Mobile money continues to extend reach

There are 271 services in 93 countries. Mobile money is available in 85% of markets where less than 20% of the population has access to a formal financial institution.

The industry processed over 1bn transactions in December 2015.

411 m registered accounts globally with 134 m active accounts.
Bringing financial inclusion to new regions

WEST AFRICA

Active agents in West Africa

60% GROWTH RATE 2x ANY OTHER REGION

Today, NEARLY 1 IN 5 MOBILE CONNECTIONS in West Africa has a mobile money account - an increase of 6 percentage points from 2014.

SOUTH ASIA

One-third of all new registered accounts were in South Asia.

Account growth is rapidly outpacing OTC growth in South Asia, 47% growth for account adoption VS 19% growth in OTC customers.
Definition of mobile money

Mobile Money
- The use of information and communication technologies (ICTs) and non-bank retail channels to extend the delivery of financial services to clients who would not be reached profitably with traditional branch-based financial services. E.g.: e-wallets to make P2P transfers or payments, to receive salary or transfers from the government
  - Customers can sign up for the service without an existing bank account
  - Customers get money into and out of the service by going to a network of transactional agents outside of bank branches
  - Customers initiate transactions using an interface that is available on basic mobile handsets

Mobile Banking
- Mobile banking is essentially banking services delivered through a mobile phone. The principles of banking, the products remain the same as does the provider of the service (the bank); however the channel for delivery is different.
Mobile money regulatory models

- Telecom channel (e.g. USSD, STK)
- Brand & marketing
- Distribution / agent network
- Product / platform
- License holding
- Regulatory engagement
- Custody of customer funds

- MNO (or MNO subsidiary) activities
- Joint activities, led by bank
- Bank activities
- Regulator’s activities

1. Kenya, Rwanda, Tanzania, Liberia
   - Uganda
2. Nigeria
   - India, Mexico, Colombia (narrow banks)
3. Ecuador, Sudan, Jordan
Setting financial services standards: global Standard Setting Bodies (SSBs)

- Committee on Payments and Market Infrastructure (CPMI) formerly the Committee on Payments and Settlement Systems (CPSS)
- Basel Committee on Banking Supervision
- Financial Action Task Force (FATF)
- International Association of Deposit Insurers
BIS framework of Regulatory Principles for International Remittances & The Committee on Payment and Settlement Systems (CPSS) suggest:

- Regulating solely by type of entity may decrease the effectiveness of the regulation and create distortions in the markets.
- Any regulation intervention should aim a level playing field between equivalent services rather than between different providers.
- ReJECTS any type of discrimination between different types of providers that provide equivalent services, i.e., based on “the nature of the provider’s other lines of business” (principle n. 3) – to promote competition across the financial sector on a fair and equitable basis.

- Regulation should be FUNCTIONAL: designed by type of service or by category of products (not discriminatory) PROPORTIONATE: calibrated according to the risks that each service poses.
FATF 2012: the risk-based approach

- The new framework balances between financial integrity and financial inclusion by recognising that financial exclusion is a money laundering/terrorist financing (ML/TF) risk and that mitigating the risks of financial exclusion is vital to achieving an effective AML/CFT system.

- FATF asks countries to base the design of AML/CFT regimes on the assessment of the specific risks related to different industries, products, delivery channels, and all country characteristics taken into consideration.
## Applying FATF’s risk-based approach to mobile money

### STEP 1
- Understand the FATF Recommendations and guidance documents
- Understand relevant national laws and regulations

### STEP 2
- Understand the national risk assessment that has been conducted with input from different stakeholders, including the service provider. This should inform the institutional assessment.
- Understand country risks and threats and the specific ML/TF risks posed by different customer groups

### STEP 3
- Understand mobile money services and the market/consumer
- Identify the ML/TF vulnerabilities of the service
- Identify how criminals could exploit those vulnerabilities; share this information with the provider
- Assess the threat level and likely consequences of the misuse of mobile money services
- Understand the provider’s RBA of the service
- Understand the risk mitigation measures introduced by the provider

### STEP 4
- Assess the specific risk factors and mitigation measures vis-à-vis the national risk assessment and the FATF Recommendations and guidance documents

### OUTCOME
- If the service is proven low risk or lower risk, the regulator may exempt a provider from some requirements or impose reduced customer due diligence (CDD) requirements
- If medium risk, the regulator imposes regular CDD requirements
- If higher risk, the regulator imposes enhanced CDD requirements
- Advise on over-compliance, if necessary
Financial sector policy & regulatory frameworks

Policy Maker
- Sets policy, e.g.
  - National Financial inclusion policies
  - ‘Cash lite’ or Cashless policies

Regulator
- Implements policies
  - Establishes regulatory framework (E-money regulations)

NPS
- Oversees the National Payments Systems incl. MM
- Has overall regulatory oversight and supervision mandate
Enabling regulation influences growth

Open and level playing field
- Non-banks, including MNOs, can provide the service
- Cash-in and cash-out at agents is allowed

Non enabling regulation
- Only banks, MFIs, or third parties allowed (no MNOs)
- If MNOs allowed, CICO network not allowed
Enabling regulation drives penetration

90 day active subscribers as a % of the adult population
How mobile money affects economic policy

Changes in behaviour of holding cash - people are keeping less money outside of banks

Source: Central Bank of Kenya

Financial depth has been rising

Source: Central Bank of Kenya
The evolution of the velocity depicts different regimes – financial development and less cash changing hands.

Source: CBK

Money multiplier has been rising

“The declining velocity and the unstable money multiplier imply that the money demand is unstable —this has implications for the monetary policy framework.”

Source: CBK
Interoperability: what does it mean?

- Wallet to Wallet
- Wallet-to-Bank Account
- Wallet to POS
- POS debit from Wallet
- Wallet to ATM
- Cash-in at off-net Agents
- Cash-out at off-net Agents
- Common APIs for third parties

At the core of it is SETTLEMENT: the ability to exchange value
Interoperability and industry collaboration

Number of live and interoperable mobile money services, by country (December 2015)
BANK AND MOBILE MONEY INTEGRATIONS CONTINUE TO FLOURISH

The number of banks connected to mobile money schemes increased by 66% between 2013 and 2015, growing to more than **520 banks in 2015** (120 deployments).

This represents **4.5% incoming value** for deployments who have connections to banks (lowers the distribution/mobilization cost).

In 2015 **19** markets have more Mobile Money Accounts than Bank Accounts demonstrating greater opportunities for collaboration.
The role of policymakers in building an interconnected mobile money environment

Be the facilitator  
Assess and understand appropriate timing  
Identify regulatory risks  
Foster healthy competition
What role can telecommunications regulators play?

- **Provide broad policy guidance on cross-cutting policy areas.** Mobile money is not a telecommunications policy area *per se* but certain broad policy areas are cross-cutting (e.g. privacy, consumer protection, etc.) and a collaborative effort is required.

- **Support the building of a broader ecosystem** that leverages Mobile Money to offer socio-economic benefits (e.g. the digitising of government payments through mobile money).

- **Support harmonization in KYC** requirements for mobile money and SIM registration.

- **Encourage discourse on USSD channel access** by other financial service providers rather than unilateral price ceiling mandates.

- **Contribute to the development of technology and security standards.**

- **Support policies for a competitive Mobile Money market** which can influence a market led approach to competitive pricing.