

THE DENPASAR RECOMMENDATION

These recommendations are the results of the ASEAN Conference on Prevention and Response to the Misuse of Financial Service Providers in Child Sexual Exploitation (CSE) held on August 7-8th 2024 at the Aston Hotel & Convention Center, Denpasar, Bali



The Issues

1. Financial digitalization offers several positive impacts, including increased financial inclusion, economic growth, enhanced women's participation, and improved community welfare. However, it also poses negative effects, such as heightened cybersecurity risks, particularly for children, a widening digital divide, and disruptive competition.

2. The increasing availability of affordable internet-enabled devices has given perpetrators greater access to children for sexual exploitation, and the opportunity to profit from the production and distribution of Child Sexual Abuse Material (CSAM).

3. Advancements in communication technologies as well as social media have diversified payment methods. This advancements can be misused to facilitate child sexual exploitation and have opened new channels for such activities.

4. New payment methods, including cryptocurrencies, top-up gift cards, tokens, and other digital options, have rapidly grown in use and are being exploited by various groups to facilitate child sexual exploitation.

5. Perpetrators are increasingly using online gaming and crowdfunding platforms as entry points to groom children and youth.

6. A study by ECPAT Indonesia reveals that perpetrators of child sexual exploitation use financial services such as bank transfers, remittance facilities, and e-wallets to conduct transactions. The study also found that children are exposed to promotions and communication through social media, digital messaging apps, and online dating platforms.

The Challenges

- 1. Financial technology lacks a legal framework to protect children and youth from the risk of child sexual exploitation.**
- 2. There is no legal framework that classifies payment through financial service providers for CSE as a crime.**
- 3. Financial service providers have not yet prioritized child sexual exploitation in their strategies for addressing predicate crimes associated with money laundering.**
- 4. Technology accountability and child rights and business principles (CRBP) have not been integrated into the registration process of new digital financial service platforms.**
- 5. The industry is not required to report the misuse of its services for CSE.**
- 6. Jurisdictional differences where CSE occurs complicate efforts to address the crime.**
- 7. Children have an easy access to e-wallets due to the lack of age restrictions or verification systems.**
- 8. Detecting the misuse of financial services is challenging due to the involvement of small fund amounts, the use of cryptocurrency (which obscures sender and recipient identities), and the utilization of remittance facilities.**
- 9. There is a lack of knowledge and awareness among law enforcement officials regarding the use of financial intelligence in CSE cases.**
- 10. The complexity of financial transactions and networks makes it challenging to detect the misuses for CSE.**
- 11. Resource constraints hinder a comprehensive approach to addressing the misuse of financial service providers.**
- 12. There is a weak coordination between institutions that regulate financial service providers.**
- 13. There is a weak coordination across sectors and jurisdictions.**
- 14. There is no system for registering perpetrators.**
- 15. Artificial Intelligence aids investigations but also exacerbates the methods used in CSE cases.**

The Recommendations

Recommendations	Specifics	Responsible Parties
<p>Enhance the implementation of the global and regional framework and ensure that the national laws and policies align with these global framework, policies, and standards.</p>	<ul style="list-style-type: none"> ➤ Implement stricter regulations by introducing verification protocols for accessing various internet sites. ➤ Financial service providers must manage e-wallets and e-payment systems in accordance with government laws and policies. ➤ Regulate that payment through financial service providers for CSE are classified as a crime. ➤ Harmonize policies and implement rules at the national level to ensure alignment with the UN / ASEAN instruments and mechanisms 	<p>Government</p> <p>CSO at the country</p> <p>Financial Service Providers</p>
<p>Enhance detection and reporting of misuse of financial service provider in CSE.</p>	<ul style="list-style-type: none"> ➤ Develop common red flag indicators at the regional level, and tailor them to be contextually relevant for each country. ➤ Ensure that parties, including financial service providers, allocate sufficient investment / resources for software development and capacity building to detect red flags. ➤ Financial Institutions should implement risk mitigation measures including: a) Active supervision of directors and commissioners, b) Establish policies and procedures, c) Develop a management information system, d). Report Unit any suspicious financial transactions to Financial Intelligence. 	<p>Country Government</p> <p>ASEAN Secretariat</p> <p>ACWC</p> <p>Financial regulatory and supervisory institutions</p> <p>Financial service Providers</p>

The Recommendations

Recommendations	Specifics	Responsible Parties
<p>Raise awareness among the industry, stakeholder, investors, and wider duty bearers about the misuse of financial service providers in CSE.</p>	<ul style="list-style-type: none"> ➤ Provide education for the industry (financial service providers): on the potential risk of being used for laundering money from CSE crimes and extend this education to other stakeholders, including communities, particularly parents and caregivers. ➤ Develop guideline for financial services providers to enable early detection of transaction related CSE. ➤ Educate investors on their responsibility to support or invest only in companies that ensure safe environments for children. ➤ Ensure that the child safeguarding is embedded into the software design of the financial service providers. 	<p>Government</p> <p>CSO at the country</p> <p>Financial Service Providers</p>
<p>Strengthen multi sectoral, inter sectional, cross border, and collaborative efforts.</p>	<ul style="list-style-type: none"> ➤ Explore the possibility of law enforcement to share a list of suspects and convicts of CSE with the banks to be used as a watch list. ➤ Collaborate with a broad range of sectors, including financial institutions, law enforcement agencies, financial intelligence units, NGOs, parents, internet service providers, private sectors, community (indigenous/religion/local), and children / youth. ➤ Foster regional partnership to address cross border case of misuse of financial services for child sexual exploitation. ➤ Strengthen cross-border partnership for experiencing sharing and knowledge management. ➤ Ensure countries to connect and utilize ICSE (International Child Sexual Exploitation) database. ➤ Establish national task force / structure to detect and address the misuse of financial service provider for CSE. ➤ Engage stakeholder and duty bearer as watchdogs at the national level. 	<p>Law Enforcement Institution</p> <p>CSOs</p> <p>Financial Service Providers</p>
<p>Place children at the heart of the design and implementation, recognizing their evolving capacities. Children must be empowered as rights holders, not merely subjects of the services or interventions.</p>	<ul style="list-style-type: none"> ➤ Create platforms for the children to reclaim their spaces and ensure meaningful engagement of children and youth. ➤ Invest in children's empowerment through capacity building, including digital literacy. ➤ Consider the children's evolving capacities in all aspects of program development. 	<p>Country Government</p> <p>CSOs</p>

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