

ITU-T

TELECOMMUNICATION
STANDARDIZATION SECTOR
OF ITU

D.263

(05/2019)

SERIES D: TARIFF AND ACCOUNTING PRINCIPLES AND INTERNATIONAL TELECOMMUNICATION/ICT ECONOMIC AND POLICY ISSUES

General tariff principles – Economic and policy factors
relevant to the efficient provision of international
telecommunication services

Costs, charges and competition for mobile financial services (MFSs)

Recommendation ITU-T D.263

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Recommendation ITU-T D.263

Costs, charges and competition for mobile financial services (MFSs)

Summary

Recommendation ITU-T D.263 proposes a possible approach to reduce high retail and wholesale telecommunication charges related to mobile financial services (MFS).

History

Edition	Recommendation	Approval	Study Group	Unique ID*
1.0	ITU-T D.263	2019-05-02	3	11.1002/1000/13596

Keywords

Consumer protection, competition enhancement, cost model, mobile financial services, regulatory, retail, telecommunication charges, wholesale.

* To access the Recommendation, type the URL <http://handle.itu.int/> in the address field of your web browser, followed by the Recommendation's unique ID. For example, <http://handle.itu.int/11.1002/1000/11830-en>.

FOREWORD

The International Telecommunication Union (ITU) is the United Nations specialized agency in the field of telecommunications, information and communication technologies (ICTs). The ITU Telecommunication Standardization Sector (ITU-T) is a permanent organ of ITU. ITU-T is responsible for studying technical, operating and tariff questions and issuing Recommendations on them with a view to standardizing telecommunications on a worldwide basis.

The World Telecommunication Standardization Assembly (WTSA), which meets every four years, establishes the topics for study by the ITU-T study groups which, in turn, produce Recommendations on these topics.

The approval of ITU-T Recommendations is covered by the procedure laid down in WTSA Resolution 1.

In some areas of information technology which fall within ITU-T's purview, the necessary standards are prepared on a collaborative basis with ISO and IEC.

NOTE

In this Recommendation, the expression "Administration" is used for conciseness to indicate both a telecommunication administration and a recognized operating agency.

Compliance with this Recommendation is voluntary. However, the Recommendation may contain certain mandatory provisions (to ensure, e.g., interoperability or applicability) and compliance with the Recommendation is achieved when all of these mandatory provisions are met. The words "shall" or some other obligatory language such as "must" and the negative equivalents are used to express requirements. The use of such words does not suggest that compliance with the Recommendation is required of any party.

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Introduction

Today's global economy is increasingly dependent on mobile technology, not just for telecommunications but also for digital financial services. Mobile telecommunications promise cost-effective financial and banking transactions on both national and global scales, bringing about enhanced economic and social benefits for all stakeholders that constitute the economy. For consumers, financial inclusion is promoted by enhanced accessibility through the utilization of mobile financial services (MFSs); for service providers, business and service opportunities are enhanced; for governments, public welfare is enhanced by facilitating transparent transactions with the benefit of increased tax revenues and greater financial inclusion.

In particular, mobile financial services can meet the needs of the world's low income population.

Mobile financial services include mobile money, mobile payment and mobile banking with enhanced security and convenience for transfers, payments and savings not available in the cash-centred world that is unbanked. In consequence, such mobile financial services are a key part of future prosperity for over 2 billion people living on less than three US dollars per day, who today are unbanked.

Many of these people will be making micro payments, so the cost of the transaction to them is paramount. However, the costs of financial transactions over mobile links are decoupled from the underlying costs and may include additional items that are often inconsistent and arbitrary. This can affect the retail charges of these financial services.

As a result, the attraction of mobile payments for the poorest disappears, something which regulators and ITU members regard as being incompatible with supporting development, consumer well-being, trade, innovation and the economy as a whole.

Moreover, transactions consist of several components that stretch across MFS providers, outsourced agents and mobile network operators.

For regulators to be able to tackle the issue of high transaction charges wherever they occur, national regulatory authorities (telecom national regulatory authorities (NRAs), financial regulators and competition authorities) need to understand the actual transaction costs faced by operators, both wholesale and retail. However, there is little information on the transparency of these charges, or on how the charging regime – a percentage of the sum involved, or flat rate – is chosen and calculated.

Recommendation ITU-T D.263

Costs, charges and competition for mobile financial services (MFSs)¹

1 Scope

This Recommendation proposes a possible approach to reducing high retail and wholesale telecommunication charges related to MFSs, to industry and the economy as a whole, and especially for the benefit of consumers who are under-privileged, underserved and marginalized.

2 References

None.

3 Definitions

3.1 Terms defined elsewhere

None.

3.2 Terms defined in this Recommendation

This Recommendation defines the following term:

3.2.1 mobile financial services (MFSs): Financial services delivered over mobile devices to the end user. They may include methods to electronically store and transfer funds; to make and receive payments; to borrow, save, insure and invest; and to manage a person's or enterprise's finances. These services can be offered by a mobile network operator (MNO), an independent payments platform operator with banking connections, or by a bank itself. All of these players are considered to be an "MFS provider".

NOTE – This definition based on [b-DFS Glos].

4 Abbreviations and acronyms

This Recommendation uses the following abbreviations and acronyms:

MFS	Mobile Financial Service
MNO	Mobile Network Operator
MPO	Mobile Payment Operator
NRA	National Regulatory Authority
QoS	Quality-of-Service
USSD	Unstructured supplementary service data

5 Conventions

None.

¹ In accordance with clause 9.5.4 of WTSA Resolution 1, it was requested that the following reservations be appended to this Recommendation:

The following countries have expressed a reservation and will not apply this Recommendation: Canada, United Kingdom and United States of America.

6 Financial inclusion and consumer empowerment

6.1 In light of the acknowledged benefits of financial inclusion, Member States should facilitate the implementation of retail and wholesale telecommunication charges related to MFSs, which are affordable and provide for the protection of the consumer, in particular for the under-privileged, underserved and marginalized communities.

6.2 Member States are encouraged to facilitate close collaboration/coordination between the relevant regulatory authorities that deal with the areas of finance/banking, telecommunications/ICT, competition, consumers, MFS providers, consumer protection bodies and governments.

6.3 In order to build consumer trust and confidence, Member States should implement measures to inform, educate and protect consumers and ensure that a wide range of affordable MFSs are made available on a variety of platforms.

6.4 Member States are encouraged to prevent overcharging of users by at least ensuring that MFS providers' telecommunication fees and charges are transparent and affordable.

6.5 Member States should take steps to ensure that pricing information is publically available in a meaningful way, and that consumers are aware of where this information is made available.

7 Market development and dynamics

7.1 Member States should foster an enabling environment for the development of MFSs with low barriers to entry.

7.2 In particular, Member States should facilitate dialogue, (mechanisms for) cooperation and collaboration between the relevant stakeholders related to MFSs.

8 Principles for determining telecommunication charges related to MFSs

8.1 Where competition and consumer empowerment have not been sufficient to set affordable retail and wholesale telecommunication charges related to MFSs, Member States could consider the necessary steps to resolve the issue, which may include working with the industry towards:

8.1.1 Establishing cost oriented telecommunication charges according to national regulatory frameworks.

8.1.2 Obtaining relevant cost information relevant to retail and wholesale telecommunication charges related to MFSs from domestic telecommunication operators.

8.1.3 When developing cost models for retail and wholesale telecommunication charges related to MFSs, Member States are encouraged to consider all the relevant cost elements related to telecommunication service provision.

8.2 Where practical, Member States are encouraged to ensure telecommunication charges related to MFS are affordable particularly for the underprivileged, unserved and marginalized communities.

9 Enabling a competitive landscape

9.1 Member States are encouraged to enhance competition in the provision of MFSs and prevent anti-competitive practices, contracts or arrangements that are likely to substantially inhibit competition in the market and increase barriers to entry.

9.2 Member States and MFS providers are encouraged to leverage existing infrastructures and capabilities within their jurisdiction, in an effort to avoid duplication of costs.

9.3 Member States should support the growth of an open ecosystem for MFSs that promotes innovation and ensures robust competition.

- 9.4** In this context, Member States and telecommunication regulatory agencies may:
- Ensure provisioning of telecommunication services by telecommunication service providers to all MFS providers on a non-discriminatory basis.
 - Where regulatory frameworks allow, encourage mobile operators to provide mobile payment operators (MPOs) access to their mobile messaging and unstructured supplementary service data (USSD) channels.
 - Ensure non-discriminatory pricing of wholesale telecommunication charges related to MFSs.
 - Establish minimum standards for end-user quality-of-service (QoS) to encourage widespread adoption of MFSs, and conduct regular QoS monitoring to ensure that these minimum quality standards are met.
 - Empower consumer protection bodies to better understand and serve consumers, notably through the establishment of new mechanisms for telecommunications, advocacy and redress.

Bibliography

[b-DFS Glos] ITU-T (2018), *Digital Financial Services (DFS) – Glossary*.
<http://handle.itu.int/11.1002/pub/81129ee5-en>

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