

WG(s): ALL

Geneva, 5 December 2014

DOCUMENT**Source:** Focus Group on Digital Financial Services (FG-DFS)**Title:** Summary of the first meeting of Focus Group on Digital Financial Services**1. Introduction**

The Focus Group on Digital Financial Services (FG-DFS) for Financial Inclusion held its first meeting on 5 December 2014 at ITU, Geneva. The meeting was chaired by Sacha Polverini, Chairman FG-DFS.

The open meeting was well attended with the participation of close to 100 delegates (including 23 remote participants) from 25 countries, representing members and non-members of ITU. The list of participants is reproduced in Document [dfs-i-031](#) (meeting documents can be accessed with ITU TIES or Guest account).

Reinhard Scholl, Deputy Director, ITU Telecommunication Standardization Bureau (TSB) welcomed the participants and gave a brief overview of the standardization work in the ITU ([dfs-i-030](#)).

2. Approval of Agenda ([dfs-i-004R1](#))

The Chairman presented the draft agenda of the FG-DFS meeting and invited comments from the floor. The meeting approved the agenda.

3. Terms of reference of FG-DFS ([dfs-i-003](#))

The Chairman presented the FG-DFS terms of reference based on document 3. The objectives of the Focus Group were explained as well as the tasks and deliverables. The Chairman reminded that the Focus Group aims to:

- Foster collaboration and increase dialogue between financial services and telecommunications regulators, clarify roles and responsibilities to minimize the risk of regulatory arbitrage in areas of shared competence;
- Address some of the key regulatory and policy issues currently preventing the poor from accessing and/or using digital financial services, with a particular (though not exclusive) focus on areas where financial services and Telco regulators overlap;
- Leverage the voice and expertise of a larger number of key actors in the DFS value chain;
- Provide policy and decision makers in developing countries with additional tools to advance the financial inclusion agenda.

Comments from the audience highlighted:

- The need to better understand and define differences, commonalities and overlapping between financial services' and Telco regulators' mandate, and identify areas for enhanced collaboration;
- The need to formalize the approach between telecom and financial services bodies regarding the analysis of the business costs in order to clarify the views from both sides. For instance, the transfer of

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funds between registered and non-registered users is an area which leads to high costs being shifted to users.

- The importance of securing reliable network coverage (quality of service), which is emerging as a critical issue in various developing countries. This matter should be addressed by the Focus Group.
- The specific need of women and girls who struggle, more than men, to access mobile phones and DFS.
- The need for the Focus Group to also consider insurance services in its work.
- The issue of DFS affordability for the bottom of the pyramid. The Focus Group was required to consider the opportunity of undertaking a study on the transaction costs and competition issues in digital financial services.
- The lack of regulations in developing countries.

Participants were invited to provide feedback on the main outcomes of the workshop on Digital Financial Services and Financial Inclusion held on 4 December 2014. The outcomes of the workshop were summarized by the Chairman as follows:

- DFS are increasingly provided by non-financial players with MNOs playing a critical role. Hybrid models, introducing new players, distribution channels and platforms fail to fall into traditional financial services/banking categories and require a new approach.
- The need for more cooperation and dialogue between telecom and financial services organizations and regulators.
- Rules and regulations are often source of uncertainty and distortion in the market.
- The need to have a common language or set of best practices that both telecom and financial services sectors can use to collaborate on the implementation of digital financial services.
- Extensive work has been done in the field of DFS and Financial Inclusion and the Focus Group plans to capitalize and build on this work.
- Data protection is going to be an important issue in the future and should not be underestimated.

4. Working methods and procedures for FG-DFS ([dfs-i-007](#) , [dfs-i-010](#))

Vijay Mauree, TSB Secretariat, explained the procedures to be followed by the Focus Group based on documents 7 and 10, according to Recommendation ITU-T A.7. The participants were provided with an explanation for the creation of Guest accounts, accessing the meeting documents and collaboration site. It was also indicated that for Focus Groups, meetings are held in English only. Participants were informed to contact the FG DFS Secretariat (tsbfgdfs@itu.int) by e-mail for any queries they may have.

5. Working Group Structure, Deliverables and Appointment of Vice-Chairs ([dfs-i-025](#))

Fitting with the FG ToR, the Chairman proposed to organize the activities of the FG around a series of thematic working groups. The draft proposal presented by the Chairman initially included 7 subgroups, with specific tasks and responsibilities (see [dfs-i-025](#) for additional details on the different sub-groups).

Following the discussions it was agreed to reduce the number of working groups from 7 to 4. This was achieved by:

- Combining the proposed working groups on Quality of Service and on Security and Data Protection into a working group called Consumer Experience and Protection.
- Discarding the proposal to establish the working group on Policy, Regulation and Oversight. However given the importance of these areas, it was agreed that each working group would take into account the Policy, Regulatory and Oversight dimensions.
- Temporarily keeping the G2P working group on hold.

Members of the FG agreed to the following four working groups and respective leaders:

Working Group	Leader
DFS Ecosystem	Carol Coye Benson, Glenbrook Partners Yury Grin, Intervale Bruno Antunes and Mina Mashayekhi, UNCTAD
Technologies, Innovation and Competition	Leon Perlman, Lethan Consulting Madeleine Scherb, Health and Environment Program
Interoperability	Thomas Lammer, World Bank Mark McCullagh, Learo Consulting Y. Houeyetongnon, ARCEP, Benin
Consumer Experience and Protection (Quality of service and security and data protection)	Sumit Jamuar, KYCTrust Adel Bedoui, Tunisie Telecom Nicola O'Reilly, Consumer International

It was advised that each working group present a balanced composition including representatives from the regulatory authorities, operators and consumer protection organizations. After discussions, it was agreed to maintain a certain flexibility in the Groups' governance and leadership in order to reflect possible changes in the composition of the group. During the meeting, members of the FG were also invited to indicate on the flipchart the working group they intended to be involved in (see Annex). A mailing list for each working group will be created.

It is finally noted that:

- The working group leaders in the table above would be also the Vice Chairs of the Focus Group.
- China offered to provide a Vice Chairman at the TSAG meeting in June 2014. There was an e-mail request from Mr Zhao Ping, China Telecom (remote participant) to be the co-chair of the DFS Ecosystem working group.

Mrs Madeleine Scherb, from the Health and Environment Program, expressed interest to set up an additional working group on mitigation of the gap between the rich and the poor countries and mediation. The FG did not take any final decision with respect to Mrs Scherb proposal.

6. Presentation of Contributions

29 contributions were received. Due to time constraints, only the following four contributions were presented:

- Intervale: Activity of Intervale in the field of security of mobile financial transactions ([dfs-i-011](#))
- Electronic Transaction Association (ETA): Comments on Terms of Reference [dfs-i-008](#)
- United Nations Conference on Trade and Development (UNCTAD): Lessons from the Expert Meeting on the Impact of Access to Financial Services, Including by Highlighting Remittances on Development: Economic Empowerment of Women and Youth, UNCTAD [dfs-i-027](#)
- Universal Postal Union (UPU), UPU Contribution to FG DFS, [dfs-i-019](#)

All the contributions received have been submitted to the working groups for consideration.

7. Presentation of Working Group Work Plan

During the breakout session held in the afternoon, the FG members were divided into the 4 subgroups (DFS Ecosystem, Technologies, Innovation and Competition, Interoperability and Consumer Experience and Protection) and asked to discuss their respective work plan for the coming months. After the brainstorming session, working group leaders were invited to present the outcomes of the discussions.

7.1 DFS Ecosystem (Carol Benson, Yury Grin, Bruno Antunes and Mina Mashayekhi)

Everyone expressed optimism about the work at hand, and particularly about the idea of having a cross-sector (e.g. finance and telecom; provider and regulator) perspective. Several people highlighted the ambitious scope of the initiative". It was agreed that in the future a more exhaustive representation of various stakeholders was necessary for the group. The ITU was noted as a good "home" for the FG, considered "neutral" among the constituents. There was agreement about keeping the perspective of the end user (the consumer) in mind throughout, and to emphasize that financial inclusion is not limited to developing countries –there are poor in all countries.

The initial work plan of the group is to focus on getting a catalog of relevant global documents, obtaining, reviewing, and analyzing various glossaries with an intent to create a "superset" of key term (starting from the terminology developed by AFI and CGAP), and to begin the process of drawing diagrams of the DFS ecosystem. A subsequent and important workstream will be to identify the key elements of the ecosystem necessary to make it work in scale for financial inclusion: understanding the limited success of current systems will be part of the analysis.

The group's focus will be comprehensive (while recognizing a trade-off between this and depth) and coordination and communication with the other working groups will be very important. The co-chairs will develop a work plan and distribute it to members and other work groups for comment.

7.2 Technologies, Innovation and Competition (Leon Perlman and Madeleine Scherb)

It was observed that most of the people interested in the group focused on competition issues. The main tasks for the group will be to:

- Investigate the emerging technologies that would have an impact on the ecosystem;
- Undertake a study on the digital financial services landscape to identify:
 - The main barriers to digital financial services;
 - Competition issues: look at barriers to entry: e.g. business models and costing models;
 - Technology barriers to entry: maybe open source APIs, access to APIs, eventually standard recommendations, and data sets.

7.3 Interoperability (Thomas Lammer, Mark McCullagh and Y. Houeyetongnon)

The main tasks for the interoperability working group would be to:

- Develop a working definition of interoperability for digital financial services (January 2015)
- Undertake stocktaking of successful / unsuccessful initiatives for interoperability (April 2015)
- Develop a descriptive paper which will include amongst others (Part 1: Autumn 2015, Part 2: Beginning 2016):
 - a definition of interoperability,
 - identify use cases,
 - scheme rules,
 - processing, clearing, settlement,
 - technical components, standards,
 - regulatory framework.
- Map the existing environment (Mid 2016)
- Develop a toolkit for interoperability (Autumn 2016)

7.4 Consumer Experience and Protection (Sumit Jamuar, Adel Bedoui, Nicola O'Reilly)

The group proposes to define three levels of quality service (gold, silver, bronze) and specify the levels of service for each.

The group will develop a consumer-centric framework which will focus on the following user needs:

- Quality of Service
- Security
- Risk

The group also discussed what would be the parameters for the quality of service for service providers (telecom and banks) and regulators.

The group's objective is that by January 2015 it would complete the problem statement, then start collection of data and use cases and then undertake a gap analysis. The next step would be to define a work plan with allocation of responsibilities.

It was suggested that each working group draft deliverables should be shared with the other working groups once it is ready.

8. Next Meeting of Focus Group

The tentative dates proposed for the next meeting are 21 and 22 April 2015 in Washington D.C. The working groups could meet one day before the Focus Group meeting.

E-meetings of the working groups will be organized between the physical meetings. It was suggested that the Focus Group considers also organization of webinars or other online meetings through Skype or other means.

It was mentioned that the deliverables will bear the name of the Focus Group. However, it may be possible to consider a joint authorship between ITU and another organization if the Focus Group agrees.

9. Liaison Statement

It was suggested that a liaison statement be sent to the m-Powering Development Initiative of the ITU Development Bureau (BDT) and to the ITU study groups referenced in the FG ToR.

10. Close of meeting and acknowledgements

The Chairman thanked all delegates and contributors for their participation. The contributions, comments and questions were helpful for the progress of the work at this first FG-DFS meeting.

Annex

Annex: List of participants of the Working Groups

Working Group DFS Ecosystem

Active Participants	
Name	Organization
<i>Ms Benson Carol Coye</i>	<i>Glenbrook Partners</i>
<i>Mr Grin Yury</i>	<i>Intervale</i>
<i>Ms Mashayekhi Mina</i>	<i>UNCTAD</i>
<i>Mr Antunes Bruno</i>	<i>UNCTAD</i>
Mr Owens John	AFI
Mr Axuan Estrada Villalta Ricardo	AFI
Mr Cooper Barry	CENFRI
Ms Zirkle Amy	Electronic Transactions Association
Mr Chopra Puneet	Microsave
Mr Wright Graham	Microsave
Mr Yusuf Ahmed	Ministry of Post and Telecommunication, Somalia
Mr Mworozzi Ivan	Mobicash
Mr Bruett Tillman	UNCDF
Mrs Malaguti Maria-Chiara	Università Cattolica Sacro Cuore
Mr Berthaud Alexandre	UPU
Mr Nelson Paul	USAID
Mr Homer Matt	USAID
Ms Quinn Lois Estelle	World Bank
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Mailing List	
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Mr Ferreira Marcelo	Ministry of Communications, Brazil
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Mr Naidoo Nathan	Vodafone Group
Mr Lammer Thomas	World Bank

Working Group Technology, Innovation & Competition

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Ms Zirkle Amy	Electronic Transactions Association
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Ms Shan Chen	Huawei Technologies
Mr Grin Yury	Intervale
Mr Arthur Duncan	Millicom
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Mr Hussin Mohamed	National Telecom Authority, Egypt
Mr Ajao 'Niyi Ezekiel	Nigeria Inter-Bank
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Working Group Interoperability

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Mr Grin Yury	Intervale
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**Working Group
Consumer Experience & Protection**

(Merger of: Security and Data Protection and Quality of Service & Quality of Experience)

Active Participants	
Name	Organization
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Mr Luti Thomas	Communications Authority of Kenya
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Mr Antunes Bruno	UNCTAD
Mr Nelson Paul	USAID
Mr Naidoo Nathan	Vodafone Group
Mr Lammer Thomas	World Bank