

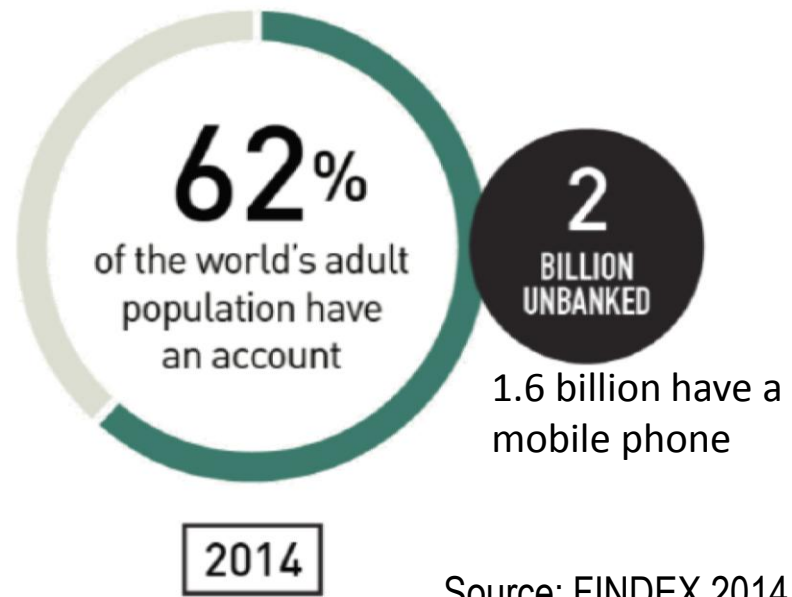
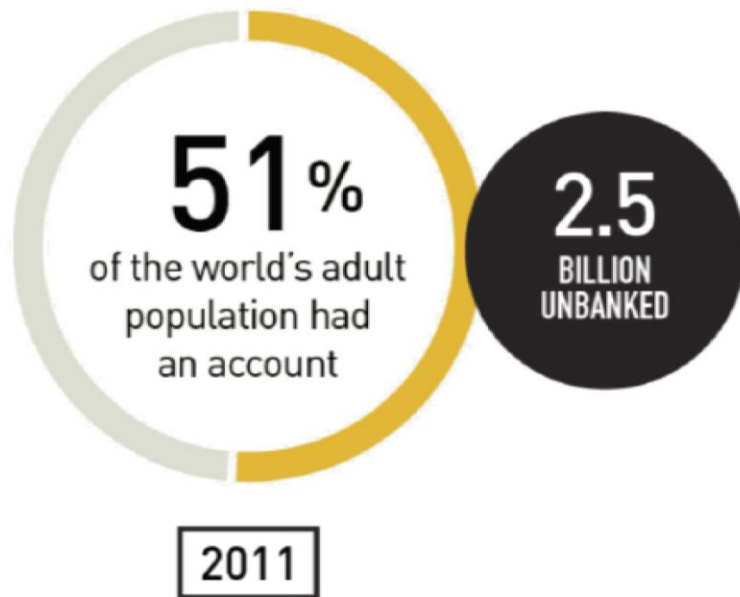
ITU Focus Group Digital Financial Services

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Financial Inclusion and Digital Financial Services

Financial Inclusion: Global Situation

More adults have an account (with a financial institution or mobile money service) now than three years ago.



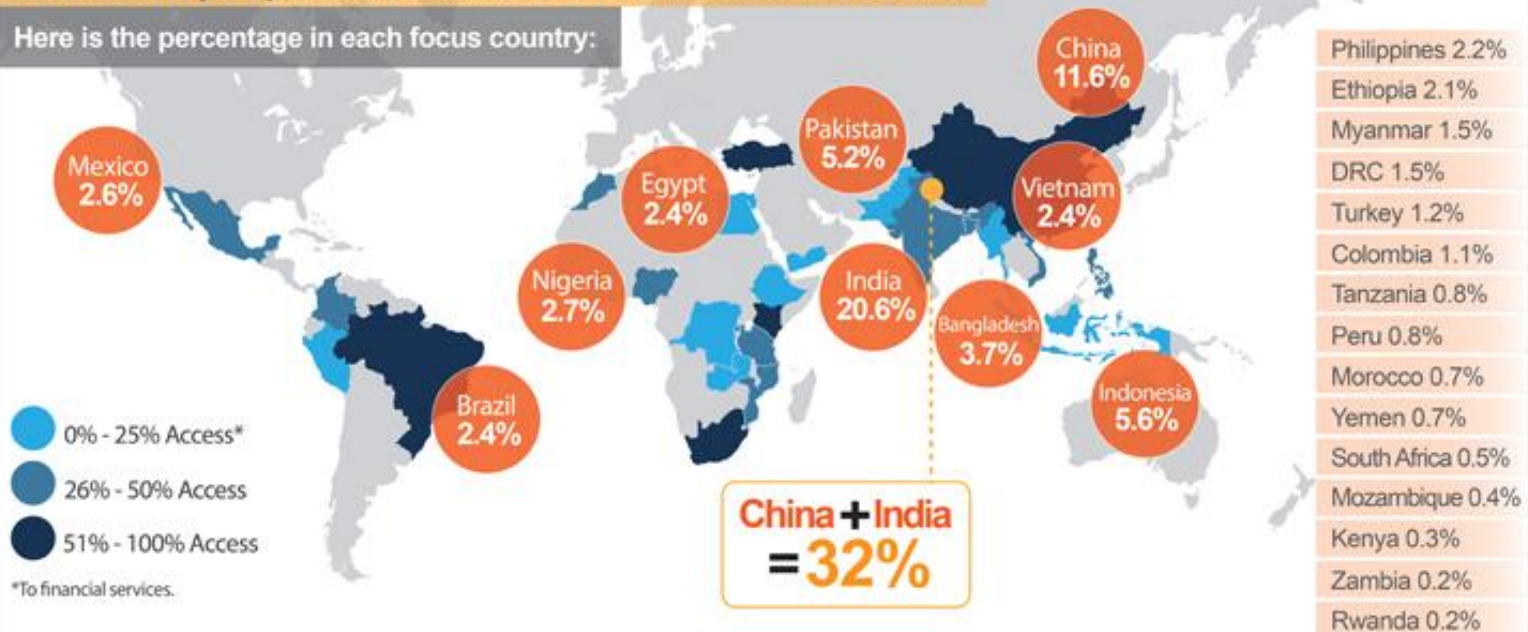
Source: FINDEX 2014

Universal Financial Access

Achieving Universal Financial Access by 2020

2 billion people lack access to a transaction account.

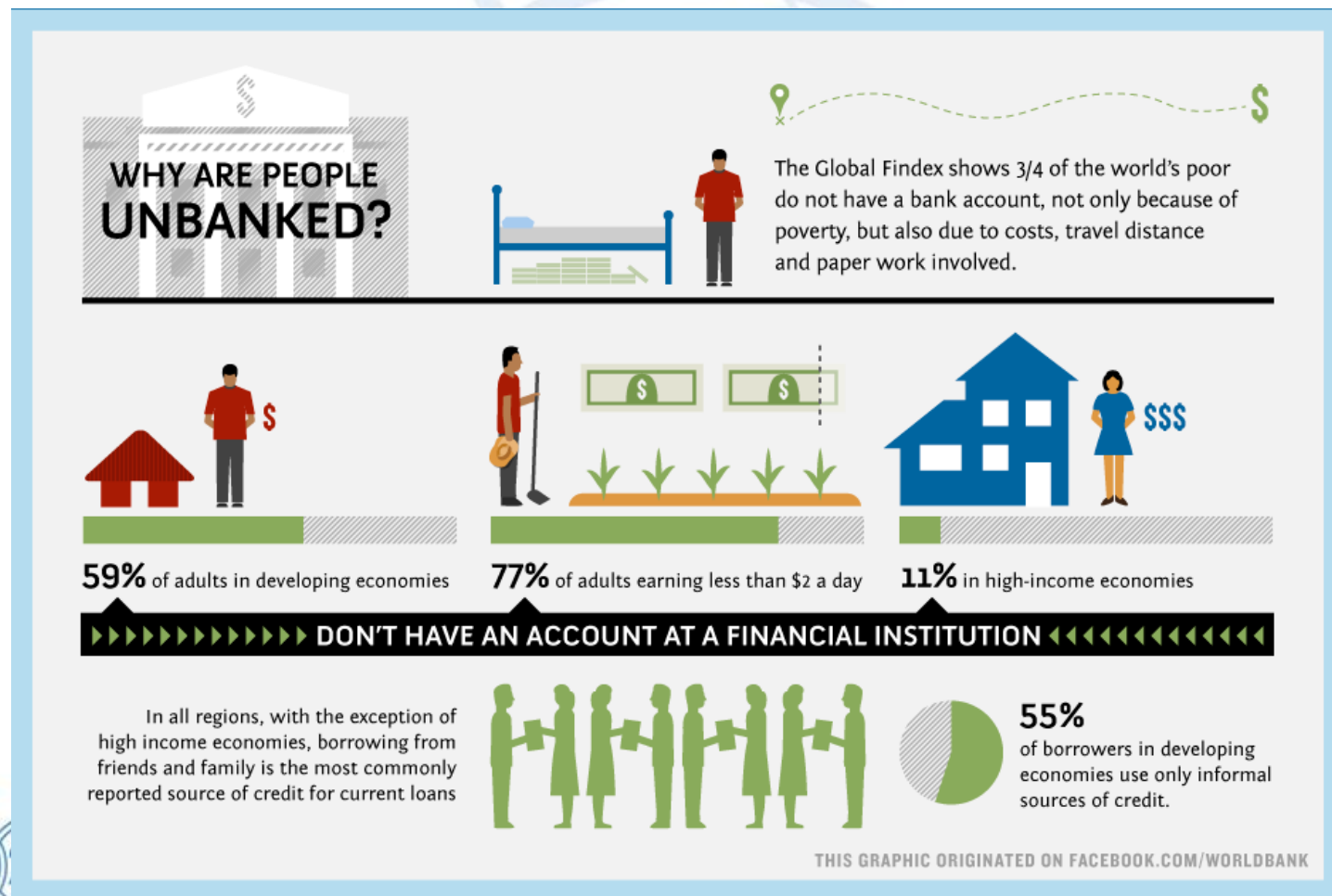
Here is the percentage in each focus country:



25 Focus Countries = **73%** of the world's financially excluded

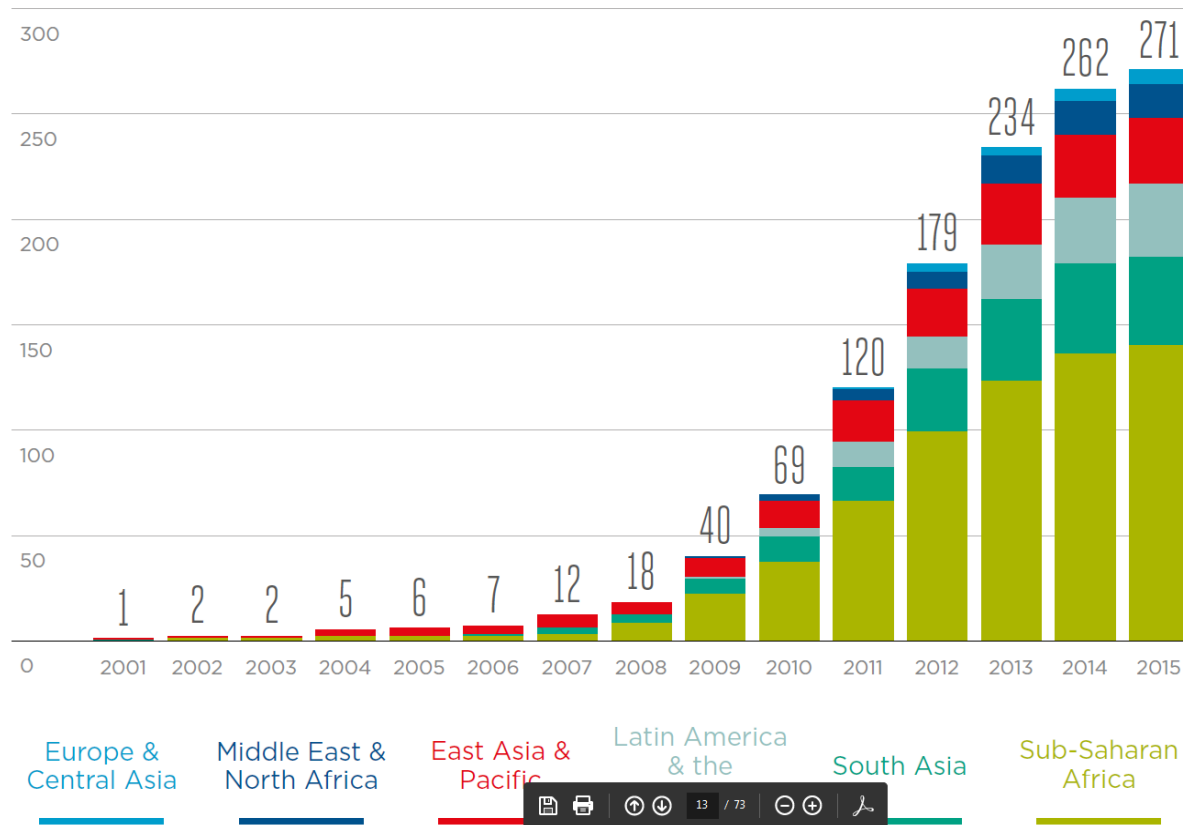
Sources: Global Findex 2014, IMF Financial Access Survey

Why are people unbanked?



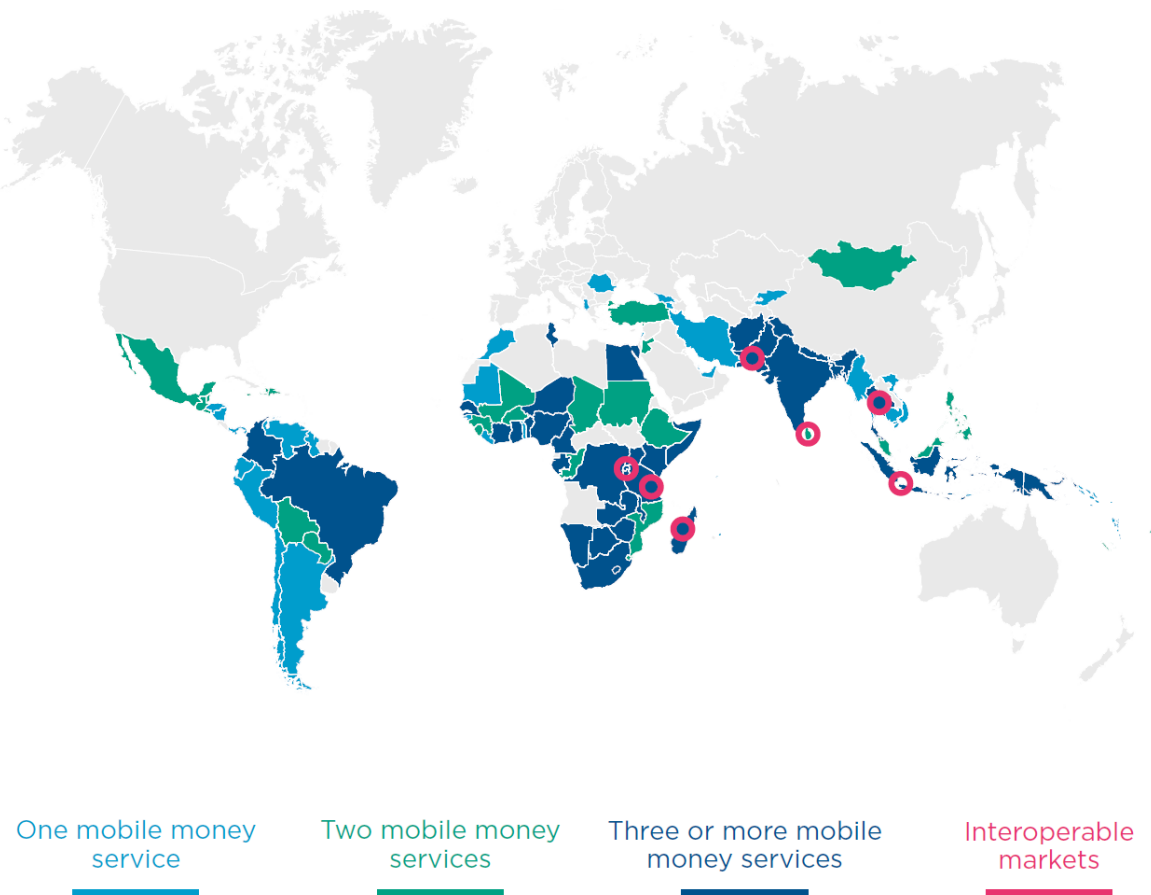
Mobile Money Market Situation

NUMBER OF LIVE MOBILE MONEY SERVICES FOR THE UNBANKED BY REGION - 2015



Source: GSMA

Mobile Money Market Situation in 2015



- **65%** markets have **2 or more** live services (60 out of 93 countries).

- In 2015, MNOs implemented A2A interoperability in three markets

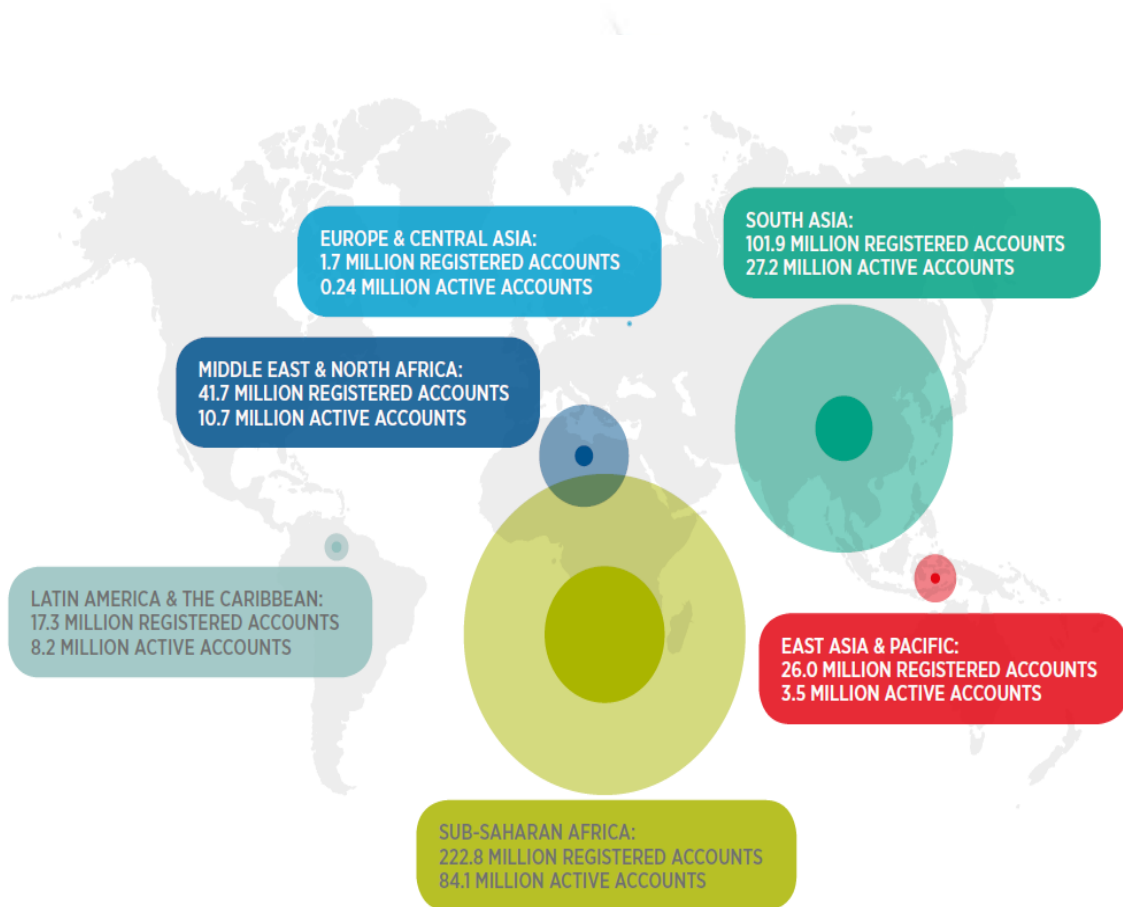
- Madagascar
- Thailand
- Rwanda

MNO: Mobile Network Operator

A2A: Account to Account

Source: GSMA, 2016

Mobile Money Accounts in 2015



Source: GSMA, 2016

- 100 million new mobile money accounts in 2015
- Growth of 31% compared to 33% in 2014.
- 19 markets had more mobile money accounts than bank accounts.
- Chad, Ghana and Liberia, Burundi, Cameroon, DRC Congo, Gabon, Guinea, Kenya, Lesotho, Madagascar, Paraguay, Rwanda, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe

Cross Border Mobile Money Remittances in 2015



- **29** cross-border mobile money remittance corridors connecting 19 countries
- **Main drivers:** seasonal remittances from migrants and cross border trade
- In Qatar, international migrants make up to 74% of the population
- Most active: **West Africa and East Africa**

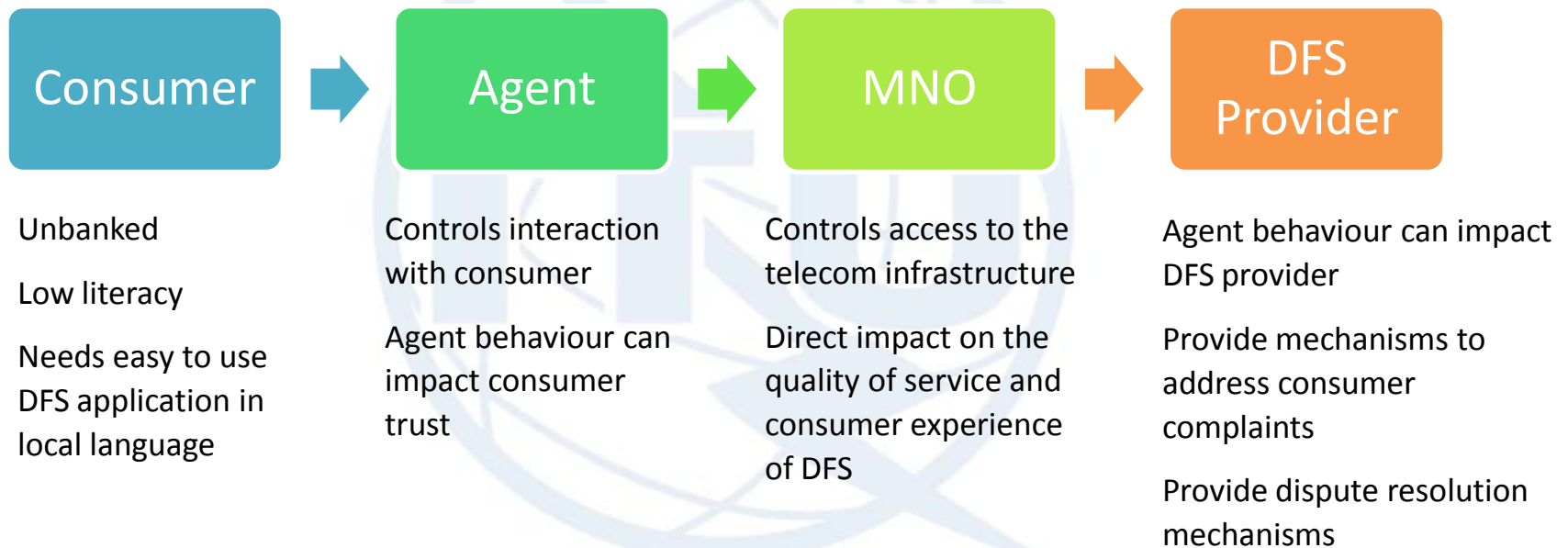
Source: GSMA, 2016

Agents Growth

- Agents outnumber bank branches in a growing number of markets.
- Agents are the core of the mobile money system—moving cash both in and out—and require ongoing operational management and investment.
- In June 2015, registered agents represented 90.5% of mobile money's physical cash-in and cashout, whereas ATMs represented 7.8% and banks represent 1.7%.
- In 2015, 37 markets had 10 times more registered agents than commercial bank branches, up from 25 markets in 2014.
- Moreover, 30 of these markets reported at least 10 times as many active agents as commercial bank branches. This list continues to diversify beyond East Africa and includes several entrants in Asia, such as Bangladesh, Pakistan and Thailand.

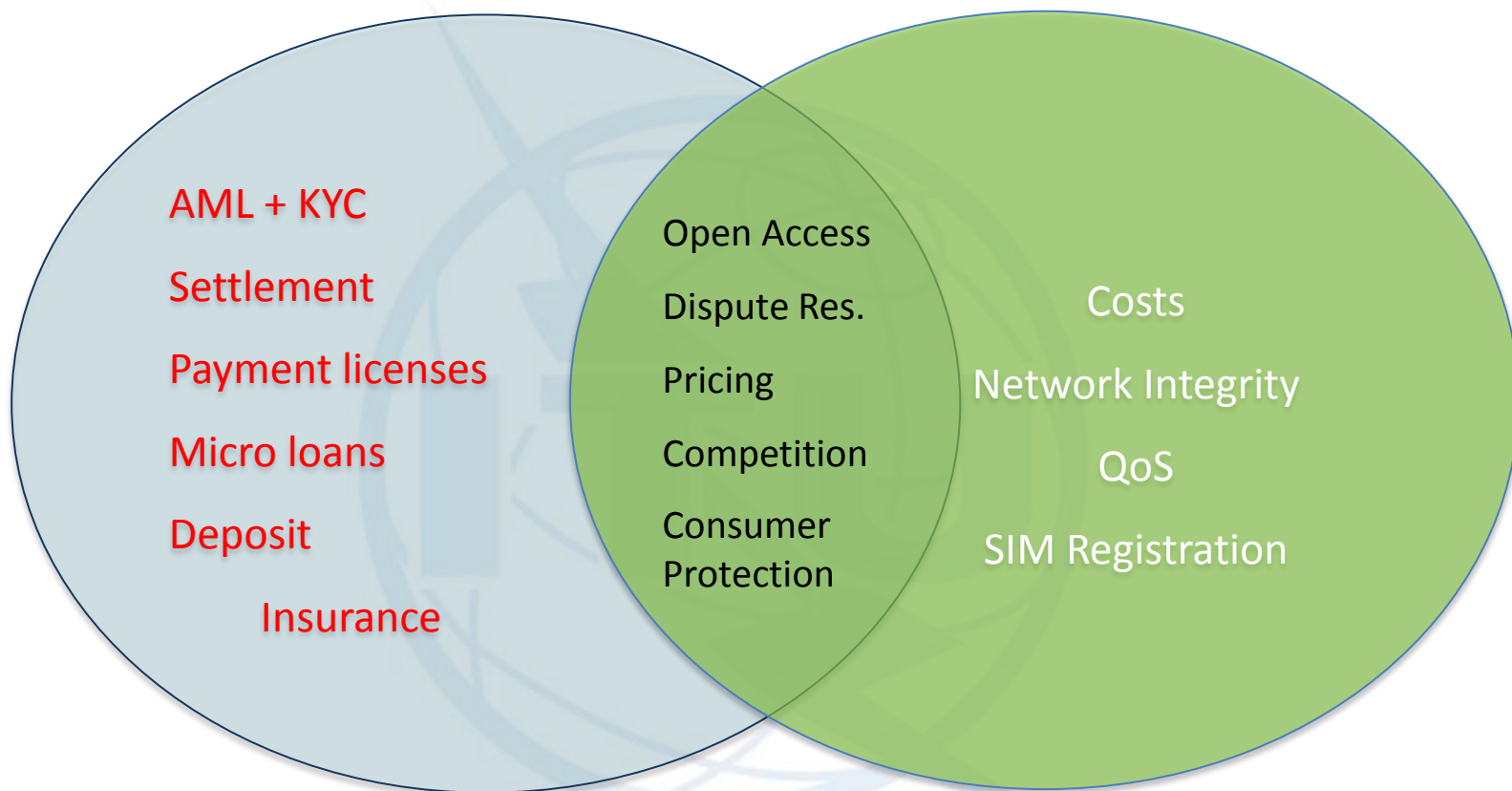
Source: GSMA, 2016

DFS Value Chain Players



Regulatory Overlap In DFS

Financial Services Regulator



Telecom Regulator

Focus Group Digital Financial Services (FG DFS)

Objective

- Bridge the financial inclusion gap
- 2 billion unbanked
- 1.6 billion have a mobile phone
- DFS → Key to Universal Financial Inclusion
- Key Issue: Usage ?
- Replicating M-PESA success has not been easy
- Enter ITU Focus Group Digital Financial Services

ITU FG Digital Financial Services

Main Aims

- Promote dialogue between Financial/Telco regulators
- Raise awareness re role DFS to promote Financial Inclusion and linkage to UN SDGs
- Clarify regulators roles and responsibilities in DFS
- Provide recommendations on selected policy and regulatory issues

ITU FG Digital Financial Services



BILL & MELINDA
GATES foundation



THE WORLD BANK



afi Alliance for
Financial Inclusion
Bringing smart policies to life



GLENBROOK



ERICSSON



UNCTAD



amdocs

embrace challenge eXperience success



UNIVERSITY OF
OXFORD



TUNISIE TELECOM



vodafone



asbanc
ASOCIACIÓN DE BANCOS DEL PERÚ



cenfri
The Centre for Financial Regulation & Inclusion

tigo



HUAWEI



Microfinance + Capital Development



MILLICOM
THE DIGITAL LIFESTYLE



BANCO CENTRAL DO BRASIL



Better Than Cash
Alliance



ITU FG Digital Financial Services

Unique Forum

Bring together regulators and players
from
telecom and financial services sectors

Main Topics

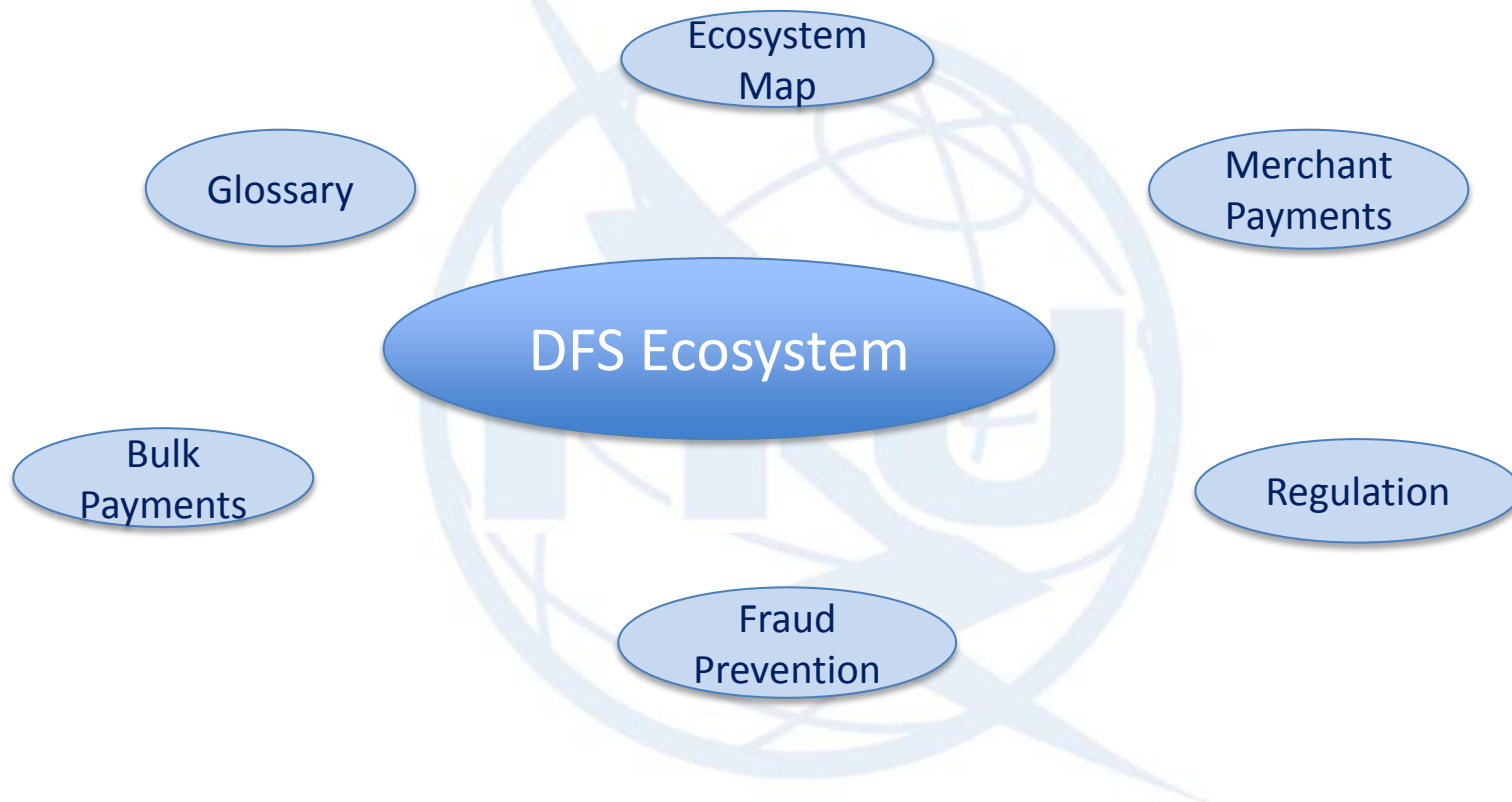
DFS Ecosystem

Interoperability

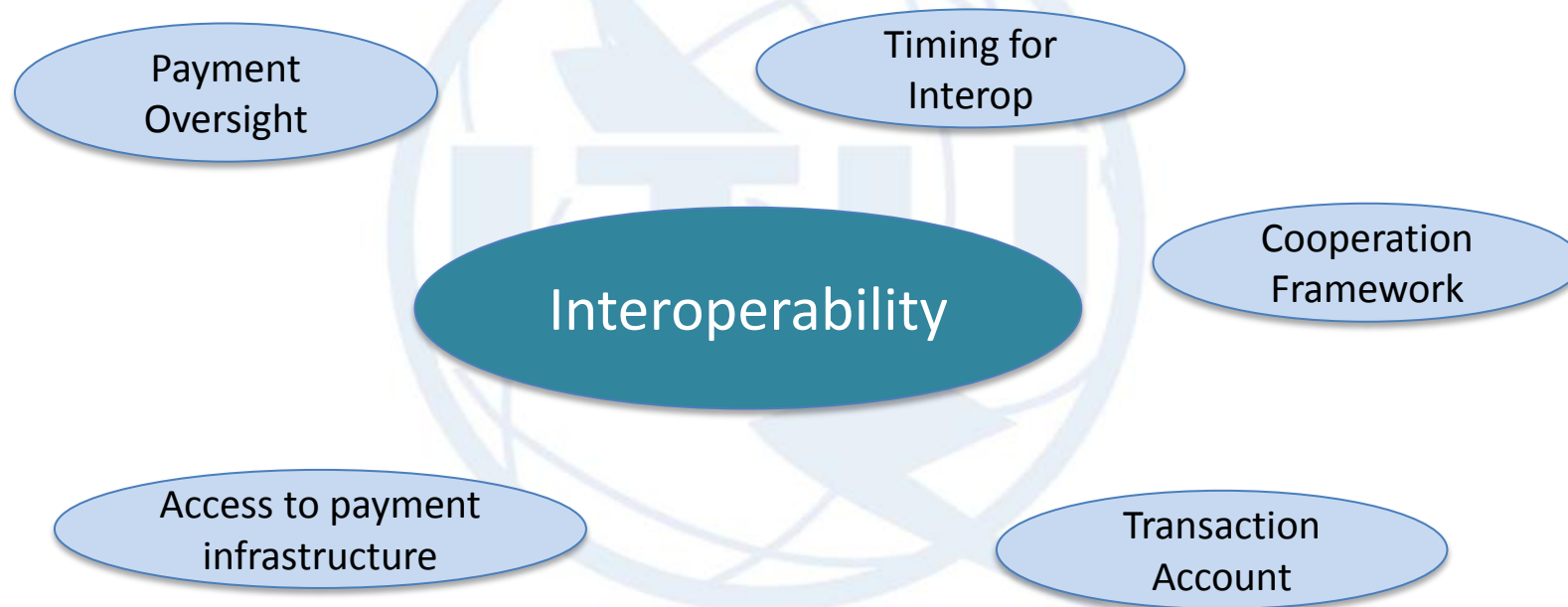
Consumer
Experience

Technology,
Innovation and
Competition

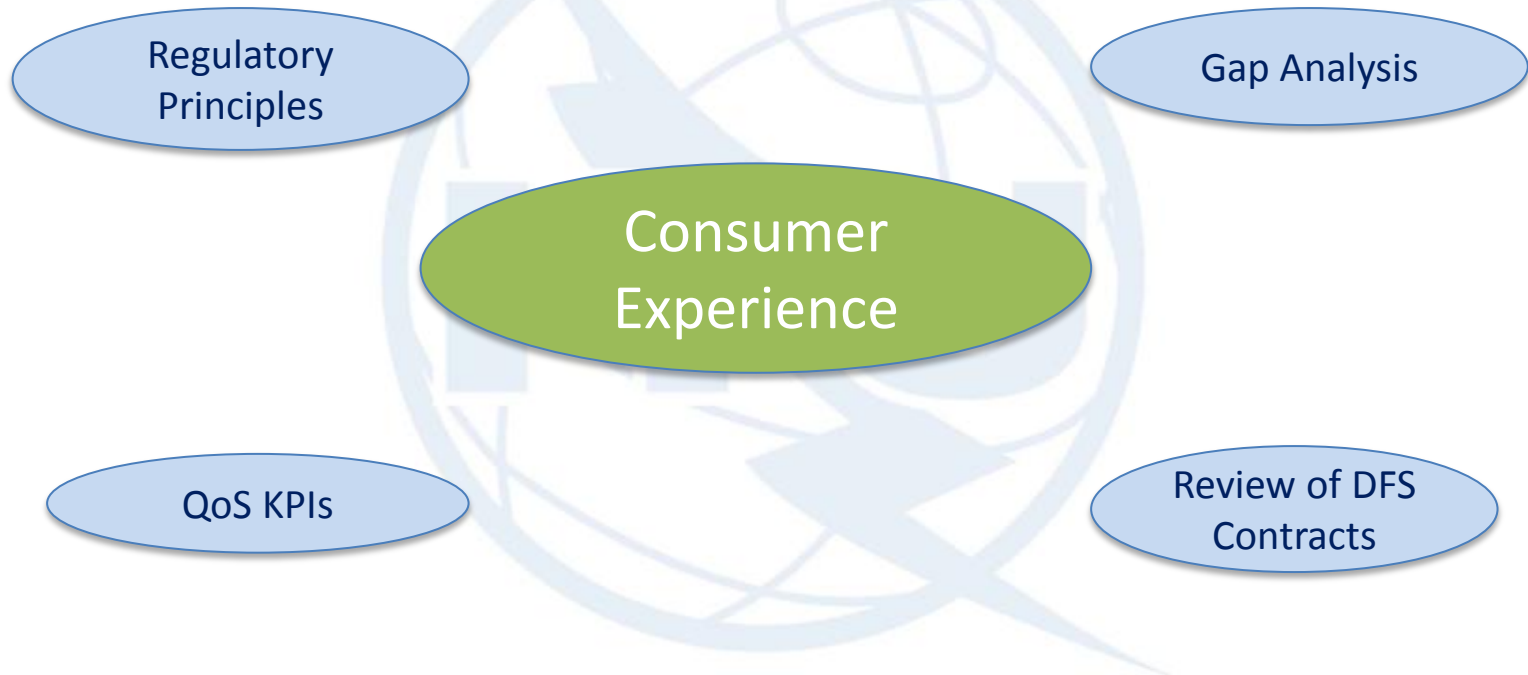
Main Topics



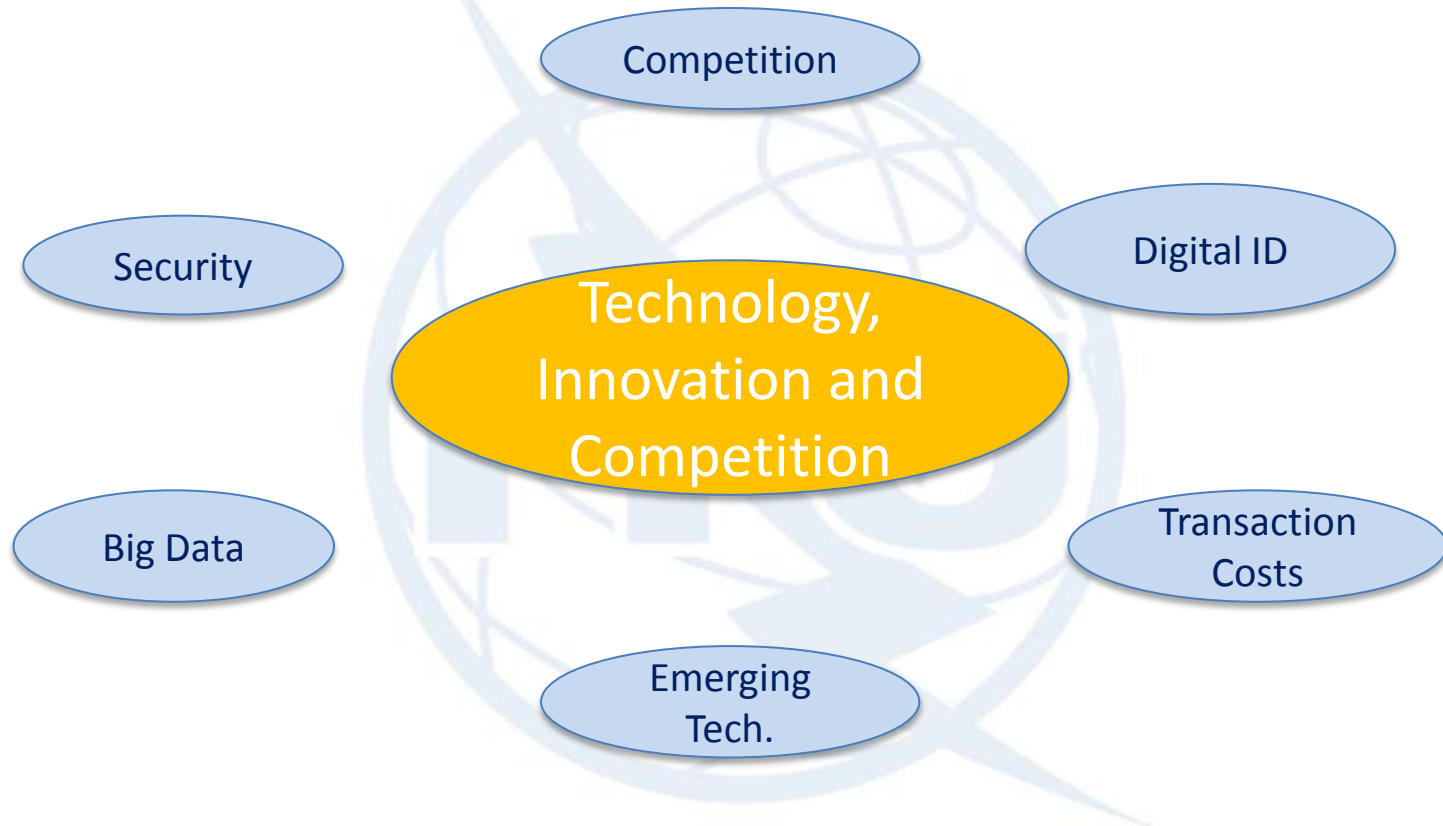
Main Topics



Main Topics



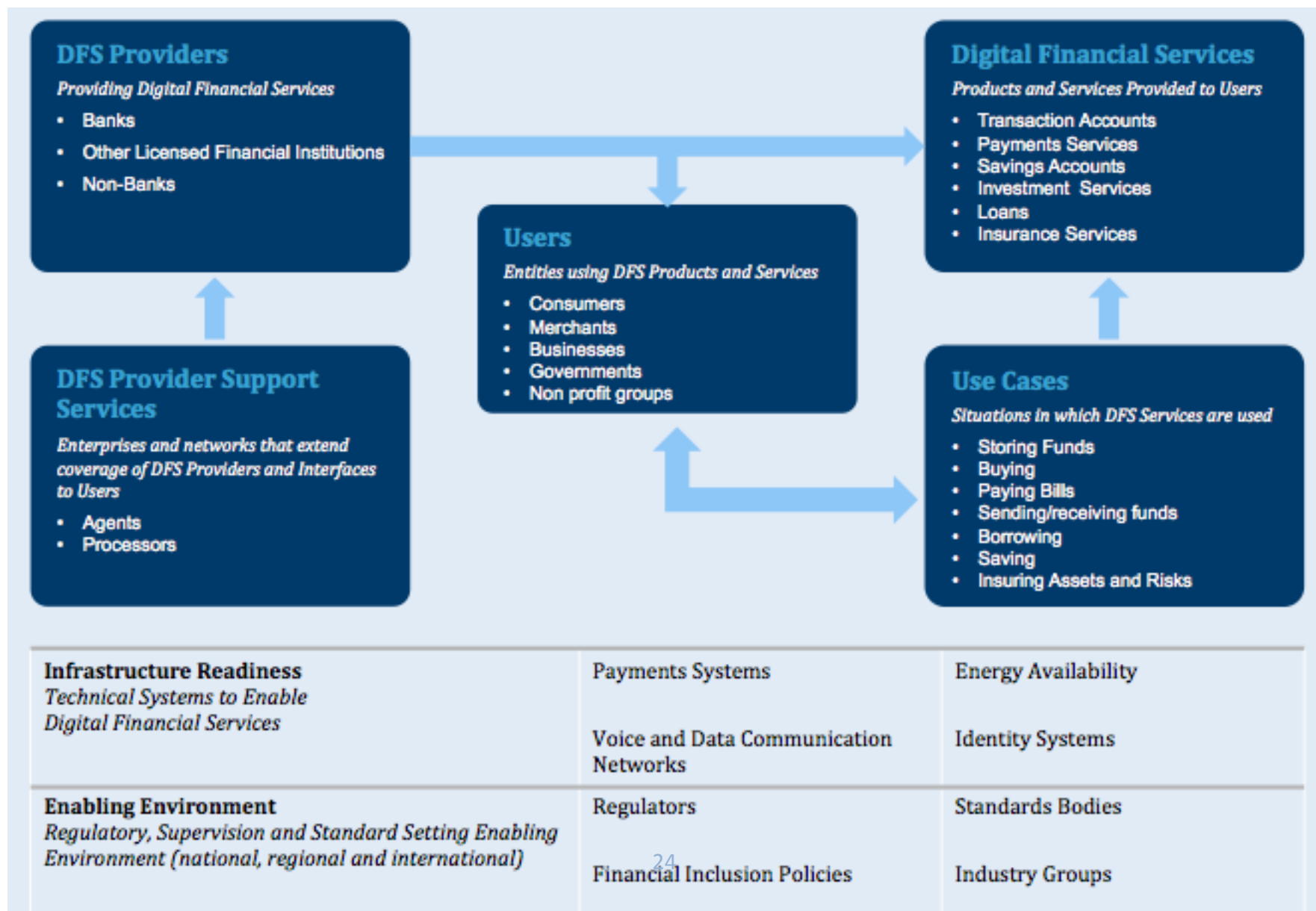
Main Topics



DFS Ecosystem Working Group

The Digital Financial Services Ecosystem

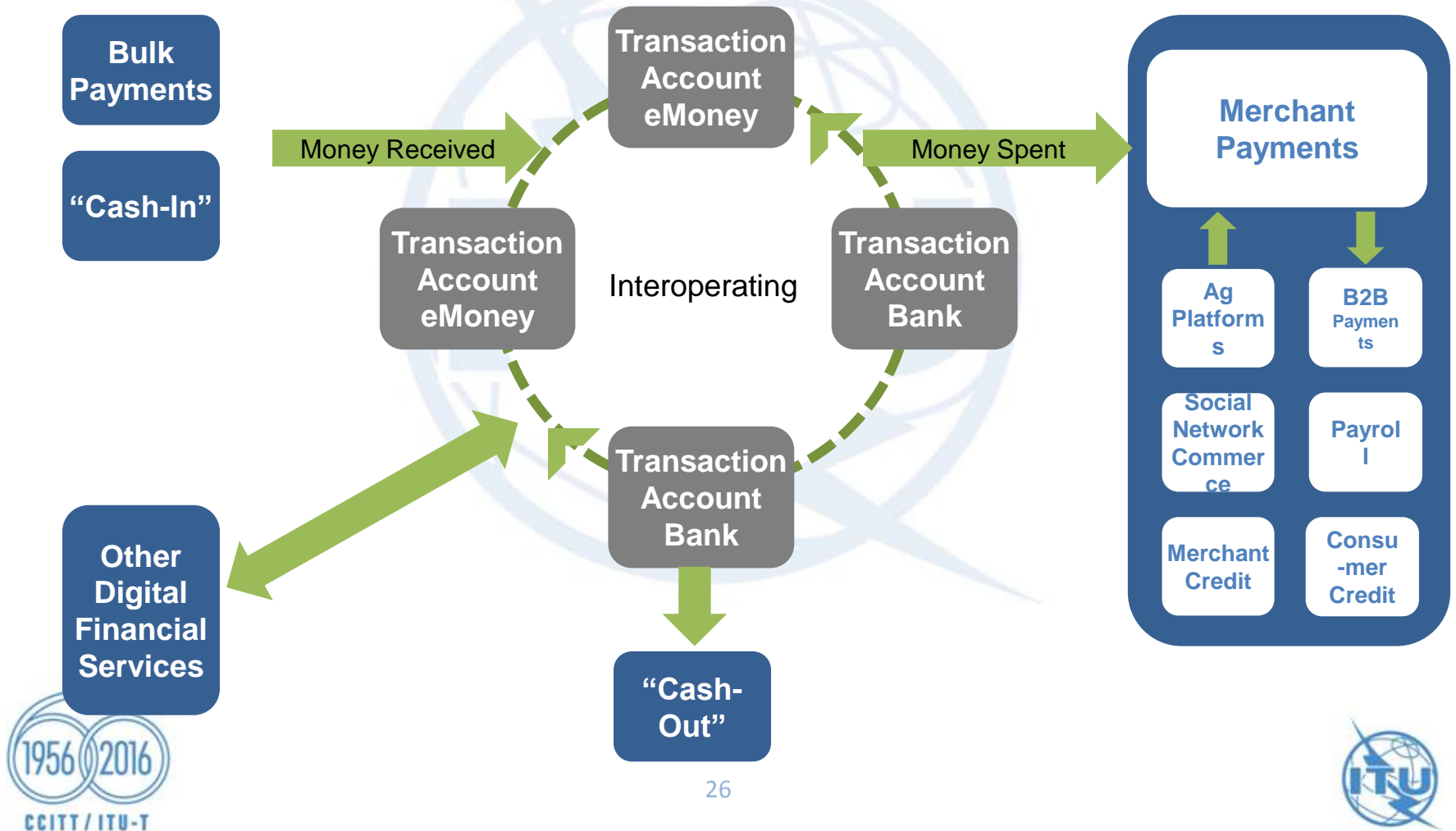
Enabling Financial Inclusion and Building the Digital Economy through Availability, Affordability, Convenience and Quality



ITU DFS Glossary - Example

Term	Alternative and Related Terms	Definition
<i>A note on using this glossary: terms are grouped by category, rather than alphabetically. Search within the document to find the term you are looking for.</i>		
Concepts		
<i>Ecosystem</i>		
Digital Financial Services	Mobile Financial Services	Digital financial services 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.
Digital Liquidity		A state in which a consumer willing to leave funds (eMoney or bank deposits) in electronic form, rather than performing a "cash-out".
Financial Inclusion		The sustainable provision of affordable digital financial services that bring the poor into the formal economy.
FinTech		A term that refers to the companies providing software, services, and products for digital financial services: often used in reference to newer technologies.
Bank-Led Model	Bank-Centric Model	A reference to a system in which banks are the primary providers of digital financial services to end users. National law may require this.
Non Bank-Led Model	MNO-Led Model	A reference to a system in which non-banks are the providers of digital financial services to end users. Non-banks typically need to meet criteria established by national law and enforced by regulators.
Identity	National Identity, Financial Identity	A credential of some sort that identifies an end user. National identities are issued by national governments. In some countries a financial identity is issued by financial service providers.
mCommerce	eCommerce	Refers to buying or selling in a remote fashion: by phone or tablet (mCommerce) or by computer (eCommerce)
Unbanked	Underbanked, Underserved	Unbanked people do not have a bank account. Underbanked people may have a bank account but do not actively use it. Underserved is a broad term referring to people who are the targets of financial inclusion initiatives. It is also sometimes used to refer to a person who has a transaction account but does not have additional DFS services.
Financial Literacy		Consumers and businesses having essential financial skills, such as preparing a family budget or an understanding of concepts such as the time value of money, the use of a DFS product or service, or the ability to apply for such a service.

Reaching Digital Liquidity

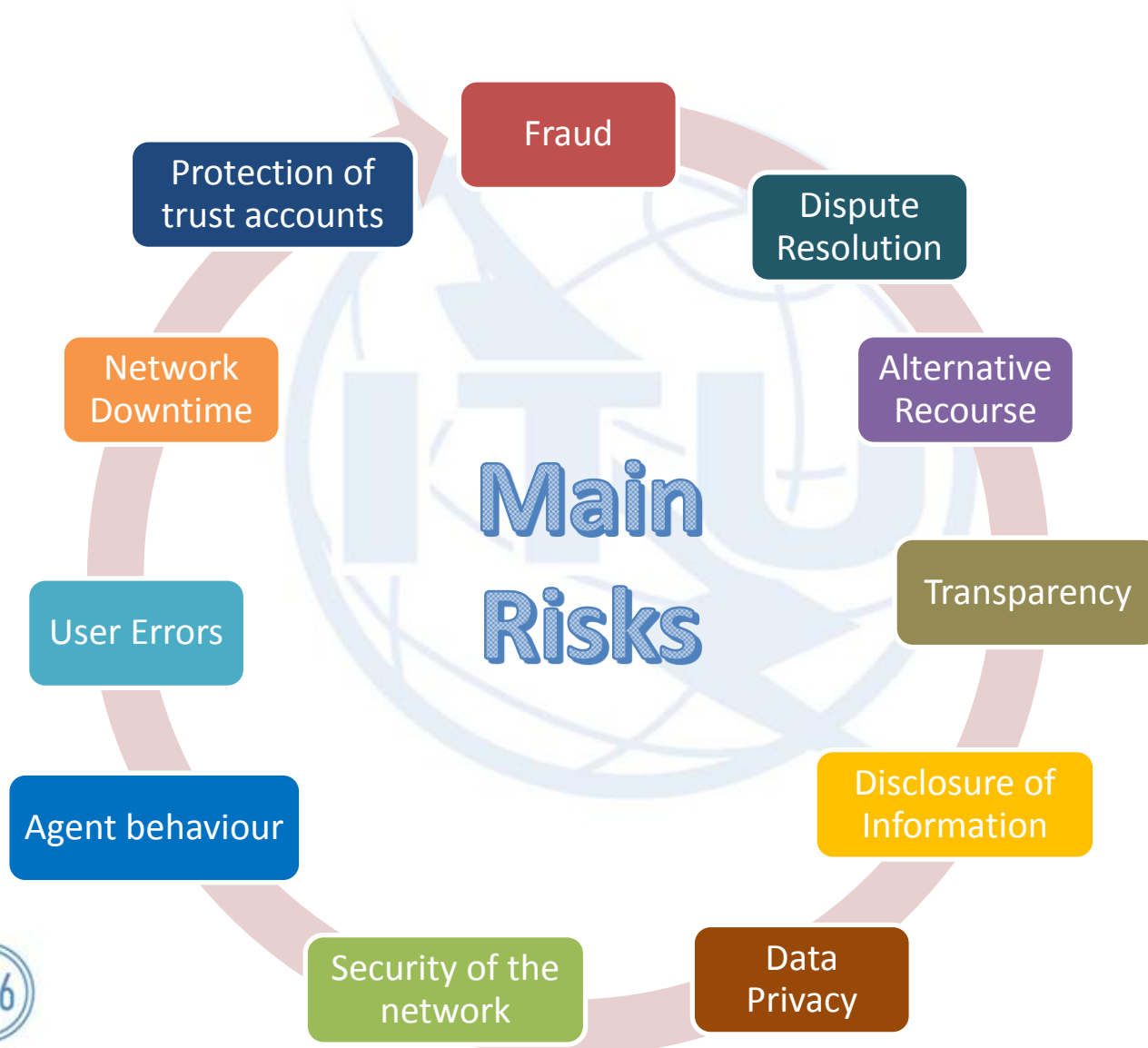


Consumer Experience And Protection WG

Consumer Experience and Protection WG

- Regulatory Review of Consumer Protection Framework
 - Conducted by University of Washington
 - Covered 22 developing countries
 - Analysed the regulation and mobile money guidelines
- Regulatory principles for Consumer Protection
 - Compiled from issues identified in the regulatory review +
 - Best practices from international organizations (ie. World Bank, Alliance for Financial Inclusion, CGAP, Better than Cash Alliance, GSMA...)
 - Framework for regulators to introduce DFS consumer protection guidelines/regulation

Consumer Protection Issues



Regulatory Review of Consumer Protection

- 5 countries (Bangladesh, Egypt, Nepal, Pakistan, and South Africa) specify a bank-led DFS model.
- 16 allow mobile money operators (MMOs) that are not tied to banks.
- In all 22 countries, a financial regulator (often the central bank) is involved in DFS regulation.
- Telecommunication regulators license MNOs, oversee aspects of market competition, and manage quality of service within DFS channels.
- 14 countries have a competition authority, eight of which are also responsible for consumer protection. 8 countries have separate consumer protection authorities.
- The DFS provider is responsible for costs from consumer financial losses or other harm in the event of
 - System malfunctions: in 7 countries,
 - Fraud: in 3 countries,
 - Agent misconduct: in 16 countries,
 - Transfer failures: in 3 countries.

Regulatory Review of Consumer Protection

- 18 countries have regulations that mandate transparent communication of costs associated with DFS, and 6 have regulations mandating regulator reviews of provider Terms & Conditions.
- 18 countries have regulations mandating security policies for DFS providers to reduce the risk of loss of funds or data,
- 6 countries had regulations for accessing consumer funds or data
- 9 countries had regulation which limits sharing of consumer data with third parties
- 10 countries had regulations mandating training for agents and employees of DFS providers
- 10 countries have regulations mandating specific mechanisms for consumers to report complaints.
- In 8 countries, regulations state that complaint channels should be free, and in 13 countries regulations specify maximum response times.
- 15 countries have regulations specifying alternative dispute resolution channels in case consumers are not satisfied with provider mechanisms.

Regulatory Principles For Consumer Protection in DFS

6 Pillars

1. Redress and dispute resolution mechanisms
2. Fraud prevention
3. Data protection and privacy
4. Information disclosure and transparency
5. Protection of funds
6. Encourage Competition



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