CREATING DIGITAL PAYMENT PLATFORMS FOR THE POOR

Financial Services for the Poor

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FSP THEORY OF CHANGE

Building Blocks

Policy and Regulation

- Enabling Regulations
- Consumer Protection Regulations
- Stability and Oversight
- Policies To Drive Usage

Infrastructure

- Mobile Connectivity
- Pro-poor payment systems (L1P)
- ID Systems
- Effective distribution/service network
- Data sharing

Private Sector Engagement

- Compelling CVPs
- Effective marketing and sales

Payments Outcomes

DFS Payment Services that are:

Accessible: Users in our target population can easily acquire and use DFS services

Reliable: Users' money and information are secure and available for use; systems help deter usage for money laundering and terrorist financing

Valuable: There is a clear CVP for the poor to use DFS rather than cash or other traditional services

Affordable: End users are willing and able to pay for the cost of preferred product and receive value in excess of cost

Profitable: DFS providers earn sustainable margins

Usage Outcomes

Usage of DFS is ubiquitous by the Poor

By 2030, 80% of adults worldwide and 60% of sub $2.50/day adults have and actively use a digital account to make payments and to access additional products beyond P2P

Usage of DFS is ubiquitous by Women and Girls

By 2030, the gender gap in usage has been eliminated

Diversification of Usage

Households use an effective range of financial tools

Impact Outcomes

Financial Health + Poverty Alleviation

Fewer people slide into poverty, more people move out of poverty, and daily consumption is increased because of their use of DFS products and services:

Consumption Smoothing

Households use DFS to manage and recover from income and expense shocks

Productive Investment

Households are better able to acquire equipment and materials that improve their long-term incomes

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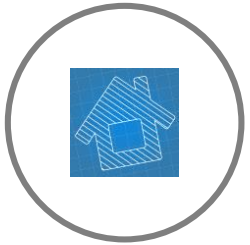
WHAT IS THE LEVEL ONE PROJECT (L1P)?

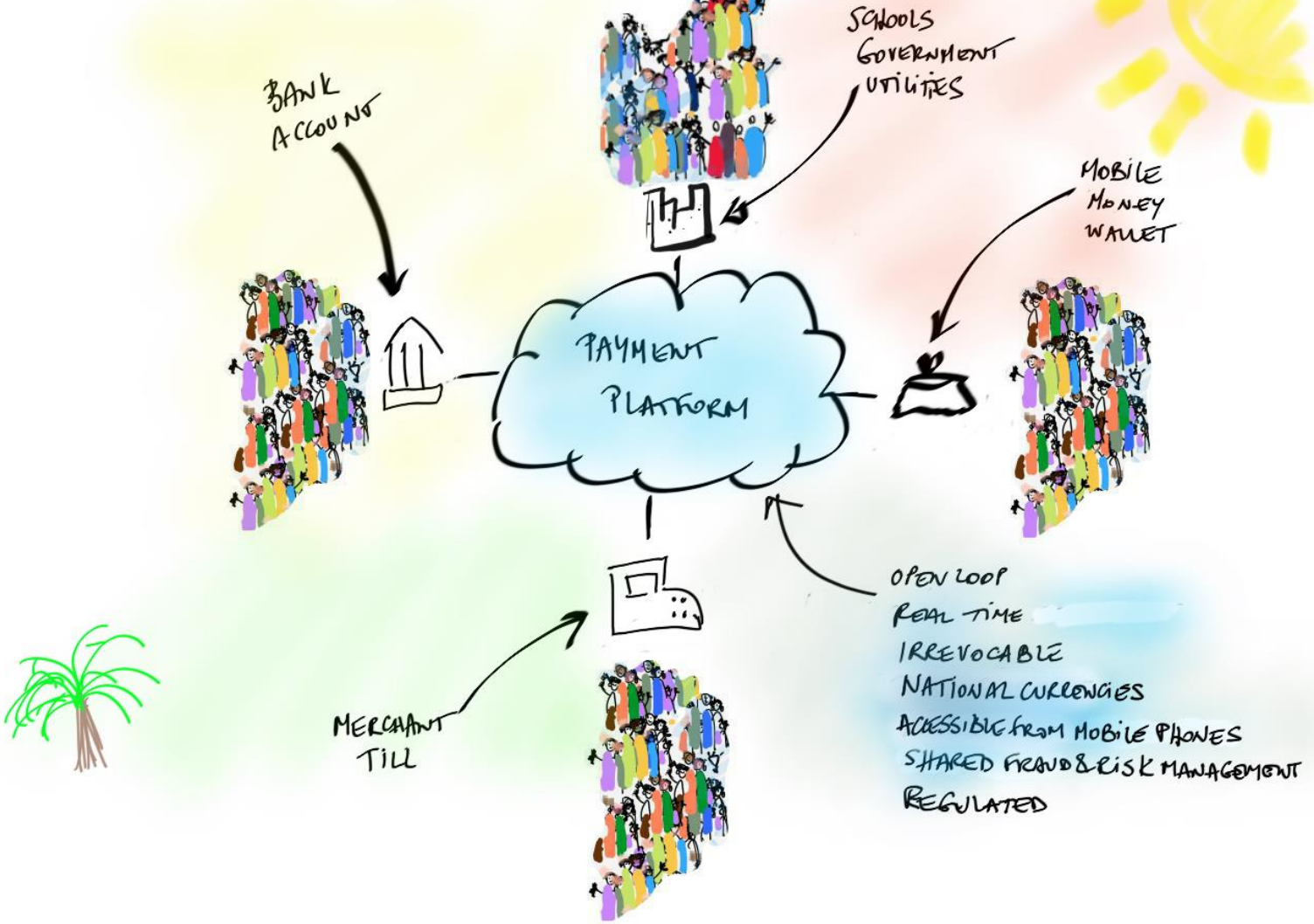
A ***vision for a new digital payments platform*** that supports inclusive, interoperable digital economies, and the ***design principles*** to achieve this



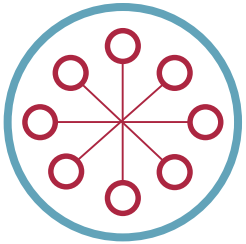
A ***blueprint*** for how such a system could be configured within a country

A ***set of tools and resources*** to enable the deployment and/or adjustment of payment systems to align with Level One

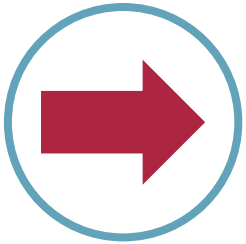
http://leveloneproject.org


BANK ACCOUNT
SCHOOLS
GOVERNMENT
UTILITIES
MOBILE MONEY WALLET
PAYMENT PLATFORM
MERCHANT TILL
OPEN LOOP
REAL TIME
IRREVOCABLE
NATIONAL CURRENCIES
ACCESSIBLE FROM MOBILE PHONES
SHARED FRAUD & RISK MANAGEMENT
REGULATED

L1P DESIGN PRINCIPLES TO MAXIMIZE FINANCIAL INCLUSION



An ***open loop system***, available to any licensed DFSP in the country. This includes banks and licensed non-banks.



Payments that are ***near-real-time*** and ***“push”*** only. This removes many of the risks and costs inherent in batch processed and “pull” payments systems.

Payments that are ***irrevocable***.

A system which is ***governed*** by the DFSPs that use it: this well-tested model creates a feeling of fairness among participants.

Same-day or better settlement among participants.

A system which operates on a ***”cost recovery”*** model at the scheme level. This does not preclude DFSP’s from making profits, or other value-added services providers to the system

A ***shared investment in fraud detection*** and management services. The compliance burden remains with the DFSP, but they share in a less costly, more efficient fraud service

mojaloop

OPEN-SOURCE SOFTWARE FOR CREATING INTEROPERABLE PAYMENT PLATFORMS THAT CONNECT ALL DIGITAL FINANCIAL PROVIDERS AND CUSTOMERS

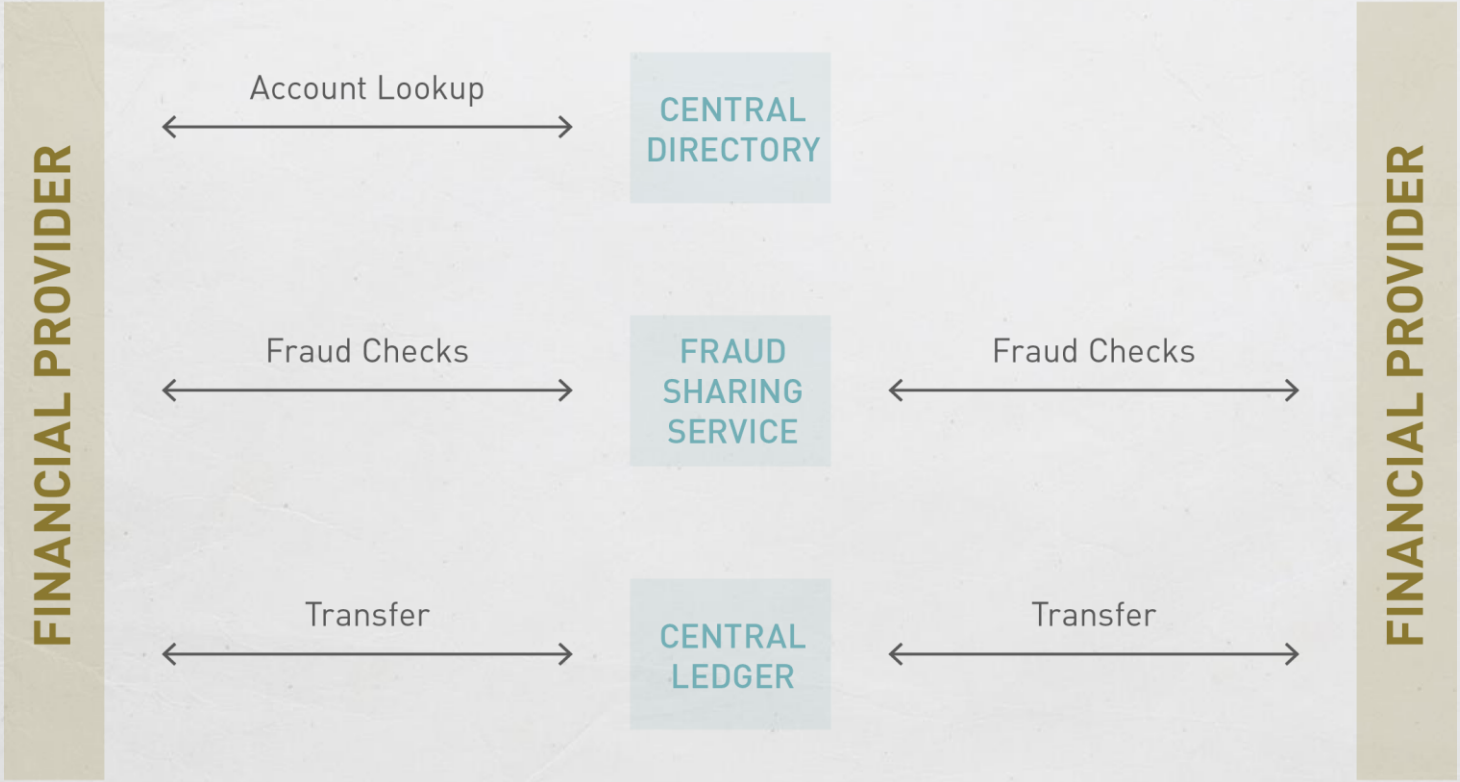
Mojaloop was designed in collaboration with Ripple, Dwolla, ModusBox, Software Group, and Crosslake Technologies.

The Mojaloop API was designed in collaboration with Ericsson, Huawei, Mahindra Comviva and Telepin.

The Bill & Melinda Gates Foundation provided funding and support through The Level One Project, a vision for digital financial markets based on principles of interoperability, collaboration, and inclusion.

http://mojaloop.io

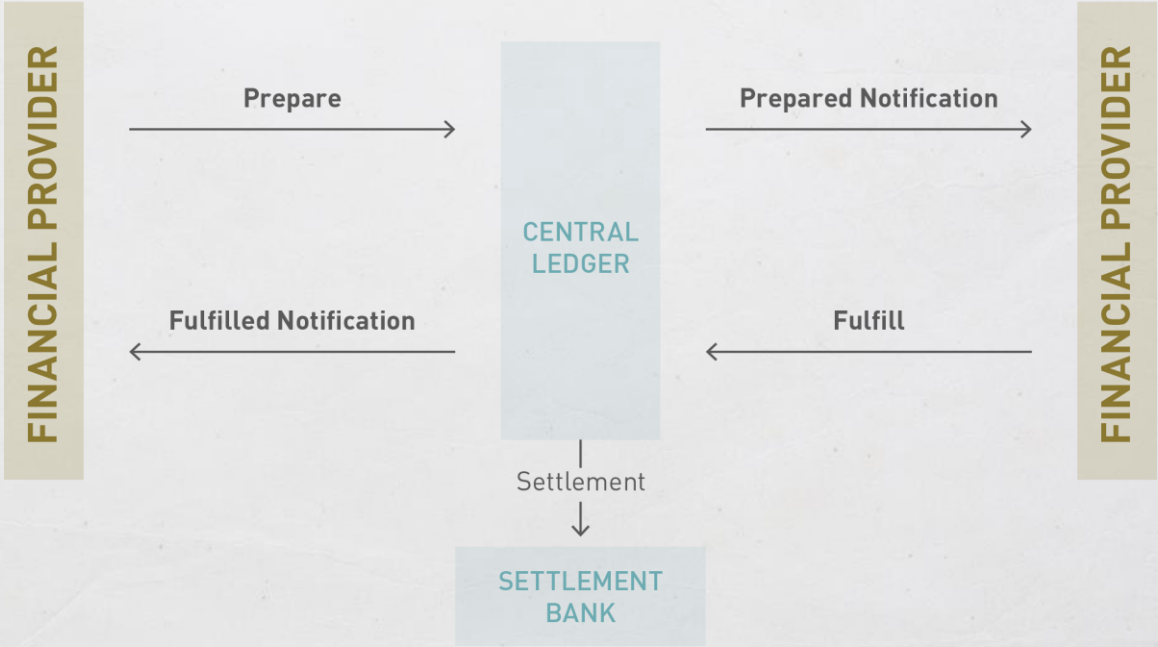
COMPONENTS


FINANCIAL PROVIDER
Account Lookup
CENTRAL DIRECTORY
Fraud Checks
FRAUD SHARING SERVICE
Fraud Checks
Transfer
CENTRAL LEDGER
Transfer
FINANCIAL PROVIDER

INTERLEDGER PROTOCOL

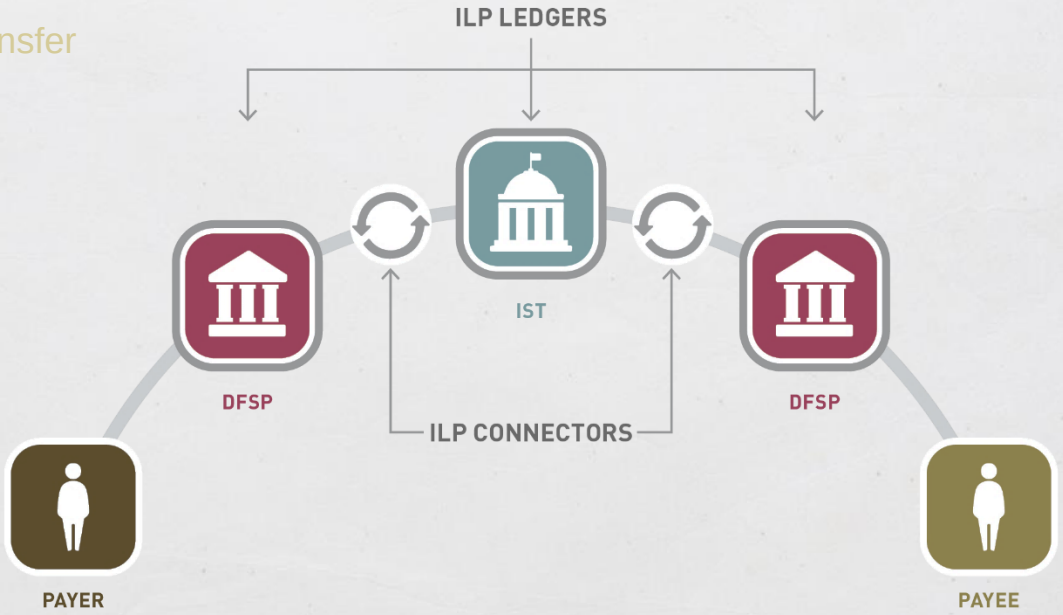
The central ledger utilizes the Interledger Protocol:

- Conditional Payments—cryptographically strong
- Messaging between direct scheme participants and the Central Ledger
- Interledger Addressing—enables inter-scheme and over-the-top “Internet of Payments”



WHY THE INTERLEDGER PROTOCOL

- Separate business logic from mechanics of moving money
- Define a minimum set of value transfer semantics and standardize them
- Flexible business use cases



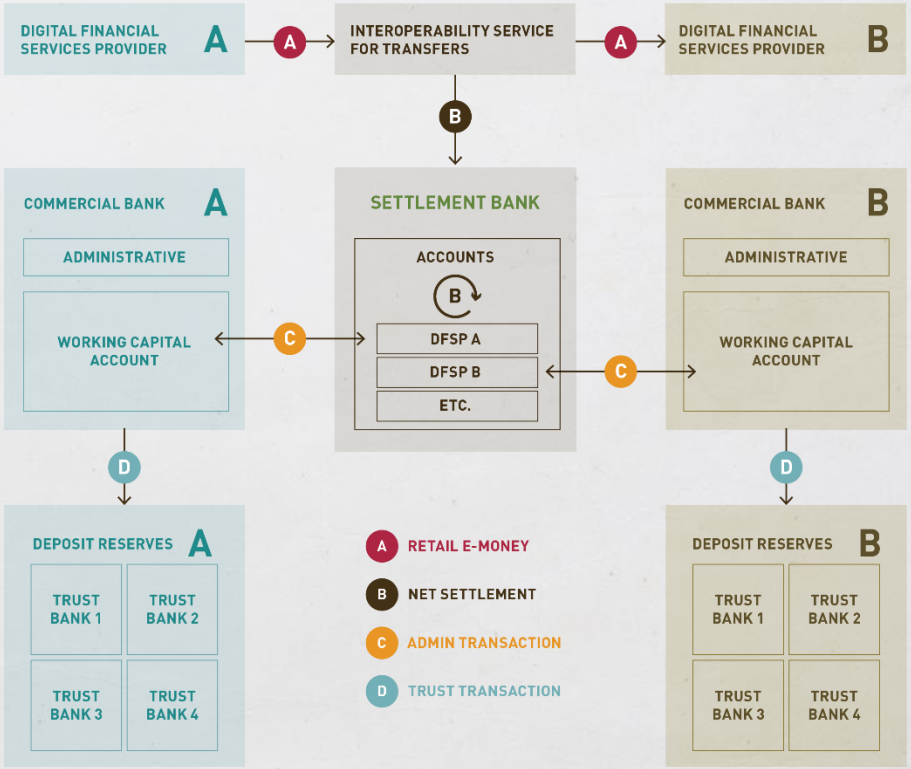
SETTLEMENT

The settlement functionality provides flexibility for greater adaptability and wide spread adoption:

- Deferred multi-lateral net settlement
- Automatic straight-through processing to settlement bank
- Adaptive to various settlement arrangements and message formats
- Tracks net positions since previous settlement
- Provides settlement reconciliation

TIERED MULTI-LATERAL NET SETTLEMENT STRUCTURE

USE CASE: Alice pays Bob 500/=TSh




EVERYONE
BENEFITS
FROM AN ECONOMY
THAT INCLUDES
EVERYONE
http://leveloneproject.org