



Mobile Money for the Unbanked

Financial Services for Rural Areas Mobile Money Business Models

Maputo 28 – 29 October 2014

- Trade Associations such as the GSMA involve meetings between competitors
- Anti-trust law prohibits all agreements (written, verbal, or implicit) between competitors which may negatively impact the market or consumers, *e.g.*
 - Price agreements (disclosing tariffs or discount policies)
 - Market sharing (agreeing to stay out of, or withdraw from, certain markets)
 - Exchanging sensitive information (normally considered a business secret)!

For more examples: see GSMA antitrust compliance policy
- Any suspicion of cartel behaviour would:
 - negatively impact market and consumer confidence, damaging our business
 - may result in significant fines or gaol

FCC AWS-3 Anti-collusion Rules



- All participants are reminded that the FCC's anti-collusion rules are in effect for the AWS-3 auction.
- To ensure full compliance with these rules, participants must avoid any statements or discussions relating to the auction or to any auction applicant's bids or bidding strategies in the auction, or any discussion which could affect any company's bids or bidding strategy.
- For additional guidance, please consult your own counsel.



Mobile Money for the Unbanked

- There are an estimated 2.5 billion people in low-and middle-income countries who are unbanked
- These financially excluded are forced to rely on informal financial services which are often unreliable, insecure and expensive

Access to formal financial services and somewhere safe to save greatly improves the lives of the poor by:

- Increasing their ability to manage day-to-day risk
- Alleviating the effects of financial shocks
- Enabling further investment into livelihood

Serving the Unbanked



Mobile Money
for the Unbanked

Mobile banking: extension of banking services delivery through a mobile phone.

Characteristics:

- Typically additive (additional to other access channels)
- Deposit-taking/banking principles apply
- Provided by traditional banks

Mobile Money: the use of mobile telecommunications technologies and non-bank retail channels to extend the delivery of money transfer and payments services.

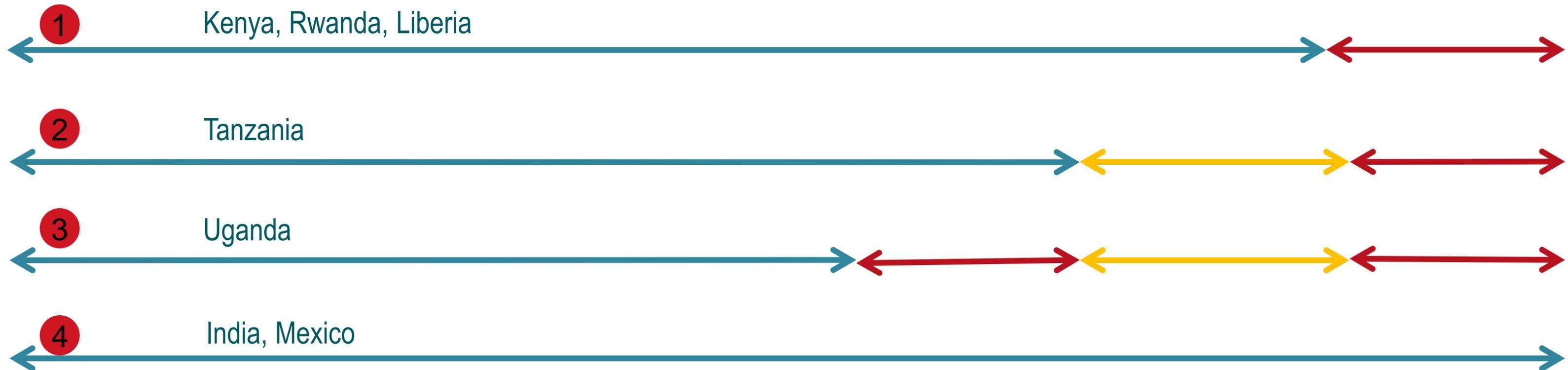
Characteristics:

- Typically transformative and technology driven
- Payments principles apply (storage of value not deposit-taking)
- Provided by banks and non-banks

Mobile Money Regulatory models



Mobile Money
for the Unbanked



Agent Banking vs MM Agents



Mobile Money
for the Unbanked

Banking Agent: extension of banking services delivery through agents.

- Similar to branch banking – each agent authorised
- Banking outlets (deposits, withdrawals, cheque book collection, etc.)
- Accepts deposits on behalf of bank

Mobile Money Agents: use of non-bank retail channels

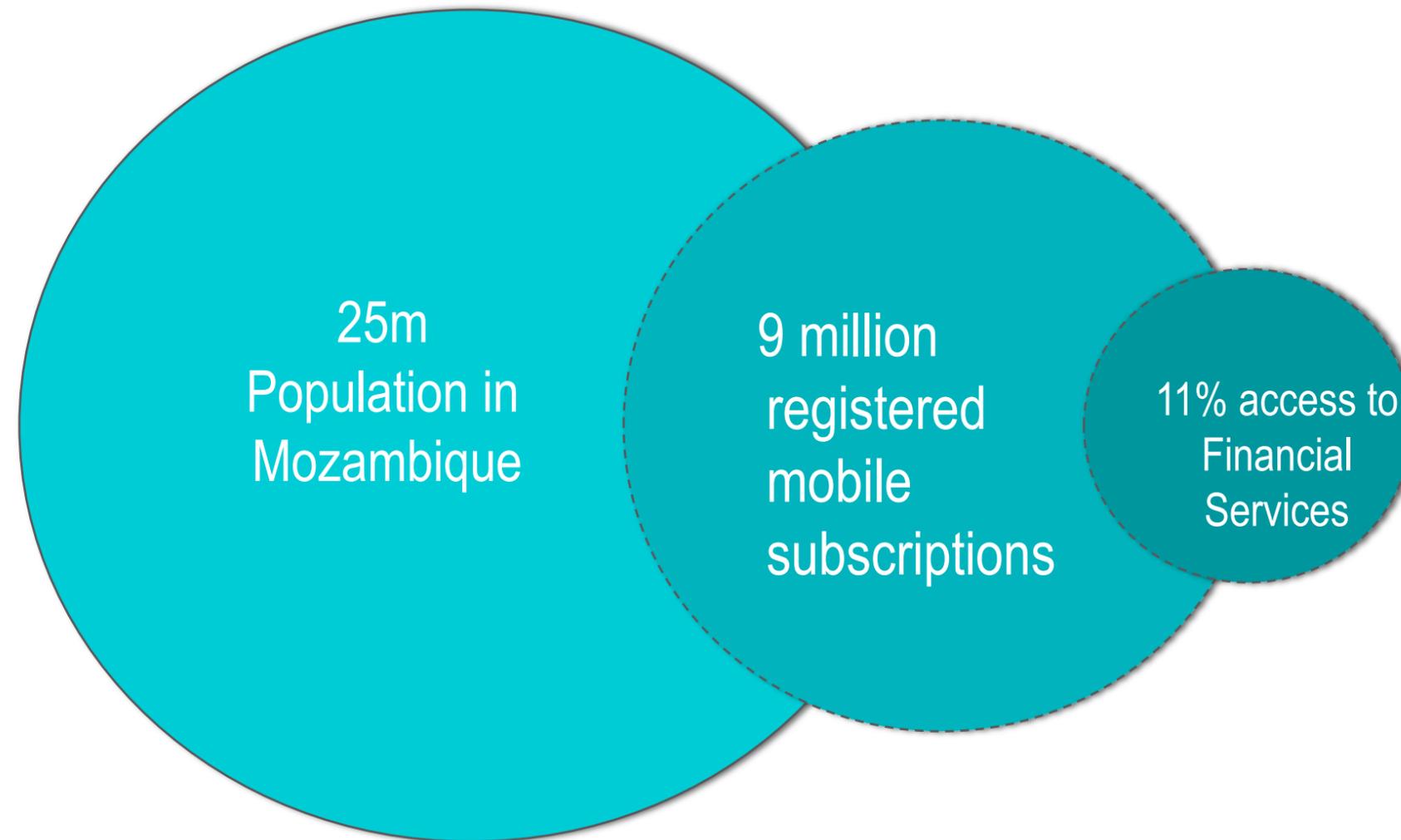
- Cash in/cash-out points & new customer registration agents
- Agent networks under master agents
- Cash merchants – independent contractors for cash services
- Trades cash for 'float' or e-money (does not accept deposits)

The Opportunity



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The opportunity for mobile money in Mozambique is huge

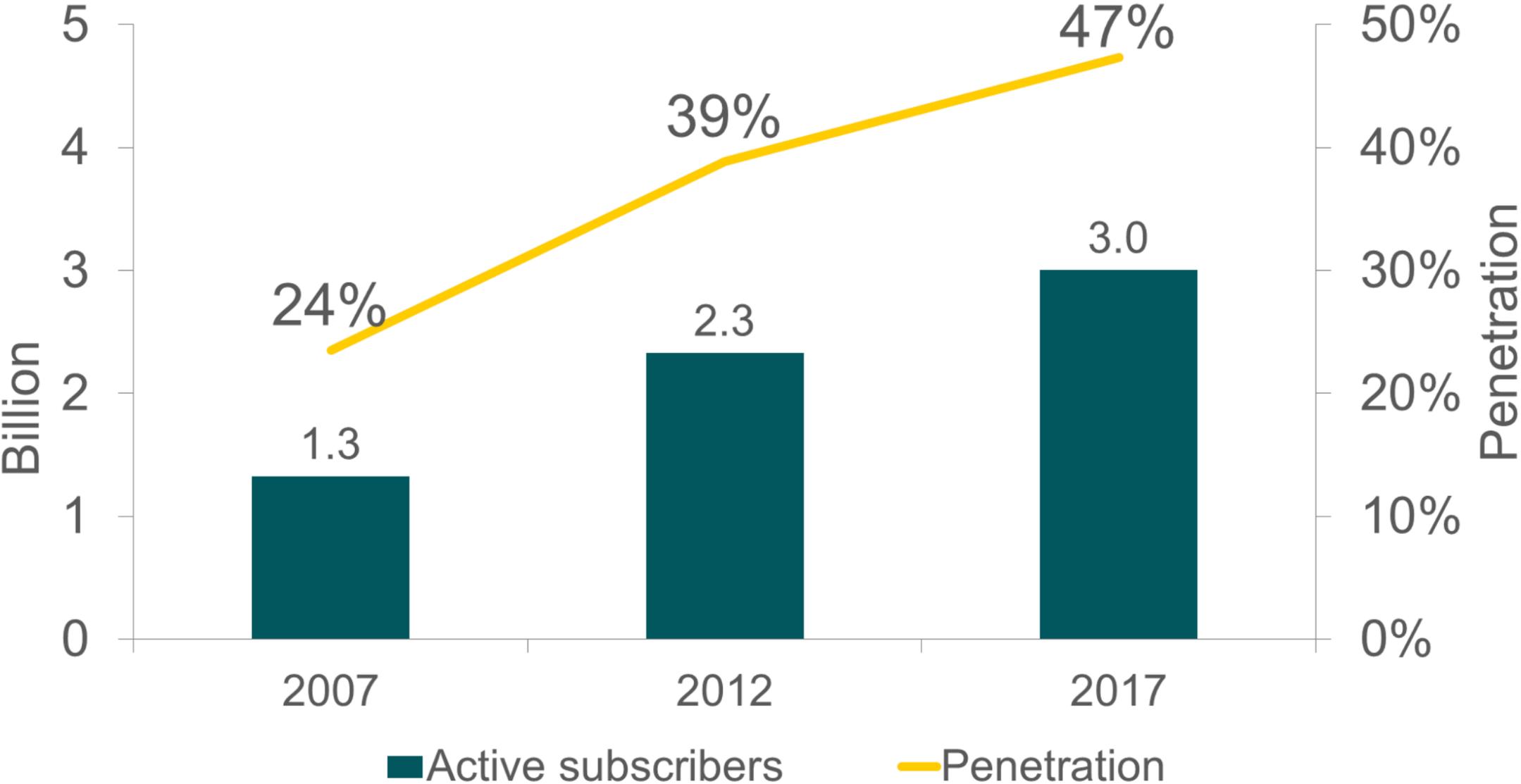


The case for mobile money

Opportunity size



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Of the **2.5** billion people in the world who still lack access to the financial system, **1.7** billion already have a mobile phone

CGAP, GSMA and McKinsey & Company, "Mobile Money Market Sizing Study" (2010)

Mobile in emerging markets and developing countries

GSMA Intelligence

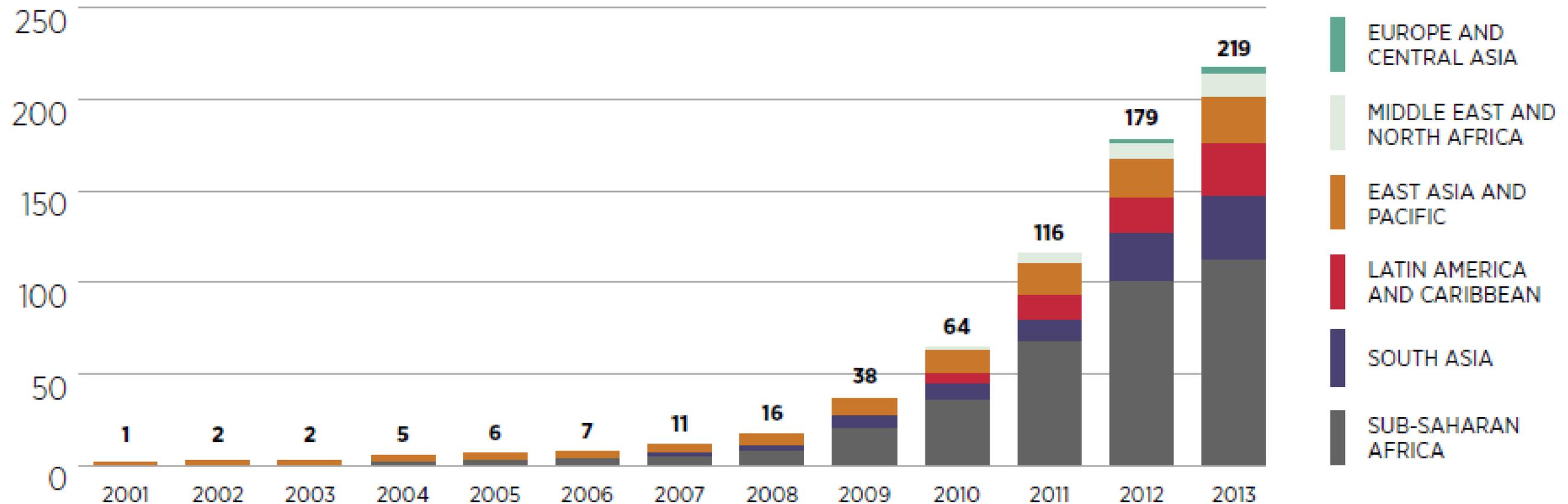


Mobile money is expanding to more regions. Growth in new launches slowing down



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219 mobile money services in **84** countries

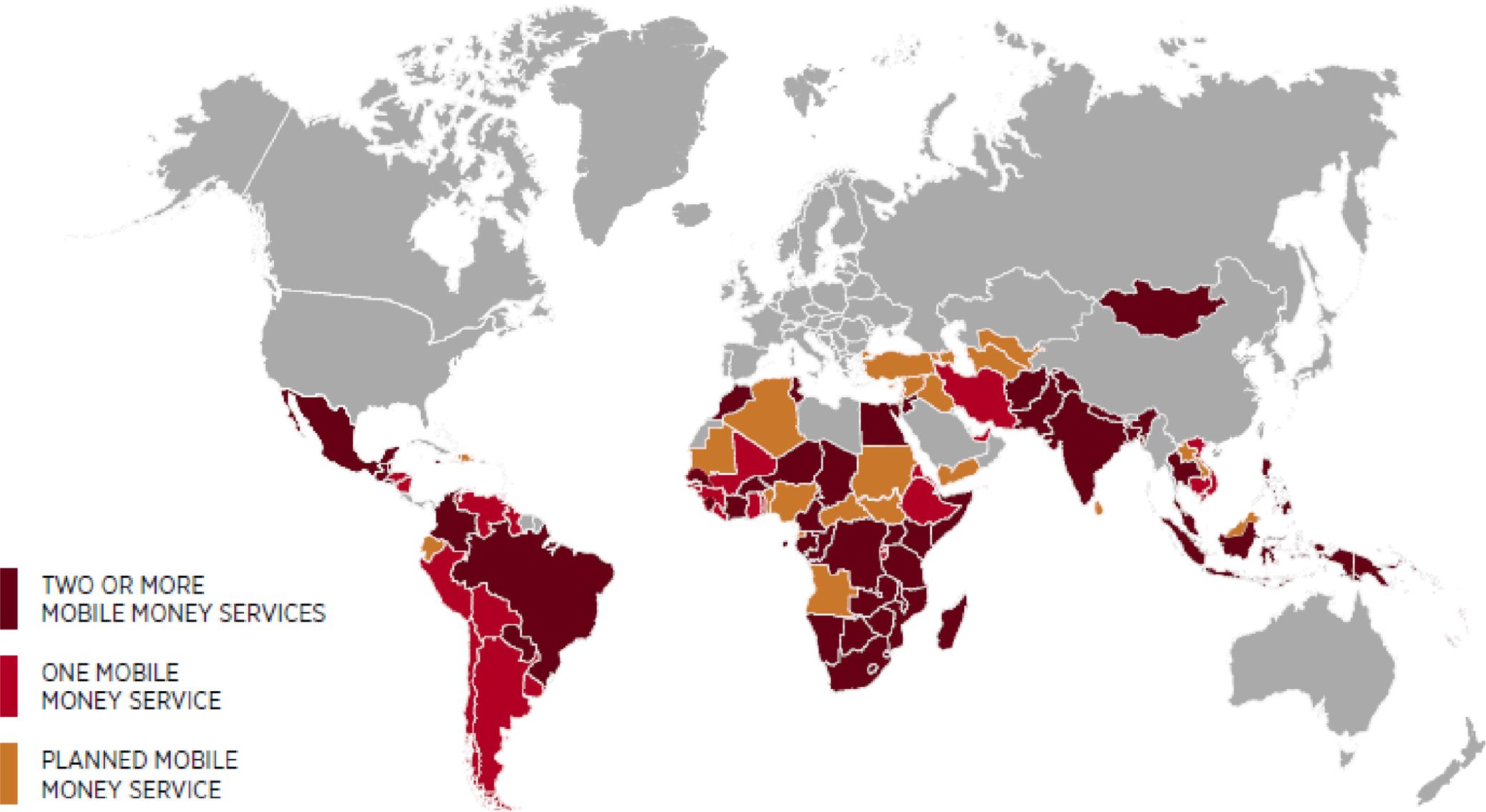


Number of live mobile money services for the unbanked by region (year end)

Competition is increasing, highlighting the opportunity for interoperability



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52 markets have at least 2 mobile money services

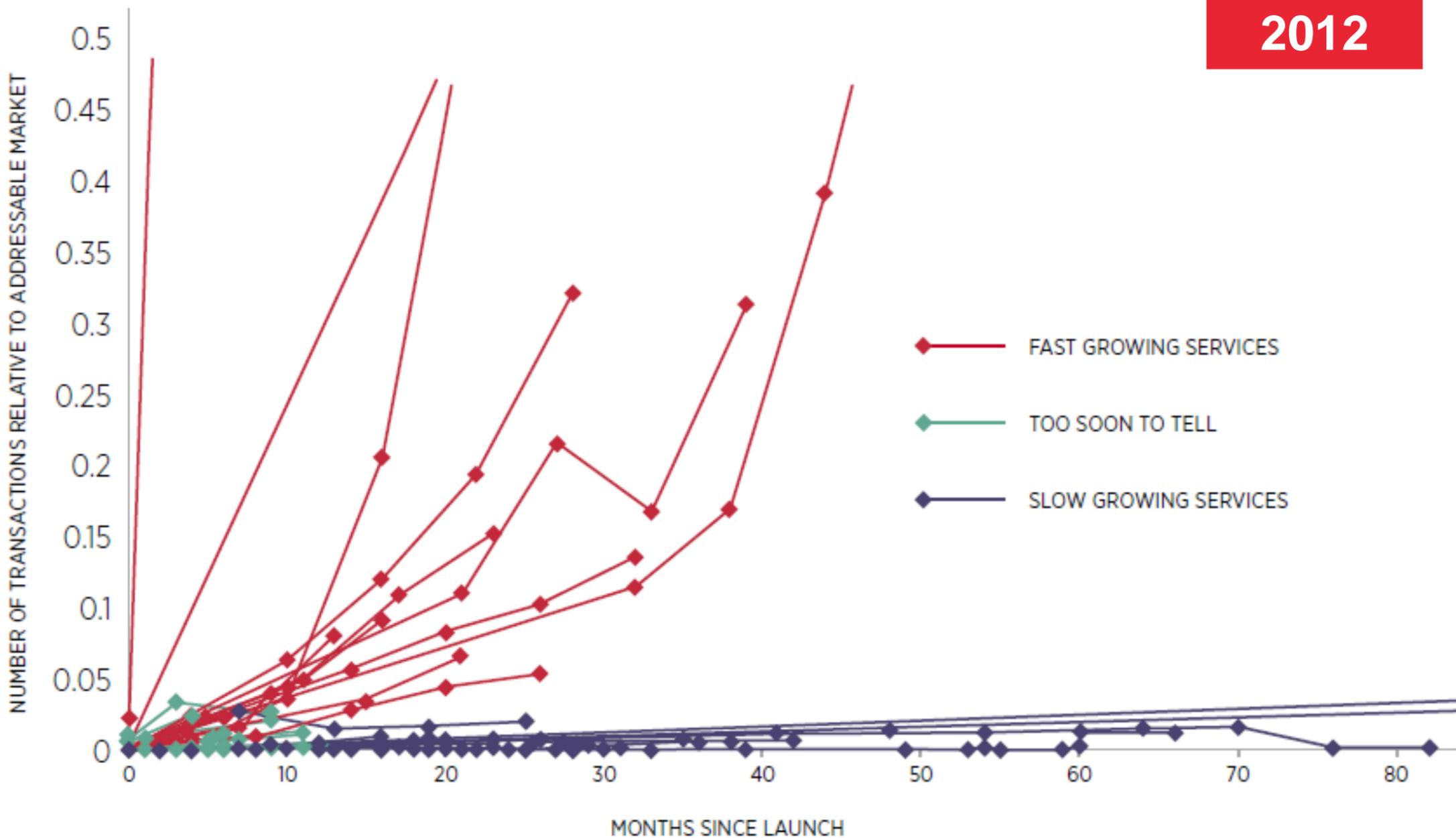
Number of mobile money services by country (Dec. 2013)

- TWO OR MORE MOBILE MONEY SERVICES
- ONE MOBILE MONEY SERVICE
- PLANNED MOBILE MONEY SERVICE

In 2012, mobile money was a two-tier landscape



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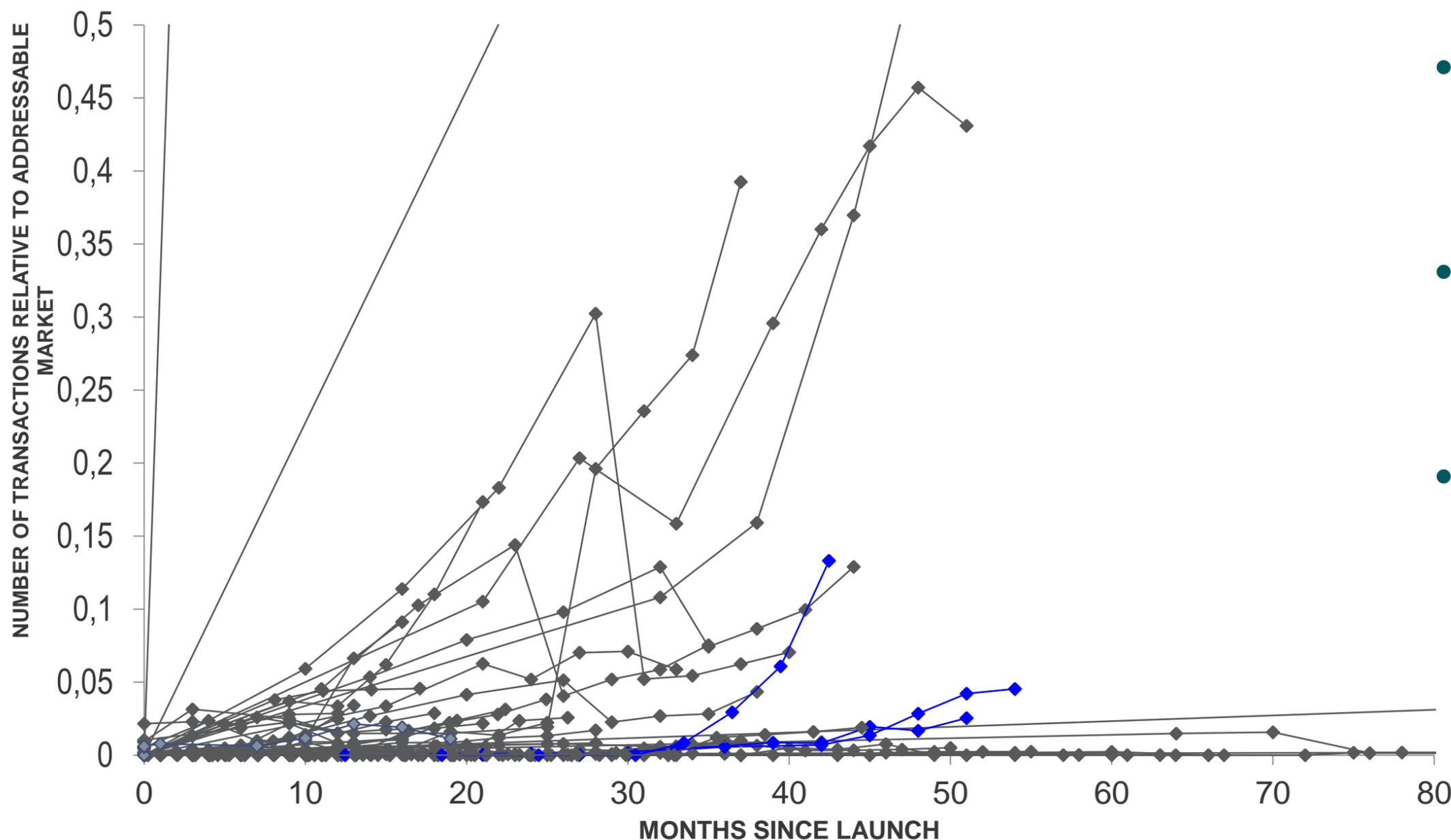
- Some services grew quickly since launch while others struggled to get traction
- Of the 14 “sprinters” 12 were MNOs and 1 was a bank operated by an MNO

Mobile money landscape (June 2012)

In 2013, more services finding their way towards sustainable growth



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Mobile money landscape (June 2013)

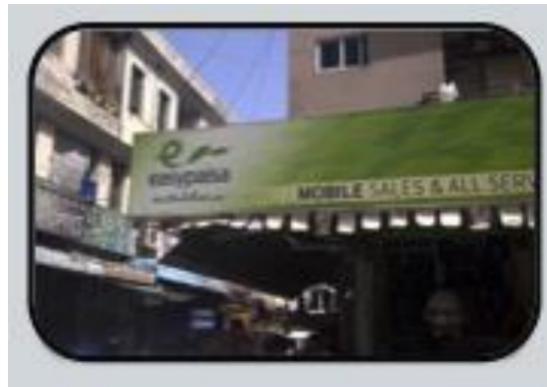
- More fast-growing services in 2013 than in 2012
- New group of services growing at a medium pace
- Some slow-growing services starting to grow fast

The role of Mobile Network Operators (MNOs)



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Mobile network operators (MNOs) have a significant advantage over any other player in the mobile money space because they possess key assets



Distribution Channel

Mobile Money users can cash in and cash out at a network of independent agents, leveraging existing airtime distribution channels



Proprietors of the Mobile Channel

MNOs can put mobile money applications directly onto the customers' SIM card, or use their USSD channel, to enable customers to securely send money, pay bills, save etc.



Trusted Brands

The prevalence of mobile communications even in the most rural areas has meant that mobile operators possess brands that customers are familiar with and trust - a huge asset for the introduction of financial services



Investment Incentive

MNOs have the right incentives to invest in mobile money because of potential churn reduction and savings in air-time distribution

Findings from MMU 2013 Mobile Money Adoption Survey



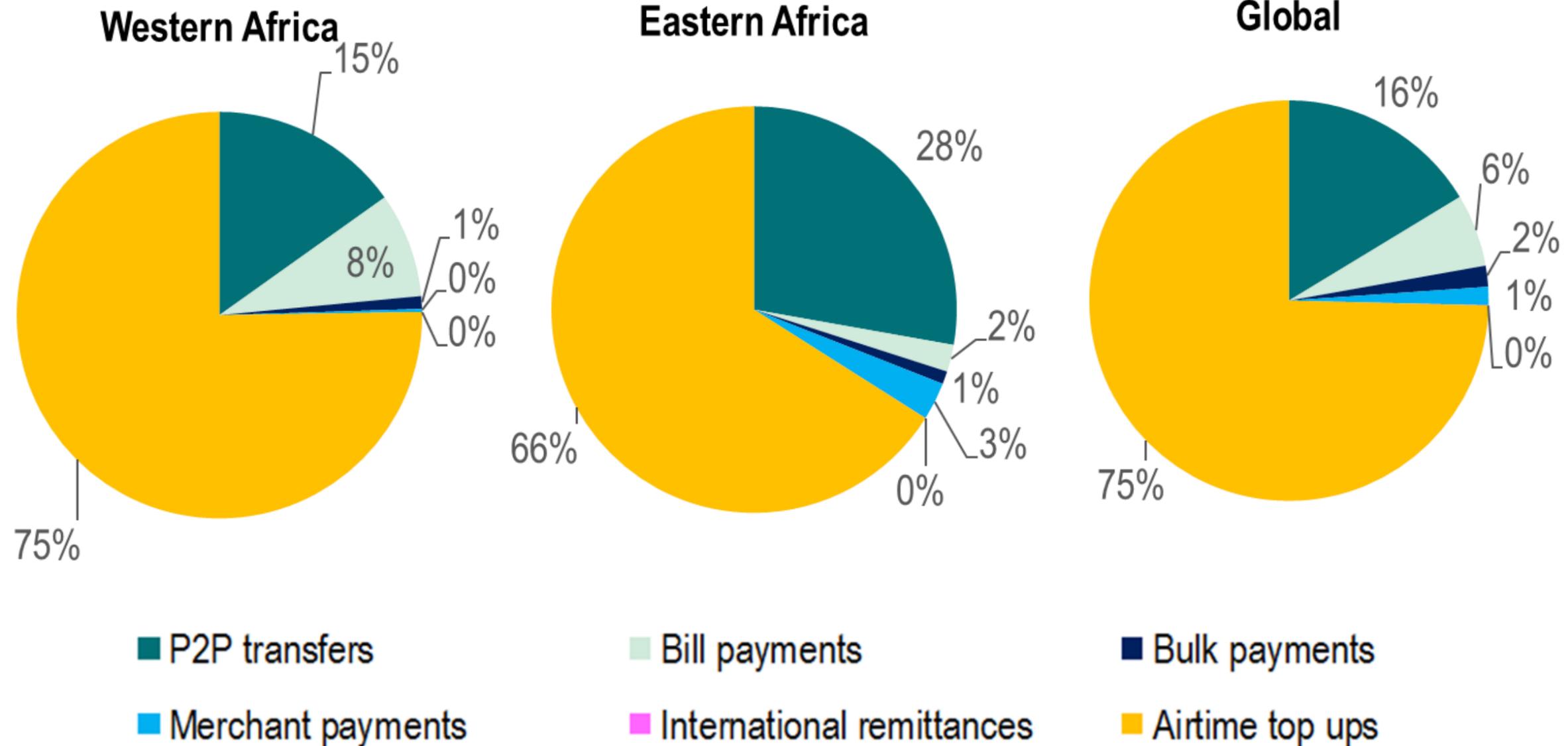
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- Two tier landscape story is changing
 - More fast-growing services in 2013 than in 2012
 - New group of services growing at a medium pace
 - Some slow-growing services starting to grow fast
 - MNOs still leading industry growth
- **9** mobile money services have passed the bar of **1m** active users
- Mobile money is extending access to financial services
 - Density of mobile money agent outlets **6x** higher than density of bank branches
 - **43** countries with more mobile money outlets than bank branches
 - **9** markets with more mobile money accounts than bank accounts
- While P2P transfers, bill payments and airtime top ups continue to dominate the product mix, bulk payments are gaining traction
- Companies are beginning to drive growth i.e. transactions involving external companies are growing much faster than airtime top-up and on-net P2P transfers
- Three quarters of survey participants say they are planning to increase their investments in mobile money next year

Product mix by volume



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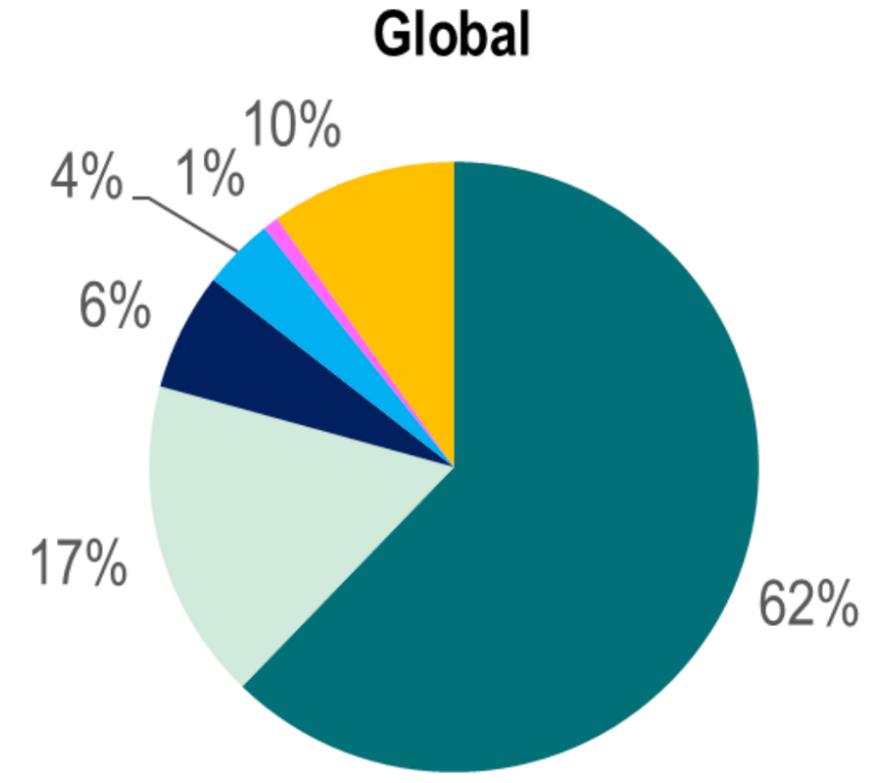
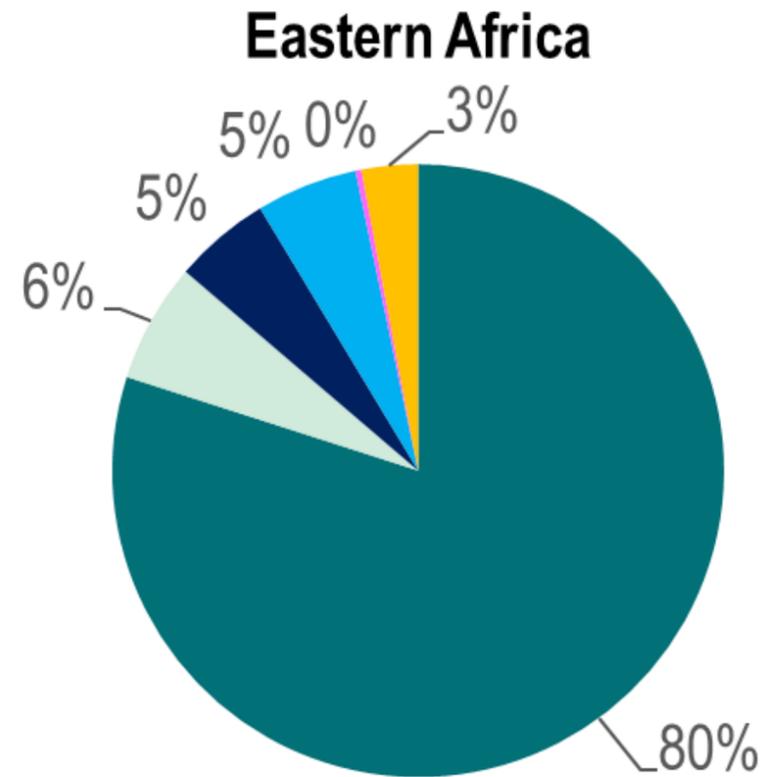
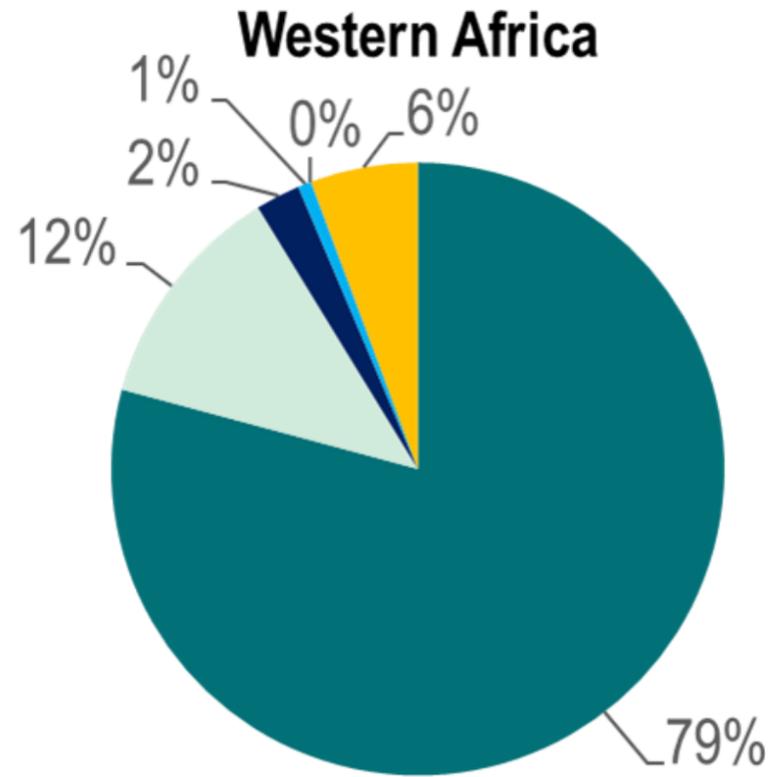


Airtime top ups are by far the most common transaction globally & regionally in terms of volume

Product mix by value



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- P2P transfers
- Merchant payments

- Bill payments
- International remittances

- Bulk payments
- Airtime top ups

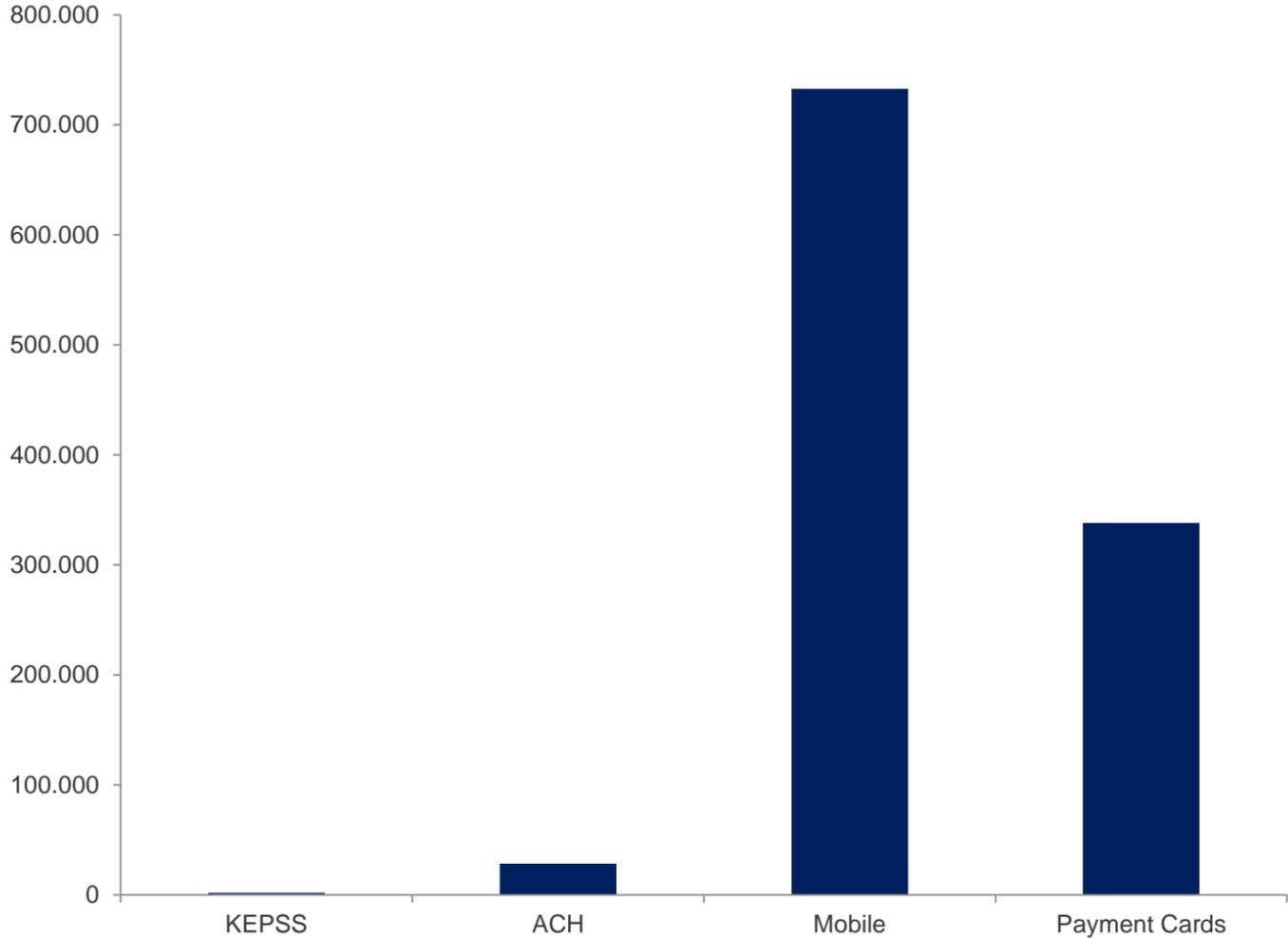
Globally and even more so regionally, most of the value transacted comes from P2P transfers

Are mobile money issuers systemically important?

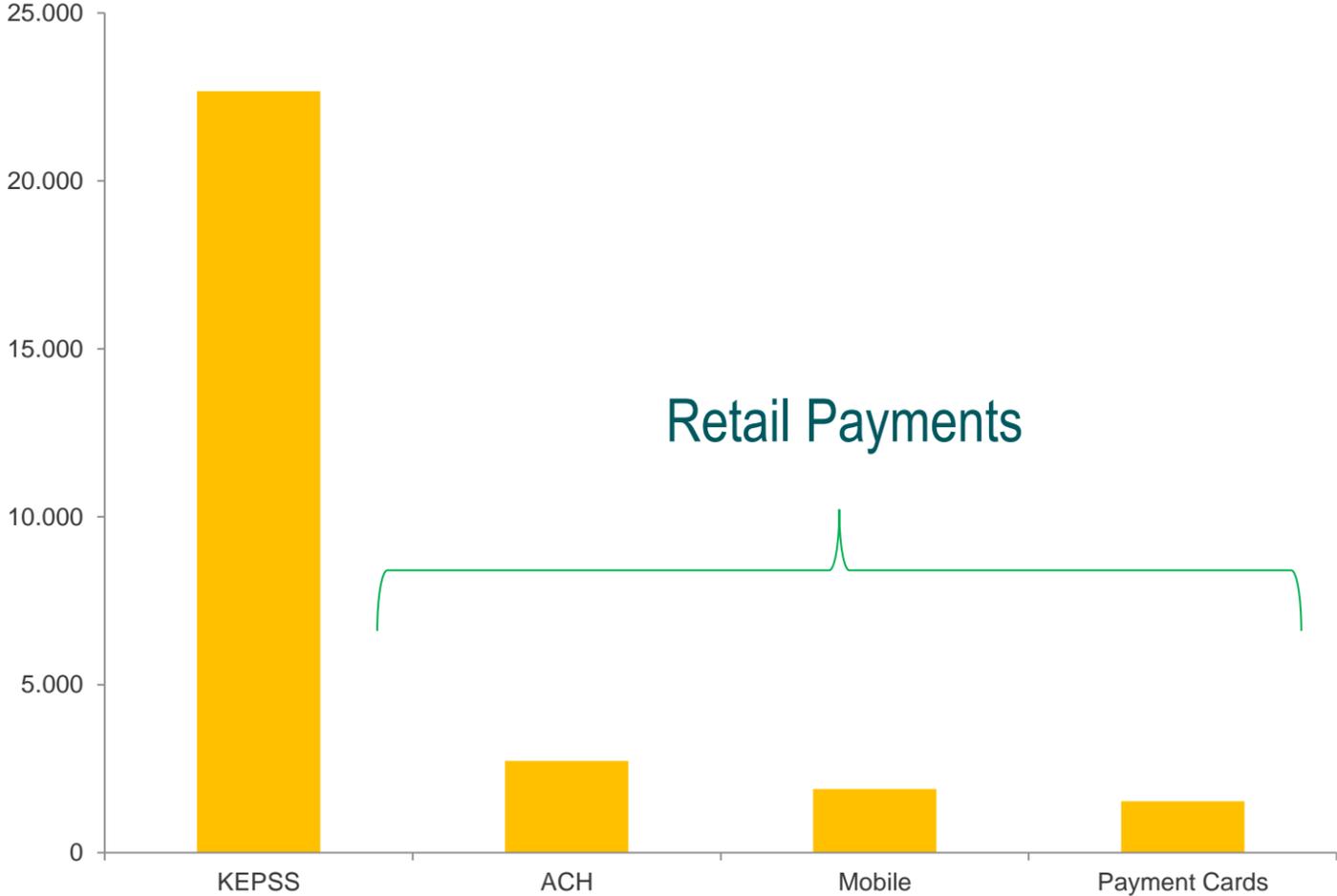


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Volume



Kenya NPS Stats



Key Regulatory Principles: open and level playing field



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- Regulations that allow for a diversity of payment methods and broadness of scope for funds transfer and storage.
- Both banks and non-bank providers allowed to offer mobile money services – particularly MNOs, which are well suited to building sustainable services and extending the reach of the formal financial sector rapidly and soundly.

Key Regulatory Principles: store of value & safeguarding of funds



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- To safeguard funds entering the system, providers are required to ring-fence the accounts placed with a custodian
- Custodian usually a trustee
- Mitigates the liquidity risks posed by licensed non-bank mobile money providers and allow them meet customer demand to cash out electronic value

Key Regulatory Principles: customer due diligence (CDD)*



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- Proportional AML/CFT regimes and simplified risk-based customer due diligence (CDD) requirements are crucial for customer adoption of mobile money.
- Regulations should allow agents to register customers and remote account opening leveraging SIM registration records.
- Activated without delay

Key Regulatory Principles: distribution and outsourcing



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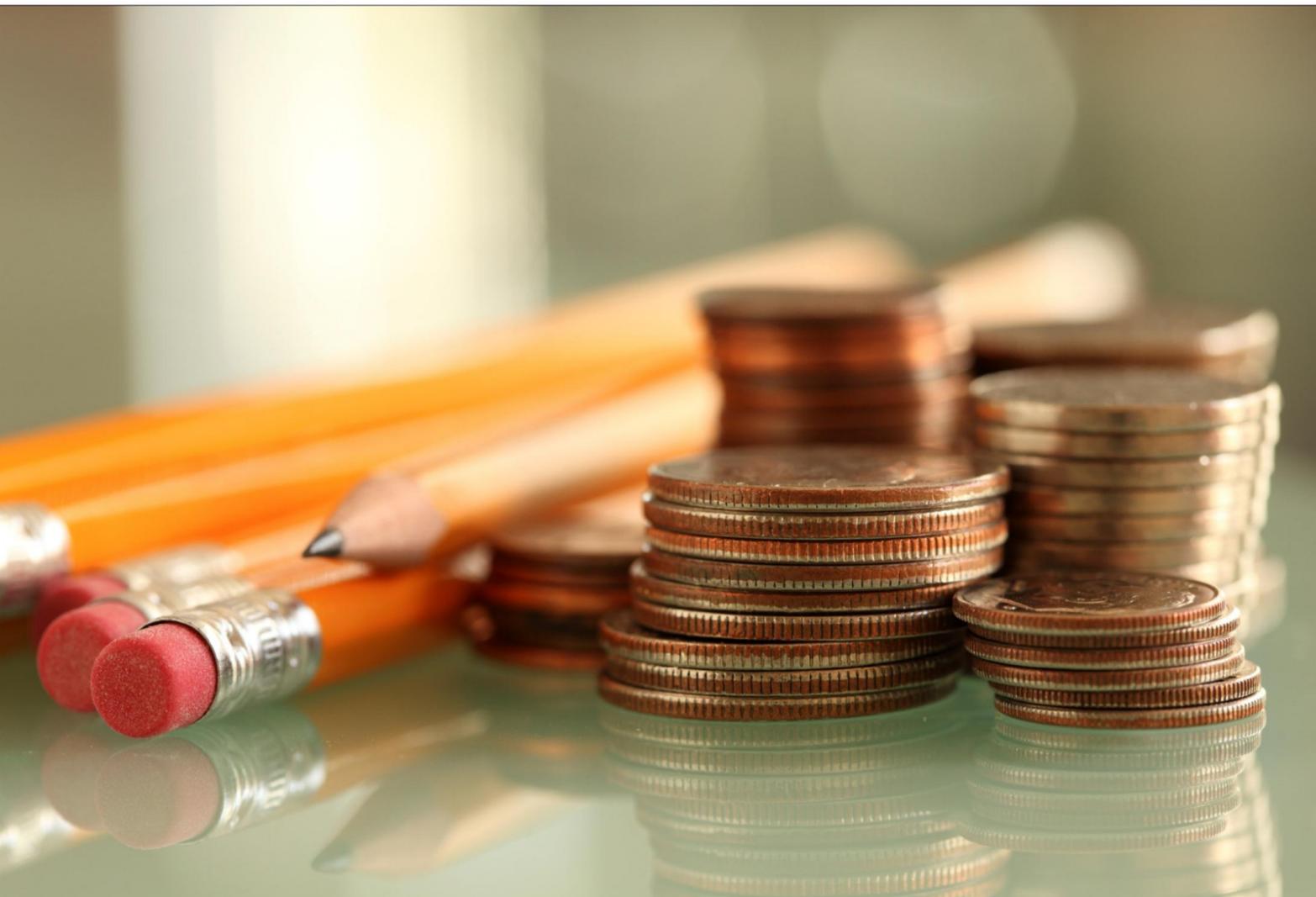


- Regulations should allow outsourcing of customer registration, cash services, etc.
- Outsourcing lowers the cost of financial services, expands their reach, and thereby increase financial inclusion.
- Building an efficient mobile money distribution network depends on proportional and cost-effective regulations
- Operators ultimately responsible for Agent actions

Key Regulatory Principles: consumer protection



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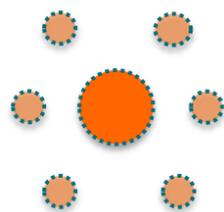
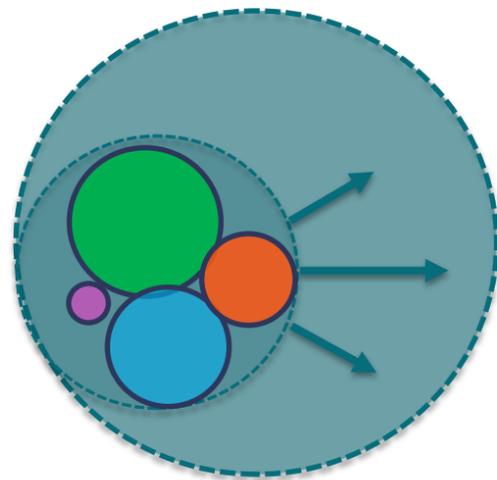


- Mobile money strikes a balance between creating innovative forms of financial access and offering an acceptable level of consumer protection.
- Tailored guidance from the regulator can help mobile money providers to improve transparency in their relationships with customers and prevent third party fraud.

Key Regulatory Principles: Interoperability



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- Systems should be capable of “exchanging value”
- Service providers and policymakers should work together to understand different models, including the benefits, costs, and risks
- Policymakers should allow market-led solutions, that are viable and ensure value addition to the customer

GSMA Mobile Money for the Unbanked Programme



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Supports GSMA members with the following focus areas:

- **SCALE** - Identify and implement best practices to scale mobile money deployments that sustainably serve poor and unbanked clients
- **EXTENDING THE DIGITAL ECOSYSTEM** - Understand and promote mechanisms for harnessing economies of scale across multiple mobile money providers
- **REGULATION** - Equip mobile operators and policy makers to address the regulatory barriers that prevent the mobile money industry from launching new services, scaling, and serving low-income customers
- **MARKET INTELLIGENCE** – Provide the mobile industry with data, tools and insights to better understand the performance of mobile money, both globally and locally

Best practice resources: MMU publications, toolkits, training, events, research papers



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STATE OF THE INDUSTRY 2013
MOBILE FINANCIAL SERVICES FOR THE UNBANKED
CLAIRE PÉNICAUD & ARUNJAY KATAKAM

Mobile Money: Enabling regulatory solutions
Simone di Castro February 2013

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consult hyperion
A2A INTEROPERABILITY
Making Mobile Money Schemes Interoperate
DICK CLARK, CONSULT HYPERION
GUNNAR CAMNER, GSMA
FEBRUARY 2014

The Kenyan Journey to Digital Financial Inclusion
23,018,500 mobile money users
74% of the adult population

29.3 US\$ average value per transaction
31% usage of mobile money services
1.2% penetration of mobile money services
142bn KSh/month value of mobile money transactions
56m transactions in April 2013
23m customers in April 2013
96,319 agents in April 2013



Best practice resources

- Build, manage and incentive agent networks
- Drive customer usage
- Build effective bank-MNO partnerships
- Regulatory practices
- Blog
- Toolkits – profitability, customer research, operational dashboard
- Events – Working groups, focus sessions



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Brian Muthiora

www.gsma.com/mmu

mmu@gsma.com

Twitter: [gsmammu](https://twitter.com/gsmammu)