



Self Assessment Risk Management Executive Overview

Audience



Mobile Money
for the Unbanked

This slide deck is aimed at the following audience:

- Senior management (C-level) responsible for Mobile Money within a telecoms operator
- Business heads responsible for functions supporting Mobile Money

It will provide an introduction to risk management, the responsibilities of senior management in its success, and to the role of the Mobile Money toolkit.

Contents



Mobile Money
for the Unbanked

1. Overview of mobile money risk management:

- Why prioritize risk management?
- Considerations and stakeholders in mobile money
- Key activities and key risk categories
- Processes for operationalizing risk management
- Resources required
- Reports and key risk indicators (KRIs)

2. Introduction to the Mobile Money Risk Toolkit

- Objective and scope of toolkit
- Overview of risk toolkit and its use in risk management
- How to use and evaluate reports

1. Overview of mobile money risk management:

- Why prioritize risk management?
- Considerations and stakeholders in mobile money
- Key activities and key risk categories
- Processes for operationalizing risk management
- Resources required
- Reports and key risk indicators (KRIs)

2. Introduction to the Mobile Money Risk Toolkit

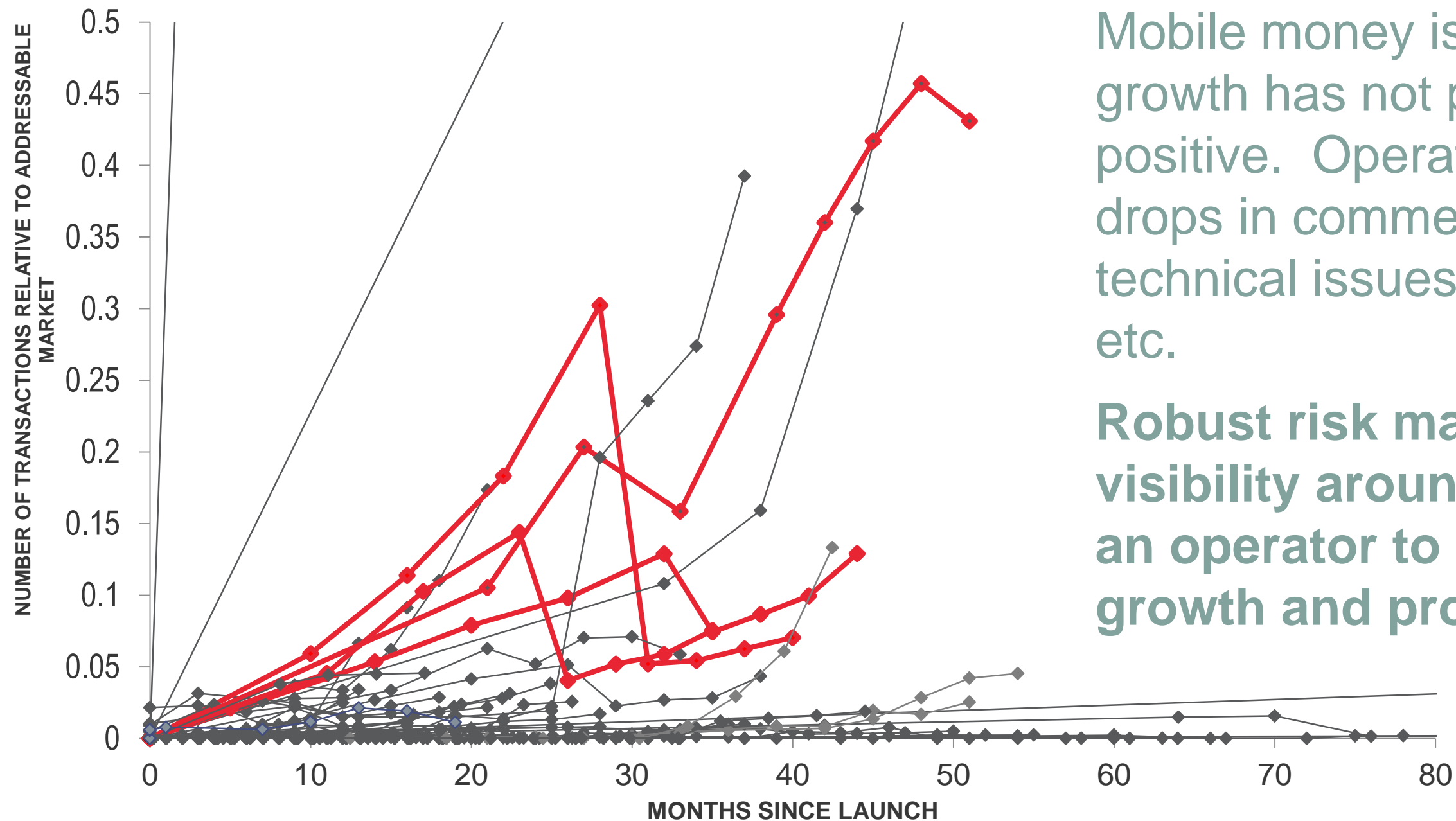
- Objective and scope of toolkit
- Overview of risk toolkit and its use in risk management
- How to use and evaluate reports

Risk Management

Why prioritize risk management?



Mobile Money
for the Unbanked



Mobile money is a complex industry and growth has not proven to be perpetually positive. Operators have experienced drops in commercial activity due to technical issues, fraud, lack of capacity, etc.

Robust risk management creates visibility around these risks, allowing an operator to proactively manage growth and protect revenue.

Mobile money landscape (June 2013)

Risk Management

Considerations and stakeholders in mobile money



Mobile Money
for the Unbanked

GSMA versus Mobile Money

- Mobile money is newer and more complex requiring greater C-level attention and investment to drive growth and balance risk
- Increased requirements for compliance with banking regulators
- Greater risk of revenue loss dealing in money versus airtime. If risk results in revenue loss, it is loss of at least the monetary value involved not just the marginal cost of the service.

Operators: Employee fraud, failure of agents, fake agents, non-compliance, redenomination.	Agents: Counterfeit transactions, threat/security concerns, access to liquidity and float.
Customers: Identity theft, disputed transactions, incorrect payments, failure of service, loss of funds to due fraudsters.	Trust banks: Funding concentration risk and reputational risk.

Key risks in mobile money by stakeholder

Risk Management

Key activities and risk categories



Mobile Money
for the Unbanked

Key activities:

- Identify and quantify risks (likelihood / impact) to the Mobile Money business;
- Identify current controls and their effectiveness;
- Report on biggest risks so that action can be taken to minimise their severity.

Key risk categories:

- Fraud
- Money laundering / terrorist financing
- Non-compliance
- Operational
- Social engineering / identity theft

“If you think risk management is expensive, try an accident.”

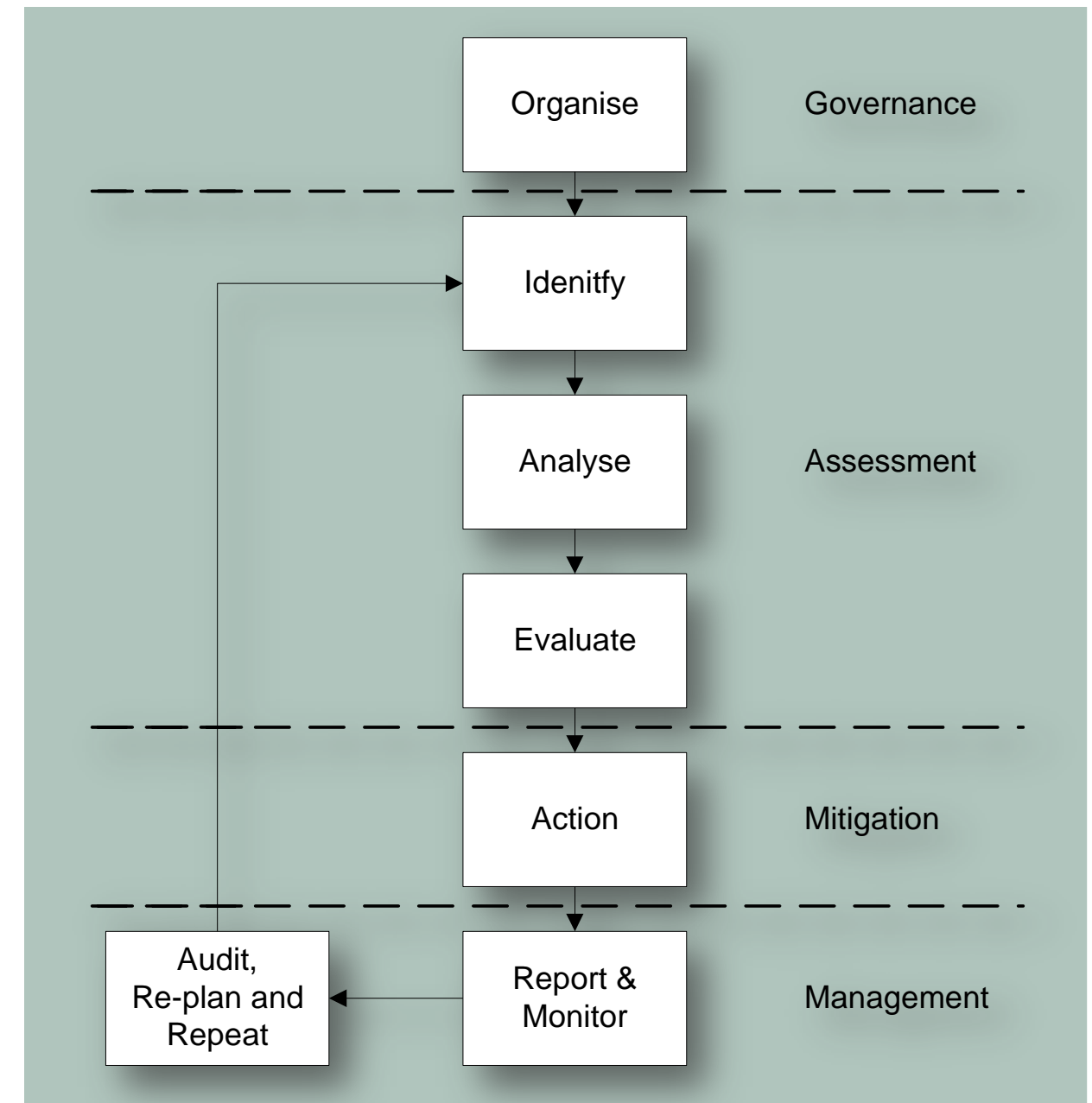
– Stelios Haji-Ioannou
(founder of EasyJet)

Risk Management Processes



Mobile Money
for the Unbanked

- A robust process of risk management is required to manage risk.
- Strong governance and senior leadership is key.
- Risk Manager should enforce the process (see diagram), with senior C-level sponsorship.
- Full audit is recommended annually.
- Individual risks with specific actions will be identified and should be monitored to ensure actions are completed.



Risk Management

Roles & resources required



Mobile Money
for the Unbanked

Sponsor:

- Sponsor should be senior management (C-level).
- Ensures that risk management will be seen as an important priority.

Process owner:

- Risk Manager is responsible for end-to-end risk management process.
- Must be senior enough to enforce process ahead of competing priorities.

Functional managers:

- Responsible for identifying risks, controls and assurance documentation in their functional areas (e.g. operations, IT, finance).
- Must assign resources as Risk Owners and Control Owners and prioritize the risk management process.
- Must ensure the identified risk mitigation actions are carried out.

Risk Management

Reports and Key Risk Indicators



Mobile Money
for the Unbanked

- All heads (Sponsor, Risk Manager and Functional Heads) should review risk reports regularly to understand the risks and planned mitigations.
- Toolkit contains prepared reports on key risks and outstanding mitigation actions.
- Additional reporting on Key Risk Indicators (KRIs) is recommended for early identification of materialised risks. This is outside scope of Toolkit. Examples:
 - Number of fraud complaints by customers, by type of fraud
 - Number of matches found by watchlist screening system, by region of country.
 - Number of fraud occurrences, by type.

Microsoft Excel - PRJ1420 Risk Management Toolkit v0.2b DRAFT 20140131

SELF ASSESSMENT RISK MANAGEMENT TOOLKIT

By default, this sheet lists the risks identified as having actions outstanding.
To generate the report, hit the 'Report' button to the right.
The report uses the 'Advanced Filter' function. If this is not available, a report will not be generated.
Result range must start at B12 and there must not be blank column headings. The report is sorted on the first three columns.

Generate Report

Mobile Money for the Unbanked

Run on: 31 Jan 2014 04:36 pm

Business Owner of Risk	Last Review	ID	Risk	Severity	Actions for improvement	Action	Actions for improvement
		C-17	Merchant customers are unable to easily convert mobile money into cash, limiting their flexibility to run their business / store. Impact • Lack of service for the merchant customer. • Merchant uptake of mobile money is restricted.	High		Treat	
		O-22	Mobile Money system cannot perform transactions due to lack of system availability. Customer Support cannot access account details to provide support to customers and agents. Impact • Financial loss and brand impact to the operator • Regulatory fines for serious systemic failings	Negligible	Update controls.	Treat	Update controls.

Contents



Mobile Money
for the Unbanked

1. Overview of mobile money risk management:

- Why prioritize risk management?
- Considerations and stakeholders in mobile money
- Key activities and key risk categories
- Processes for operationalizing risk management
- Resources required
- Reports and key risk indicators (KRIs)

2. Introduction to the Mobile Money Risk Toolkit

- Objective and scope of toolkit
- Overview of risk toolkit and its use in risk management
- How to use and evaluate reports

Mobile Money Toolkit

Objective and scope of Risk Toolkit



Mobile Money
for the Unbanked

The Mobile Money toolkit facilitates the process of risk management.

The objectives of the Toolkit are:

- Helps Risk Managers identify and mitigate the risks in their organisation's Mobile Money service.
- Extensible to enable new risks to be added, assessed and managed as they are identified.
- Enables Mobile Money Operators to evaluate their current security controls.
- Provides business with better visibility of those areas where action is needed.

Mobile Money Toolkit

Overview of Risk Toolkit structure and flow



Mobile Money for the Unbanked

Risks are logged in the toolkit: risk and its potential effect are defined.

Grouped by the stakeholder bearing the risk (Operator, Customer, Agent, Bank).

Categorized by type (fraud, operational, compliance, money laundering, etc.)

Assigned to an owner in the business, within the relevant functional area.

Existing controls are identified

Severity (impact x likelihood) is assessed.

Actions for further mitigation identified, with owners.

The screenshot displays the 'Mobile Money for the Unbanked' Risk Management Toolkit. It includes a 'Risk' table with columns for category, risk, risk causes, and relevant controls. Below this is a 'CONTROLS LIST' and a 'RISK - CONTROLS ASSIGNMENT' matrix.

Control	C-01	C-02	C-03	C-04	C-05	C-06	C-07
Agent commission claw-back policy & process.	x		x	x	x		
Agent due diligence process (ID collection, sanction and watch list screening - see Control Detail tab for details).	x				x		
Agent monitoring to ensure personal details are captured and identity checks are done.							
Agent monitoring to ensure processes are followed.			x	x			
Agent penalty and termination process (see Control Detail tab for details).							
Agent training programmes to focus on forged cash.							
Agent training to enforce customer due diligence / identity verification and to compare identity to that of the credit.							
Agent training programme to focus on anti-theft measures.							
Agent's responsibility for cash and e-money security should be clearly outlined in the agency agreement.							
Agent commission structured to minimize incentive for misbehaviour.	x		x				
Account blocking (see Control Detail tab for details).							x
Adoption of payment services best practices including optimization of agent and super-agent models for cash distribution, cash pick up, and deposits.			x	x			
Appointment of an MLRO (see Control Detail tab for details).							
Automated transaction monitoring.							
Bank should monitor operations of their partner operator.							

Mobile Money Toolkit

How to use and evaluate reports



Mobile Money
for the Unbanked

Toolkit contains three prepared reports, and the first two are for built for management attention:

- **Report 1: high & extreme risks**
 - Should be evaluated by senior management after each risk review to understand the current level of risk.
- **Report 2: risks with outstanding actions**
 - Should be evaluated by risk manager regularly to monitor progress of risk mitigation.
- **Report 3: User-defined tags**
 - A user-defined tag report is also available for operator-specific classifications.

Microsoft Excel - PRJ1420 Risk Management Toolkit v0.2b DRAFT 20140131

SELF ASSESSMENT RISK MANAGEMENT TOOLKIT

By default, this sheet lists the risks assessed as having the highest severity.
To generate the report, hit the 'Report' button to the right.
The report uses the 'Advanced Filter' function. If this is not available, a report will not be generated.
Result range must start at B12 and there must not be blank column headings. The report is sorted on the first three columns.

Generate Report

Mobile Money for the Unbanked

Run on: 31 Jan 2014 11:51 am

HIGH & EXTREME RISKS

Severity	Business Owner ID of Risk	Risk	Action	Actions for improvement	Last Review
Extreme	B-03	The reputation of the financial institution which holds the trust account for the mobile financial account provider is damaged due to its association with an account provider whose payment system is poorly run.	Tolerate		
Extreme	C-01	Customer is charged unauthorized fees by agent (e.g. double dipping)	Tolerate		
High	A-07	Agent loses balance due to failure of a bank holding trust fund, or trust fund is compromised. Impact: Financial loss to the customer.	Tolerate		
High	C-17	Merchant customers are unable to easily convert mobile money into cash, limiting their flexibility to run their business / store. Impact: • Lack of service for the merchant customer. • Merchant uptake of mobile money is restricted.	Treat		
High	O-09	Identity fraud / false accounts: Employee uses their system access to fraudulently create accounts, bypassing identity, credit and watchlist checks, potentially in collusion with fraudsters. These accounts could enable money laundering or terrorist financing. Impact: Financial loss and brand impact to the operator.	Tolerate		

Microsoft Excel - PRJ1420 Risk Management Toolkit v0.2b DRAFT 20140131

SELF ASSESSMENT RISK MANAGEMENT TOOLKIT

By default, this sheet lists the risks identified as having actions outstanding.
To generate the report, hit the 'Report' button to the right.
The report uses the 'Advanced Filter' function. If this is not available, a report will not be generated.
Result range must start at B12 and there must not be blank column headings. The report is sorted on the first three columns.

Generate Report

Mobile Money for the Unbanked

Run on: 31 Jan 2014 04:36 pm

RISKS WITH ACTIONS OUTSTANDING

Business Owner ID of Risk	Last Review	ID	Risk	Severity	Actions for improvement	Action	Actions for improvement
		C-17	Merchant customers are unable to easily convert mobile money into cash, limiting their flexibility to run their business / store. Impact: • Lack of service for the merchant customer. • Merchant uptake of mobile money is restricted.	High		Treat	
		O-22	Mobile Money system cannot perform transactions due to lack of system availability. Customer Support cannot access account details to provide support to customers and agents. Impact: • Financial loss and brand impact to the operator • Regulatory fines for serious systemic failings	Negligible	Update controls.	Treat	Update controls.



Mobile Money
for the Unbanked

End