

RAW FILE

WORLD TELECOMMUNICATION STANDARDIZATION ASSEMBLY
DIGITAL FINANCIAL INCLUSION
DIGITAL FINANCIAL SERVICES TALKS
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>> Ladies and gentlemen, we are about to start.

Ladies and gentlemen, this is first section in the series
for the 60th anniversary talks, this is first one, digital
financial services. We have another one at 5:30 this evening on
artificial intelligence.

I would first like to express a big thank you to our
sponsors, that's the United Arab Emirates gold sponsor or
silver responsor, the Republic of Korea who made this possible.
Our sponsors are sponsoring a coffee break all morning and the
afternoon, and they are also sponsoring a reception this

evening at 9:30ish in the Hotel Oriole. Transport will be provided from here to the Hotel Oriole, where the reception will take place.

A couple of logistical informations, we start with interpretation at 9:30. So the first 30 minutes will be without but then we'll start with the interpretation. And if I could ask those of you who (Audio garbled).

Having difficulties connecting to the network. So please check your mobile devices to ensure that tethering and portable hot spots are set off.

Good. So now, I'm going to introduce the moderator of this morning's session, Stephen Ibaraki, Stephen will moderate the session in the afternoon on artificial intelligence. I will give you a official biography and then I will give you the unofficial biography of Stephen.

So the official shortline that Stephen Ibaraki is a -- (garbled audio).

Philanthropic donates time advance research, innovation, science, entrepreneurship. All the UN sustainable development goals. That's the official biography.

The unofficial biography, I know two people who respond to email, no matter what time of day, and Stephen is one of them. (No audio).

>> STEPHEN IBARAKI: Thank you, Reinhart, it's a pleasure to be here.

I think it's going to be a really interesting session. We have some, what I call, superstar speakers here and I'm looking forward to moderating this session. (Garbled audio).

We have our session keynotes Mr. Ronald Webb and Dr. Moez Chakchouk. Now, I will begin by setting the context for this session. We'll then have each of our keynotes speak and then finally we will have the interactive panel dialogue. We will take our questions from the audience.

So now, let me begin. Digital financial services or DFS, can provide -- (Garbled audio) -- this leads to accelerated economic opportunity and growth in innovation and business practices in financing. Of the 2 billion people who do not have access to a bank account, some 1.6 billion have access to a mobile phone, and could potentially engage in financial transactions. So financial inclusion has been recognized as a must in a digital world, as -- that allows all aspects of the digital economy, involving payments, education, health and more. It's overarching and cross cutting nation has been recognized by leaders of the G20 summit who included it as one of the main pillars of global digital Development Agenda.

Digital financial services is at the core of establishing financial inclusion goals. What are the pain points, delivery to low-income consumers solving the challenges to remote populations. Activation, existing process for activating new accounts prevents some low-income consumers from offering the DFS offerings.

Distribution, the lack of convenient, reliable, cash in cash out points makes loan consumers less likely to use digital payments. Merchants and billers lack a persuasive business proposition to accept digital payments. Products beyond payments, low-income consumers face disproportionately high costs to manage their daily expenses.

Financial education -- next.

Financial education (Garbled audio) fraud and risk, DFS providers are substantial contributors to the cost of services and then shared infrastructure. Proprietary technology and process drive up the cost of DFS for all providers.

The World Bank under its universal financial access 2020 program has the ambition to deliver 1 billion transaction accounts by 2020 to reduce the financial gap. And they have set up a group on digital financial services which is investigating the challenges mentioned earlier. And the ITU is grateful for the funding it has received from the Bill and Melinda gate Foundation in support of this focus group. The focus group brings together telecom regulators central banks, mobile network operators, payment system organizations and standard setting bodies to address the challenges of digital financial inclusion and to develop the requirements for new international standards for interoperable financial services.

The outputs of the focus of the groups will assess the major challenges (No audio) investigate solutions for interoperable policy, regulatory environment. And identify national standards, the need for collaboration between telecom and financial leaders under the recommendations of the focus group. And in order to help this, a -- (Garbled audio).

Is proposed to clarify the -- (No audio) responsibilities of each in order to promote the financial services. There's a need to create trust in consumers -- consumer protectionism, which is not receiving a lot of attention in the focus group.

In addition, quality of service for the networks and developing countries can impact the user experience, negatively losing a network connection in the middle of a transaction. As we continue today, what is the future for mobile enabled innovations? New digital money models and payment platforms?

One of the factors which prevents growth in digital

financial services usage and adoption of digital payments is the process for KYC, which can be quite complex. It's been recommended by the focus group to fast track the deployment of if many beings by simplifying the process of KYC through electronic means and authentication purposes for payments.

For instance, India, through the ADARP program has developed over 1 billion digital IDs -- (Garbled audio).

Iris recognition. It's used for delivery of government wellness services in a transparent manner.

(No audio).

Consumers -- (No audio).

With wallets. As a result, users drawn to PDP payments can buy from social network affiliated merchants. We chats services have been extremely successful, given culture -- (Garbled audio).

(No audio).

Creative markets, we have a pay to pay called Lucky Money of giving people red paper envelopes with cash, yes, to target people at the bottom of the pyramid such as low Internet usage in rural areas can be addressed, and by providing tools for merchants to interface to the chat platform.

The intersection of digital financial services to the future. For example, at the financial services round table -- (garbled audio).

How will financial inclusion. What is the impact of AI? (No audio).

Machine learning. Where we be? Big data, analytics and the Internet of Things. And what about block chain and how is biometrics evolving? There are many questions on how you see the international community approaching the biggest questions from -- (No audio).

>> Digital financial services and I don't know how to -- (No audio).

Saving accounts. We have more than -- (No audio) the population in postal services. (no audio) how to keep this leadership. We have a lot of banks. We have faulty 5% of the sales network levels compared to the others. So we have a -- (No audio) the services and there as a lot of commitment to these services. And this is also part of the customs. (No audio).

And we cannot achieve -- for Tunisian Post.

(No audio).

For example, we have transactions in cash, the statistics -- (No audio) and the consumer 10%. This is -- we need to achieve, better, better than this. (No audio).

And also the ATMs. We have a huge network of ATMs. So this is something to facilitate the cash issues.

Accepting epayment, it's less than 1%. There's not a to do the epayment. For e-commerce, it's an objective we need to increase the prices. We need to advertise about it. We need to compute it.

They are not there alone. They say, okay, we know about the payment or we just use our mobile for taking calls but I'm not aware of capabilities, often.

And we deal with the services. So we can see that there's a lot of populations that are bank but without cards and also there's a lot -- there's a number of card payments and we need to deal with -- but something for digital accounts are very important. But we need to deal how to move to the other side and say we don't need cards. The cards are an objective of the banks.

Actually what we have is an e -- (No audio) it's related to another -- (No audio) and it's the same infrastructure, which is an -- this is the future. And also very hard to convince the population that the Internet is the future of all organizations today.

So there's a lot of question about what it is, but it's a lot of stakeholders, actually, very active in the ecosystem, including private sector but civil society, a lot of NGOs. And so on. So this -- this post needs to be in this ecosystem. It's something that we are not, but it's very important. I think it's opportunity we need to address.

We can have our own name, our -- our -- (No audio).

And lately, we talked about destructive technology that will change everything. And this is for sure a great equation, but you need to do a lot of things to develop financial services.

Why this is important for us, and for this -- because, you know, we are in a centralized world today. We talked, we need to really have hands off of this development of this technology. There's a lot of talks, a lot of those on the Internet, and remember when I said we would champion the block chain, and a lot of people talking about it. I don't understand why, but I think it's sometimes this link to need to regulation. People need to regulate this before it became a standard, or before it became a developed technology.

So I don't think we need to follow this path. We need to be much more flexible and we need to consider the peer-to-peer technology and differently. Because when you say block change, it's not bit coin. It's a technology. We need to use it in different ways and today we talk about -- (No audio) for

example, the initial public -- (no audio).

>> RONALD WEBB: Pull the presentation up, please. Today we have nearly 25 million users using M-PESA, representing almost all of our mobile subscribers and about 74% of the economically active population of Kenya, in the period of the time that I'm taking this presentation, we will transact about 90,000 transactions. We are doing 13 million transactions per day, and if I eliminate the cash in and cash out transactions from those numbers, we transact about \$100 million a day in transactions between individuals and payments to companies, from companies, merchants.

And we are still growing dramatically at 34%.

How did we achieve this? And a lot of studies have been made on how M-PESA has gone to this volume and there are other countries that achieved similar volumes, cash in Bangladesh springs to mind. A big component is the agent network that we grew very -- (No audio) the ecosystem has enabled a number of -- using the payment services that M-PESA provides. Some notable mentions there are the solar energy company, pay as you go energy project, where customers are able to pay for that product, the solar panel -- (No audio) and choose when to pay for power, MTEBA a health offering and using very small amounts of money to -- (No audio) and occurring. Mind you, the family and friends help to cover the -- (No audio) obviously our microinsurance to seat that particular use case of which has never been seen before.

Number one on the Brookings Institute, right now we are number one with the score of 89% financial inclusion and believe all is well. However, in the same period, the number of Kenyans, just over 4%, majority of people are cooking on wood, giving -- (No audio) diseases that -- people are living in overcrowded conditions. Those numbers are also up. The number of families living in concrete if they are lucky hasn't yet made an impact to these people's lives directly.

Cash is still king. (No audio).

The numbers together, more numbers are coming in. The number of transactions has gone up by a fairly small percentage and depending upon whose numbers you listen to, still 94% are still performed in cash. (No audio).

The financial sector, the spending habits of 1,000 families, 85% of transactions are below \$5, biased towards transactions and our current relevance to -- (No audio) -- value are at those very low values and that's one of the areas that we need to work on is need.

We have been very -- \$10. Our average -- (No audio) our

transaction size hovered around 27, it has come down. You see four pillars for payment ecosystem success, and a particular presentation in a number of different forums, customer certainty. Knowing you can go pretty much anywhere -- (No audio) and be able to transact. And have the certainty that it's always going to work.

Safaricom had -- we chose to base our technology -- and we didn't choose to use USSD, as quickly as possible. And that critical mass users and the two are directly related.

The third pillar is price. So the price goes, so the user. We continue to work on that.

And the final one is reward and loyalty. Looking globally, any sent -- and we have been experimenting with that and see the immediate uplift that providing some -- (No audio) something to the customer, both at the merchant end, the impetus gives -- to the number of transactions that we process.

(Applause).

>> STEPHEN IBARAKI: For a really fine presentation, innovations that he's leading now, and as a really modeled innovation that they can adopt. (No audio) from the people here, the delegates here, so a question to act to the panel, towards Ron, what role scaling up usage of digital financial ITU and Safaricom partnered together?

>> RONALD WEBB: Well -- (No audio) we have been working on for sometime now is the digital financial survey you are in the auspices of the ITU. The requirements country by country. If we look, for example, at M-PESA, we're in ten countries now and the trajectory has been very different. It's similar to what we achieved in Kenya and the others are being done in the financial services Working Group in understanding in those other countries.

(No audio).

>> STEPHEN IBARAKI: Blockchain for financial transactions.

>> MOEZ CHAKCHOUK: So ITU as a leader needs to play an important role because actually we work with a lot of innovative start-ups who develop this technology, not just in the developed, but developing world. So this is something that the ITU can play in capacity building and a lot of other features.

>> STEPHEN IBARAKI: We do have a question from the floor, if you can keep your question short. Argentina.

>> ARGENTINA: Thank you. I work in Inalcom, question, I want to know what kind of -- with the -- and promoting mobile payments. You have to deal with the -- (Inaudible).

>> MOEZ CHAKCHOUK: Very good question. Actually, mobile

payment is authorized by the regulator, but regulation is done by the center bank. They authorized a plan to be partnered with the operator to provide mobile payment. So the mobile -- (No audio) the possibility to do services, actually. You need to be partnered with an institution -- with a financial institution like the Post. We offer efforts but La Post is the leader because we started first but banks started later on, just in 2015. Operators are watching the services and the way, but they -- the main regulator for financial institutions. This is one of the, let me say barrier for the development of the technology because we need to -- to be clear about -- to have for these kind of services. Yes, that's a good question.

>> STEPHEN IBARAKI: Thank you for the fine question from Argentina. Again, press the button in front of you, if you wish to ask. I will then ask the next question, this time again to Ronald. The mobile money being so much faster economies than in the developed markets.

>> RONALD WEBB: I think the main reason -- I have just recently traveled through the US to look at Apple Pay, and Android pay, they are using the interface and running on top of traditional rails. We didn't run on top of traditional rails through Virgin bush, effectively. We created new ecosystems.

And we didn't have legacy commercial models. It hasn't done very well at all and it has been when banks taking on the product business offerings and legacy products. And those are typically -- (No audio) -- designed, they pay fees to the poor people. There are too many mouths to feed in their value and M-PESA, particularly, we collapse that model down.

>> STEPHEN IBARAKI: Thank you for the -- I will now go to the audience. The delegate from Thailand, if you have a question.

>> THAILAND: I would like to ask the panelist about the upon of the central bank and coming out with the regulatory sandbox. Do you see as the role would help to facilitate the financial -- (No audio) or bring in the financial services into the mobile industry. Thank you.

>> MOEZ CHAKCHOUK: We need to be clue for the new set of regulation that we need, for example to develop -- the Internet development in the 19s, because we didn't regulate, because there is like a multitake holder eco -- multistakeholder economy because -- (No audio) whatever the regulations said about it. There was also a different kind of payment. Talking about the serenity and at the same time, we know it's going further and further. It's something that we need to deal with and I think this is why we need to be very careful with this

technology, but at the same time, there is no -- there's much more -- there's threats today because we talk a lot -- (No audio) -- a lot about the threats and what we are doing, but at the same time, the huge opportunity we have talking about emails, Internet, web browsing and something that is happening and one day we will do everything with smart contract, with epayment. Cashless economy will be required. So the regulation won't be really, really -- the policy making needs to tackle this question carefully.

>> STEPHEN IBARAKI: So Ronald Webb, do you wish to add?

>> RONALD WEBB: Yes, thank you. We didn't have a formal sandbox as we started M-PESA in Kenya. What we had was as a regulator who said to us, you know, we don't understand this, we don't yet have regulations in place for, it but we will work with it and regulate you as we grow. And it developed as our business developed. So that light touch regulation if I could use that term was critical to the success that we had, very good regulations in place for the central bank from the national treasury -- customer funds.

>> STEPHEN IBARAKI: Thank you for the fine question from Thailand.

Maybe too the delegate from Uganda, you have the floor and if you can ask your question.

>> UGANDA: Thank you. This is two questions. In his presentation, he talked about taking M-PESA to the next level. Now my question is: Where do you see the role of interoperable in Kenya in terms of helping M-PESA grow?

Two, this goes to all the panelists. When -- in the growth of mobile money, the mobile financial systems, it's about how the financial regulation -- (No audio) regulator and telecom regulator work together, unfortunately, the two tend to have a mandate or responsibilities of focus that at times is of case in point. The financial sector regulator is more concerned about stability of the financial sector while the telecom regulators focus on things like quality of service and coverage of telecommunication services. Now, if push comes to shove, the financial sector regulator is very willing to push -- sacrifice everything on the order of financial stability, regulator will focus on coverage services and other such considerations.

My question then are or perhaps point is in asking the two regulators work together, how for them reconciling the differences in their focuses vis-a-vis their regulatory function.

Thank you.

>> STEPHEN IBARAKI: Thank you. The gentlemen from Uganda.

Ron.

>> RONALD WEBB: If I can address the question on interoperability, interoperability, we have a working group between the M & Os and the focus generally is around a far greater value to our customers is our interoperability with banks. And the number of services that we share across banks, where banks now have access to our agent network, the banks have access to pay to M-PESA connected merchants, banks, customers can pay bills that our connected billers and move money between bank account and wallet, very, very simply. That degree of interoperability is critical.

>> MOEZ CHAKCHOUK: Just one word about interoperability. We achieved interoperability in our platform. In Tunisia, we have a switch between all bank systems. So we can always connect with this switch and so we can ensure the global interoperability of mobile payment to Tunisia.

>> STEPHEN IBARAKI: Here near the end of our session here and I will ask each of our panelists to give some closing comments and thoughts for the audience here. You have additional questions, I'm sure, and sort of drill into additional questions. So we will start with Dr. Moez Chakchouk.

>> MOEZ CHAKCHOUK: I think today what we -- what we are achieving is very promising. We -- we think that we need to move forward and use it and simplify the experience, and develop the user experience to promote the user experience within apps. Apps is very important but we need to ensure security and developing. I think a lot of index in Tunisia are working with the Post, and this is another message for them to test with La Post because it's very important for our development.

>> STEPHEN IBARAKI: Thank you.

>> RONALD WEBB: Two points I would like to mention, we grew out very fast in the peer-to-peer, the transfer system. We know the poor do around 16 payments a day in Kenya and currently on M-PESA, I'm getting less than a quarter of a transaction per customer per month. There's an enormous opportunity to provide daily relevance with payments from customers to merchants.

The second point I would like to close with is -- it would be -- (No audio).

-- and error to focus too much on SmartPhone. We have a SmartPhone platform coming out but still 75% of our customers rely on feature phones. And the capital cost of the phones still being an issue, the major problems is the data budget required to keep a SmartPhone running and the cost of that, of keeping a SmartPhone running.

A feature phone you can charge once a week and for grid, it will cost them between 7 cents and 12 cents to charge that phone a week. And SmartPhones you can't charge once a week. They are hungry. (No audio).

For the poor. It's democratizing access to payment transactions which have largely been our domain. The SmartPhone will open up our market to more interoperability.

Thank you.

>> STEPHEN IBARAKI: Thank you, and I just want to, again, say thank you to the Excellency, the partners and the honored delegates who attended the session today, to our panelists who are really leading innovation in many respects and recognized as such for taking the time to share many of their view points. Sponsors who are providing the opportunity for us to share many of the ITU being facilitating all of this.

I have Chaesub will do an announcement. Oh, that will be this afternoon. If we can thank our two keynote speakers. They have done a remarkable job. I thank all of you for attending our session today. A special thank you to our panelists here.

(Applause).