



# Mobile Money for the Unbanked

## Mobile Money Definitions July 2010



**Agent**

A person or business that is contracted to facilitate transactions for users. The most important of these are cash-in and cash-out (i.e. loading value into the mobile money system, and then converting it back out again); in many instances, agents register new customers too. Agents usually earn commissions for performing these services. They also often provide front-line customer service—such as teaching new users how to initiate transactions on their phone. Typically, agents will conduct other kinds of business in addition to mobile money. The kinds of individuals or businesses that can serve as agents will sometimes be limited by regulation, but small-scale traders, microfinance institutions, chain stores, and bank branches serve as agents in some markets. Some industry participants prefer the terms “merchant” or “retailer” to describe this person or business to avoid certain legal connotations of the term “agent” as it is used in other industries.

**Aggregator**

A person or business that is responsible for recruiting new mobile money agents. Often, this role is combined with that of a masteragent, and the two terms are sometimes used interchangeably.

**Anti-money laundering/combating the financing of terrorism (AML/CFT)**

A set of rules, typically issued by central banks, that attempt to prevent and detect the use of financial services for money laundering or to finance terrorism. The global standard-setter for AML/CFT rules is in the Financial Action Task Force (FATF).

**Bearer**

The mobile channel through which instructions are communicated between a customer’s handset and a mobile money application platform. Mobile network operators provide the ‘bearer channel’ in any deployment, sometimes for a fee to compensate them for the cost of data traffic. The most commonly used bearer channels are USSD, SMS and GPRS.

**Cash in**

The process by which a customer credits his account with cash. This is usually via an agent who takes the cash and credits the customer’s mobile money account.

**Cash out**

The process by which a customer deducts cash from his mobile money account. This is usually via an agent who gives the customer cash in exchange for a transfer from the customer’s mobile money account.

**E-money**

Short for “electronic money,” is stored value held in the accounts of users, agents, and the provider of the mobile money service. Typically, the total value of e-money is mirrored in (a) bank account(s), such that even if the provider of the mobile money service were to fail, users could recover 100% of the value stored in their accounts. That said, bank deposits can earn interest, while e-money cannot.

**Float**

The balance of e-money, or physical cash, or money in a bank account that an agent can immediately access to meet customer demands to purchase (cash in) or sell (cash out) electronic money.

**Formal financial services**

Financial services offered by regulated institutions as opposed to informal financial services, which are unregulated. In addition to banks, remittance service providers, microfinance institutions and MNOs can be licensed to offer certain financial services.

**G2P**

Government to person

**Informal financial services**

Financial services offered by unregulated entities. Examples of informal financial services are *susu* collections in Ghana, loan-shark lending, savings groups, etc.

**Interoperability**

The ability of users of different mobile money services to transact directly with each other. Given the technical, strategic, and regulatory complexities that enabling such transactions would entail, no mobile money platforms are to date fully interoperable with each other. However, many mobile money services allow users to send money to nonusers (who receive the transfer in the form of cash at an agent).

**Know Your Customer (KYC)**

Rules related to AML/CFT which require providers to carry out procedures to identify a customer.

**Liquidity**

The ability of an agent to meet customers’ demands to purchase (cash in) or sell (cash out) e-money. The key metric used to measure the liquidity of an agent is the sum of their e-money and cash balances (also known as their float balance).

**Masteragent**

A person or business that purchases e-money from an MNO wholesale and then resells it to agents, who in turn sell it to users. Unlike a superagent, masteragents are responsible for managing the cash and electronic-value liquidity requirements of a particular group of agents.

**Mobile banking**

When customers access a bank account via a mobile phone; sometimes, they are able to initiate transactions.

**Mobile money**

A service in which the mobile phone is used to access financial services.

**Mobile money transfer**

A movement of value that is made from a mobile wallet, accrues to a mobile wallet, and/or is initiated using a mobile phone.

**Mobile payment**

A movement of value that is made from a mobile wallet, accrues to a mobile wallet, and/or is initiated using a mobile phone. Sometimes, the term mobile payment is used to describe only transfers to pay for goods or services, either at the point of sale (retail) or remotely (bill payments).

**Mobile wallet**

An account that is primarily accessed using a mobile phone.

**Over-The-Air (OTA) registration**

A term used to describe creating a mobile money account for a customer via the mobile network and without the need to update any physical hardware in the phone.

**P2P**

Person to person.

**P2B**

Person to business.

**Point of Sale (POS)**

A retail location where payments are made for goods or services.

**Platform**

The hardware and software that enables the provision of a mobile money service.

**Regulator**

In the context of mobile money, this typically refers to the regulator who has supervisory authority over financial institutions within a particular country—usually the central bank or other financial authority.

**Savings**

Traditionally, the storage of a customer's money by a bank within an interest-bearing account. It is sometimes used more loosely to describe any store of money, such as the balance of electronic money within a mobile wallet.

**Superagent**

A business, sometimes a bank, which purchases electronic money from an MNO wholesale and then resells it to agents, who in turn sell it to users.

**Unbanked**

Customers, usually the very poor, who do not have a bank account or a transaction account at a formal financial institution.

**Underbanked**

Customers who may have access to a basic transaction account offered by a formal financial institution, but still have financial needs that are unmet or not appropriately met. For example, they may not be able to send money safely or affordably.



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