated some major activities to be carried out. Some of the references of those major initiatives are apprehended below:

1. Increase rapport with CID.
 - Identify all the fraudulent activities under CAMLCO's oversight.
 - Carry out fraud awareness campaign
2. Increase interaction between LEA and bKash officials.
3. Increase Interactive sessions between LEA and Channel Partners.
4. Establish holistic effort to counter fraud.
 - Development of Process on Handling the Mistakenly Sent Money Issues.
 - Development of Money Return Process.
5. Establishing Claim Settlement Team
 - Development of Process on Handling the Mistakenly Sent Money Issues.
 - Development of Money Return Process.
6. Automation of capturing data in order to reduce timeline of works.
7. Develop Service Guideline for SST, IET and Court Order Support.
8. Strengthening IET, Support Coordination and PRM.

Increase rapport with CID: EA could establish a professional working relationship with many of the departments of Bangladesh Police. However, in this year the major focus will

remain to establish an enhanced rapport with Criminal Investigation Department (CID). CID is the concern department of Bangladesh Police to deal with the AML/CFT activities.

EA already possess a very professional and smooth working relationship with CID. In many of the successful operations conducted by CID was assisted by bKash and CID always appreciates the support provided by EA. In fact, trainees of the Forensic Training Institute of CID regularly visit bKash head office to gather knowledge on MFS. Even after that the rapport will be further increased considering the sensitivity of their involvement in AML/CFT issues and their role in BFIU.

The activities related to increased rapport may include, extensive visit, sponsorship, distribution of gifts on special occasions etc. The purpose is to create a transparent environment and disseminate the efforts of bKash against ML and TF issues to the concern department of LEA.

Increase interaction between LEA and bKash officials: The exchange of opinion between senior LEA and bKash officials happens on a regular basis. In this year, this exchange of opinions will be designed in more of a structured manner where there will be seminars and workshops to communicate the efforts of bKash, understanding the requirement of LEA, scope of concerted efforts etc.

Increase Interactive sessions between LEA and Channel Partners: Interactive session should be considered as a significant success of EA. Though in this year, the initiative was taken as a pilot basis and only 01 session has been conducted till date but in the upcoming year, the number of interactive session will be increased. At least 01 session will be carried out in all the regions outside Dhaka, i.e. total 08 sessions is planned in 2018.

Establish holistic effort to counter fraud: Finally the oversight of CAMLCO on fraudulent activities has been established through the formation of fraud risk governance. At present, different ends including Commercial, Customer Service, Technology and ECAD are involved in counter fraud activities but there is no central control for synchronization. Fraud Risk Governance will work to create the sync, develop and implement different procedures to counter fraud with a holistic approach.

The initiatives of Fraud Risk Governance will be divided into following categories:

- **Identify all the fraudulent activities under CAMLCO's oversight:** before the formation of fraud risk governance, almost 125 daily complaints on fraud used to be raised to bKash through customer service, of which CAMLCO was completely unaware. One of the key purpose of Fraud Risk Governance will be summarize all the fraud complaints reported through Customer Service, Commercial, ECAD and all other ends and report to CAMLCO to obtain approval for further course of actions.

The actions may include:

- Raising STR/SAR.
- Decision on the current account status
- Other corrective measures
- Prepare awareness campaign plan

Finally the course of actions will be placed to CAMLCO for approval and the implementation strategy will be undertaken based on CAMLCO's recommendations.

Carry out fraud awareness campaign: The requirement of carrying out country wide fraud awareness campaign have been raised from different key personnel / entities of bKash Ltd including instructions from Bangladesh Bank, directives from Chairman of bKash and instructions from CEO of bKash. On top of that, considering the dissatisfaction of the defrauded customers, FRG was also concern to carry out such campaign.

Establishing Claim Settlement Team

CAMLCO is responsible to Bangladesh Bank on undertaking initiatives regarding different claim settlement issues. Considering this, the Claim Settlement Team (CST) has been formed under EA in order to carry out different claim settlement activities. In 2018, the key initiative of EA will remain developing following process on settling claims raised from different ends:

- **Process on Handling the Mistakenly Sent Money Issues:** The process will remain concern dealing with the mistakenly sent money issues. A joint effort along with Customer Service, Legal, Commercial and Technology Division will be undertaken to deal with the

issue. Likewise the FRG, CST will also report all the issues to CAMLCO and create a scope of control in this affair.

- **Money Return Process:** Another key attribute of claim settlement team would be developing money return process. SST provides a crucial support to LEA by suspending criminal's bKash accounts where LEA intentionally send money to rescue the victim in kidnapping incidents. When the victim is rescued and/or criminal is apprehended, LEA request to revert the money that was transferred to the criminal's accounts. Catering these incidents with the regular time consuming dispute resolution process would be harmful in maintaining rapport with the stakeholders of EA. In view of above, a separate Money Return Process will be developed under Claim Settlement Team to better support the stakeholders.

Automation of capturing data in order to reduce timeline of works

The dimension of activities of EA is increasing day by day. Most of the tasks of EA is related to data analysis and requires capturing lots of information from the system. At present below activities are carried out where capturing data is important:

- Maintaining SST Database
- Maintaining IET Database
- Comprehensive Analysis Tool
- Fraud Risk Evaluation Database
- Mistakenly Sent Money Database etc.

Moreover, to counter inter fraud, the requirement of monitoring the access to the system is required to be monitored. The manual capturing of this data from system is time consuming and hinders the data analysis process. To overcome this challenge, the automation of capturing data is an urgent requirement of EA and in 2018, the initiative to overcome the challenge by automation of the process will be undertaken.

3.6 Challenges in Fraud Risk Management

Handling of fraudulent activities and money laundering that occur through MFS is one of the most difficult things to do in a country like Bangladesh where most people lack knowledge and legal activities take much more time than required and are costly as well. bKash is working hard to tighten their compliance process as much as they can but challenges still exist. Some of them are mentioned below:

Availability of information: Law Enforcement Agencies (LEA) has their full support from External Affairs Department to provide them with the required information against a fraud. However, sometimes there are mismatch between expectation of LEA and available information of bKash since they cannot convey each and every information related to customers or agents due to matter of confidentiality.

Time constraint: A fraudster's account is suspended or frozen immediately after a complaint has been placed. The account is temporarily locked for further investigation. But the investigation process is very lengthy and time consuming. By the time one case of fraud is solved, hundreds more occur. The victims are the ultimate sufferers in the process because there is no option for payback or compensation.

Ignoring the rules: bKash implied lots of rules and regulations to the agents and customers to ensure their safety and security from fraudulent activities. But people are not completely obedient to all the rules either they are agents or customers. Some of them are:

- It was mandatory for agents to check for NID of customers in case of big transactions. But this is hardly done at any agent points.
- It is necessary to carefully fill up the account opening form. But many agents do not demand any additional information except the NID to open a new bKash account.
- A rule has been implemented that only one bKash account will be opened with one NID. This is still not being strictly followed by some and bKash has to close the additional IDs by themselves.

Unauthorized use of bKash logo: There are several websites that are using the logo and name of bKash illegally to do a similar business, increasing the risk of fraud to uneducated

people in rural areas. These are large in number and these issues are being strictly handled by External and Corporate Affairs Division (ECAD).

Lack of external security: The external security of bKash limited is very lower than normal banking. In a normal bank, customer makes their transactions after entering an ATM booth or into the bank office. So, bKash agents and customers are at risk of exposure of their account balances or pin number from the agent points. Fraudsters may roam around near agent points in disguise of customers to gather personal information to defraud customers later pretending of a mistaken transaction. In fact, similar cases like this have been found in the records.

Risk of theft and robbery from agent points: bKash service is provided through agents; they may not have available fund all the time. As per regulatory requirement, bKash has also limits regarding the maximum amount of money that can be kept in any account, the number of transactions per day and the amount of withdrawals. Most of the agents' shops are located in open places where people gather every day. Some of them are situated in marketplaces where monetary transactions are risky. Robbers may attack customers while withdrawing money from such risky places.

Fraudsters imitating bKash code: The fraudsters have better knowledge about MFS than common people. They are so good in faking SMS and calls that even educated people were often caught on their trap. Moreover, many fraudsters use bKash's code "+16247" to hack people which is very confusing for people in the first place to identify. These sort of frauds are indeed a challenge for bKash to minimize within a short time. Their reputation will be at stake if these issues are not mitigated as early as possible.

Challenges associated with bKash App: The newly launched bKash App comes with several fraud risks creating new challenge for bKash to come up with new measures to deal with app related fraud. They can be fake promotional offers to customers who does not have bKash app, using request money option for fake VAT, Tax, Lottery, etc. Fraudsters follow bKash features closely and innovates different imaginary packages to defraud the customers.

Identifying fabricated NIDs: bKash does not have access to any of the govt. database to verify the authenticity of other Photo IDs. This will hinder the identification of fraudsters after fraud is committed.

Part – 4

Internship Experience

4.1 Internship Activities

I have worked as an intern in External Affairs Department under the External & Corporate Affairs Division (ECAD). During my internship period I have worked under the supervision of Major A K M Monirul Karim, Head of External Affairs Department. The employees of this department handle Fraud related task that bKash face every day. I got the opportunity to work under this department for four months. My initial tasks were to assist my seniors in their day to day tasks and duties. I have tried to help my seniors to complete any task within deadline. In addition, I had the chance to attend training sessions and seminars conducted by my line manager.

4.2 Work Responsibilities

Data Gathering: We received fraud related case and complaint reports from Customer Care division. My duty was create a database from those reports and cases. Based on those data my supervisor and other colleagues worked on it further. To make my work easier Mr. Ahammad Ali & Sujay Roy helped me a lot understand the cases and how to generate an error free database.

Data analysis: In order to generate data, I got the access to bKash CPS. From there I used to collect all the information about victims, their agents and also relevant information about the fraudsters, their, agent and the transactions incurred. Working with these real data has helped me to analyze the frequency of fraud in our country, the locations where fraud occurs the most and so on.

4.3 Findings from the assigned tasks

There are several findings and observations from the assigned tasks during my internship program and they are as follows:

- More than 400 complaints about people being defraud are received every day. This clearly shows how badly the MFS platform is being misused in Bangladesh.
- Most victims of fraudulent activities are people who belong to rural areas, which mean that they still lack knowledge and the fraud awareness campaigns carried out by bKash are not properly reaching towards them.

- Fake call is the most common type of fraud happening in Bangladesh. Other types include masking call, masking sms and fake sms.
- A large number of fraudsters are from Faridpur, Lalmonirhat, Kustia, Dinajpur and some other rural areas in the country.
- Almost all the accounts are either frozen or suspended through which a fraud has been incurred or attempted for further investigation by bKash. The action is same for both agent and customer bKash account.

4.4 Challenges and Proposed Course of Action for Improvement

It was a great journey so far at bKash Limited. The employees and other staffs were very much well behaved, helpful and caring to us. The work environment is amazing and so are the people. Therefore, there are not many challenges to quote from my internship program but a few minor ones which are as follows:

- Sometimes I faced difficulty in finding out transactions from CPS due to server problem. A better IT support would be enough to solve this.
- As an intern we had no access to internet or email address due to confidential reasons. This is not an issue but sometimes there were problems when we had to transfer something from our laptop to our supervisor or receive any important from them.
- The reports on which I was working on, had errors such as, wrong reports, missing digit in mobile number of the fraudster or victim. These are minor human errors since they have to deal with thousands of complaints every day. However, it created a barrier for my work to be completely error free.

4.5 Lessons Learned from the Internship Program

Before the internship my knowledge about fraud occurring at bKash and the severity of the issue was minimal and when it comes to fraud risk management and related procedures, I knew nothing at all. Now that 3 months internship period is complete, I feel I have really learned a lot. First of all, I became more familiar with the organization culture, work environment and the role of different divisions at bKash. Secondly, I got acquainted with functions and responsibilities of fraud risk management team, of course, got highly involved

in the daily life of our department. I didn't just learn to do my daily tasks, but got an insight into the strengths of fraud risk management, as well as its weaknesses and the need for improvement.

On the other hand, I can't say that this internship was challenging and I had to put a lot of hard work. A few weeks after the beginning I started hoping for a wider variety of assignments to keep myself busy and motivated. What is more, I felt like my work did not matter that much and I could have put my potential to a better use, but that's just probably a matter of my ambitions.

Despite the fact that this internship didn't keep me as much interested as I wished, I admit that there still is quite a lot to learn, for example, I would like to know more about the types of fraud, what exactly renders them to do so, specific effects on the organization and their stakeholders, as well as more about the operations to combat fraud. The assigned tasks and activities during my internship have improved my skills in MS Excel and other important software. The team which I was a part of is very friendly, helpful and hardworking. Their guidelines and insights have helped to broaden my knowledge. I think being a part of such group of people was a unique and promising experience.

Recommendations

Take action in both ways: In addition to strict actions against fraudsters, payback or compensation system should also be initiated for defrauded victims. Customers become disheartened with the service after being deceived by fraudsters. Therefore, bKash should compensate the victims immediately after finding out that the fraud has actually occurred.

Reduce Over the Counter Transaction (OTC): For reducing fraudulent activities, bKash should encourage customers to shift from doing their transactions over the counter via agents to using their own accounts. bKash should come up with more new financial services such as mobile insurance to get the benefits of first mover.

Improving Poor Network Conditions: Customer service centers or touch points are not found everywhere. Hot line service process is lengthy and costly. Buy Airtime service through which mobiles are recharged is sometimes unavailable due to random network and connection problems with telecommunication operators. If technological advancement program is implemented fast, it would benefit both bKash and telecommunication operators as it would enable them to meet the committed services more efficiently.

Research: Research will help bKash to recognize in depth with the core reasons of fraud, frequency of occurrence, patterns, responsible parties and the effectiveness of various interventions carried out to curtail frauds.

Create Awareness: Financial education is required for both agents and consumers to effectively tackle the menace of fraud in mobile financial services. Comprehensive training of agents creates the first line of defense against fraud. Along with training and awareness campaigns, feedbacks from the customers and agent should be equally valued. The curriculum must include certification and evaluation. Well trained agents will be aware of risks, will ensure that customers are made aware of the risks and will know off measures to deal with risks and minimize damage.

Monitoring and Supervision of Agents: Regular monitoring of agents is important to check and ensure proper implementation. If there is intentional laxity or negligence on part of agents, they can be warned; on the other hand if agents make mistakes and are ready to learn, they can be guided through the journey. Regular checks need to be carried out to verify records and practices, and to hand out performance rewards and (where appropriate) punishment.

Conclusion

It is obvious that mobile MFS fraud is increasingly becoming significant. Over the past few years, many serious cases of fraud have been reported that has raised concerns about related risk within the industry. As payments through mobile begin to scale in many markets and new products are introduced, there is growing need to address fraud conclusively. The donor agencies and consultants have a key role to play in this aspect of the industry. bKash should come up with more preventive measures to check fraudulent activities, and through handling of fraud should try to recover and return victim's money and also take strict measures against fraudsters. This is a difficult task for the company alone to tackle; proactive and reactive measures are needed from law enforcing agency, Bangladesh Bank, and most importantly from the general public. bKash's initial growth to large scale has been among the fastest globally. At the same time, it is still in early stage of development. There is a long way to go and much still to do to build the business. bKash needs to stabilize its technology platform to support a much higher volume of transactions.

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