

# Mobile Banking :

## Overview of Regulatory frameworks in emerging markets

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# M-banking...huge potential

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Connections ▶

Operational ▶

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## Custom Query & Chart

Interactive Charting

## Analysis Tools

Operator Tracking

Market Tracking

Group Tracking ▶

Technology Tracking ▶

### World total connections

4,566,513,440

### Quick links

#### Connections

[World WDCMA HSPA Connections](#)

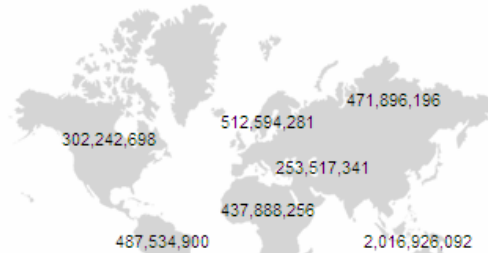
[World CDMA2000 1xEV-DO Connections](#)

[Technology Market Shares](#)

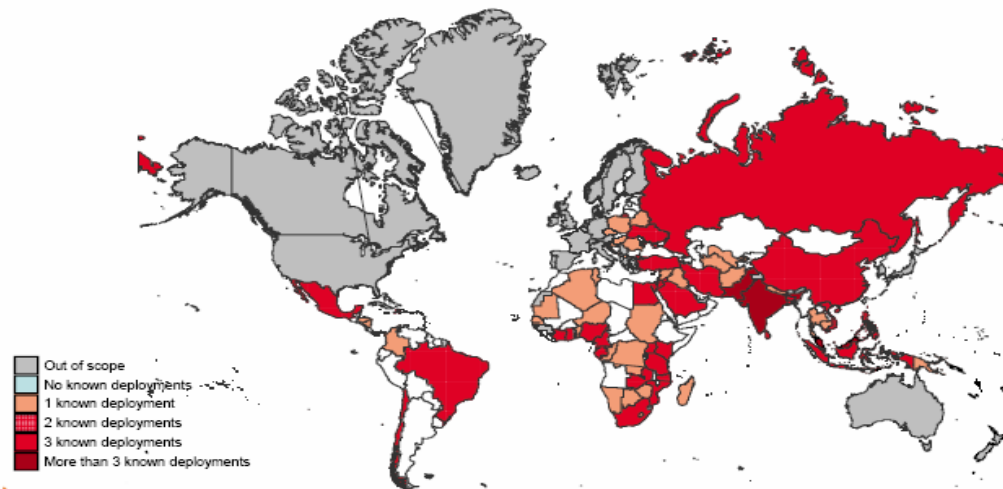
[Fastest Growing Operators](#)

### Current data

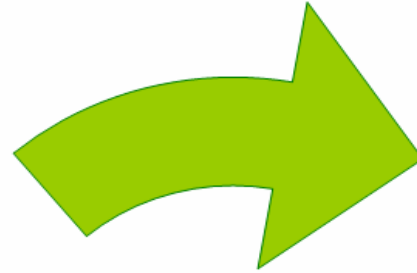
Click the map to view a more granular breakdown by region.



- 120 mobile money services this year in emerging markets
- 1.7 billion unbanked customers with mobile phones by 2012
- US \$5 billion in direct revenues for mobile operators by 2012



# Key determinants : policy, regulation &..



Policy & Regulation

Sustainable business case



Client uptake

# Models of M-banking

<i>Key issues</i>	<i>Model</i>	
	<i>Bank Based</i>	<i>Non-bank (NB) Based</i>
Who regulates	Financial regulator	Telco & Financial regulator
Scope	Additive	Transformational
Who holds the deposit	Bank	Bank
Cash in-out points	Bank	Telco/NB
Dominant brand	Bank	Telco/NB
Who has access to the service	Limited to account holders	Limited to subscriber
Carrier/gateway	Any	Telco
Who owns the customer	Bank	Telco/NB
Examples	MTN (S-Africa), other SMS banking services	G-Cash, Smart, Celpay (Zambia), M-PESA

Source: CGAP(Consultative group to assist the poor)

# Concerns of Financial regulators

Adequate consumer protection

Security of transactions

Stability of banking and  
payment system

Issuance of e-money

Distinction between payments  
and deposits

Applying AML/CFT/KYC  
regulations for account  
opening/cash transactions

**Supervision of Central Bank**



Bangladesh Bank (BB) issued draft Bangladesh Payment and Settlement System Regulation 2009

- Recognizes E-Money, EFT and Mobile Payments

Bangladesh Bank will have the authority to grant licenses for -

- Payment system operators (PSO) and
- Payment service providers (PSPs)

- KYC handled by H2H connectivity between bank and non-bank

- AML regulated under 'Money laundering prevention act 2002'

- Maximum limit of transaction BDT 10,000

- Any entity authorized by BB can issue e-money

Three banks got approval for 'Digital Money Electronic Prepaid Card System' in Sept'09

## 'Mobile Banking transactions in India - Operative Guidelines for Banks' issued by Reserve Bank of India



Only banks will be permitted to offer m-banking services

Only customers of banks and holders of debit/credit cards issued will avail m-banking services

- KYC through registration of bank document
- AML/CFT Regulated under the 'Prevention of Money Laundering Act 2002'

- Use of mobile banking services for cross border transfers is strictly prohibited
- Per transaction limit INR 2,500, Overall cap of INR. 5,000 per day, per customer



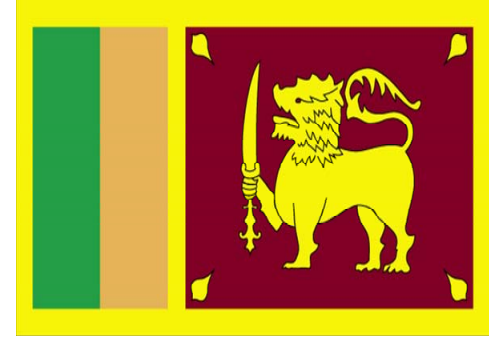
- State bank of Pakistan (SBP) issued policy paper on Mobile Banking
  - Discusses Bank-focused, Bank-led, non-bank-led model
- Draft Electronic Fund Transfer and Payment System Act

- KYC through National ID
  - An approved authority to issue e-money
  - A customer can do a maximum of 3 transactions per month.
- The monthly limit for sending or receiving is PKR10,000
- The Electronic Crime Bill (2006) protects consumers from e-crimes

SBP roadmap recommends bank-based model with the scope of introducing non-bank-based model at later stage.

Easy Paisa introduced in October'09





## CBSL

(Central Bank of Sri Lanka)

has all the necessary  
legal powers to regulate  
the mobile payments

Under the  
Payment and Settlement  
Systems Act 2005

- Allows m-banking under the broad framework of the 'money, payment, clearing and settlement service provider's regulations no. 1 of 2007

- The framework for mobile payments is expected to be finalized in 2009

- A non-bank is required to register at CBSL as Specialized Stored Value Card Institution, if Stored Value Card to be issued



## ‘Money, Payment, Clearing and Settlement Service Providers Regulations No.1 of 2007’

Banking law and regulations do not set clear standards regarding the ability to use agents to perform banking function

- Non-banks are permitted to perform various payment functions virtually unregulated
- M-PESA is expected to report its activities on a regular basis to the regulator

## Central Bank issues “Direction on Service Providers of Card Based Payment Instruments” under Regulations No. 01 of 2007

- AML through AML bill 2007 &
- Transactions of M-PESA is capped

# M-PESA Audit Results Released by Kenyan Treasury

On January 25th, 2009 the Kenyan Treasury published the results of the audit of the M-PESA money transfer service undertaken by the Central Bank of Kenya at the end of 2008.

The note released in the national press articulates three important points:

- (i) it concludes that M-PESA is safe and reliable to use,
- (ii) it clarifies the nature of the regulatory framework under which M-PESA operates;
- (iii) it highlights the contribution of M-PESA in the national payment system



## General Banking Law 2000

- Ensuring KYC with valid ID cards
  - For AML/CFT comply with the AML Act
  - Giving BSP access to records
  - Allowing to open accounts via agents if they are certified as remittance agents by AMLC
- Central bank supervise the operations on annual basis

## “E-Commerce Act 2000”

- Validity of electronic transactions and electronic signatures
- Basis for the prosecution of electronic crime,
- Security to private sector actors concerned about repudiation of transactions
- Legal standing of electronic records

# Non-bank based Model



**SARB**  
**(South Africa Reserve Bank)**  
issued two documents  
impacting m-banking-

1. Position Paper on Electronic Money which stated that only banks will be permitted to issue electronic money
2. Bank Circular 619 allowing banks to open mobile phone-operated bank accounts (within certain transaction and balance limits)

**AML regulation for mobile money in South Africa has been chosen as 'industry's favorite regulatory solution'**

- o KYC compliance with valid South African ID card
- o AML/ CFT through the Financial Intelligence Center Act (FICA)
- o Only banks can issue e-money

# Customer experience with different m-banking models

## Key factors :Affordability & convenience

<i>Deployment</i>	<i>M-PESA</i>	<i>MTN Banking</i>	<i>G cash</i>
<i>Launch date</i>	2007	2005	2005
<i>M-banking model</i>	Non-bank based	Bank based	Non-bank based
<i>Some key figures</i>	<ul style="list-style-type: none"> <li>- 6.3 million customers</li> <li>- 9000 agents</li> <li>-US\$170 million P2P transaction (Feb, 2009)</li> </ul>	Not reported as yet	<ul style="list-style-type: none"> <li>- 1.2 million registered users</li> <li>- Transaction volume of about USD108 million a month(avg)</li> </ul>
<i>Customer<sup>27</sup> experience</i>	<ul style="list-style-type: none"> <li>- Cheaper (96%)</li> <li>- Faster (98%)</li> <li>- Convenient (97%)</li> <li>- Safer (98%) than alternatives</li> <li>- 4 out of 5 say not having it would have a "large negative impact" on their lives</li> <li>- It is the main means of sending money for 50% of Kenyans</li> </ul>	<ul style="list-style-type: none"> <li>- Charges are among the highest</li> <li>- Fees ranged about 4 to 7 times greater than what would be affordable.</li> <li>- The service basket is not meeting the threshold for affordability.</li> </ul>	One of the most affordable among the m-banking products
<i>Impact on the life of unbanked</i>	Medium/High	Low	Medium/High

Non-bank based Model has been more popular

# Conclusion

Proportionate regulatory approach ensures certainty, openness and affordability

- Regulatory approach with flexibility helps
- Regulators may start with existing / modified version of law
- Make changes in law on an 'as and when' required basis/ rapidly to keep the pace with developments
- Monitor continuously

- Developing countries can harmonize with DFID announced program FAST, which will provide support to-
- Govt of the most populous market i.e. SA & Africa to introduce m-banking
  - Research studies on how to use technology for helping the poor to access financial services
  - Develop industry standards for new area of regulation

**Thank You**