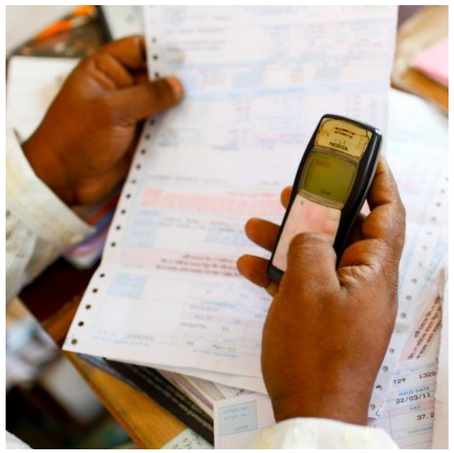
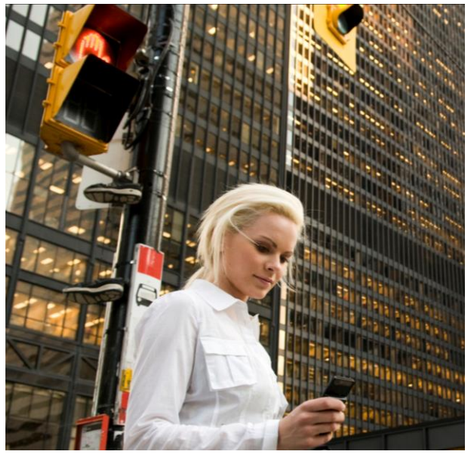
GSMA Mobile Money

Expanding the Mobile Money Ecosystem: Regulatory Considerations





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The digital payments ecosystem



Overview

Regulatory issues	Verticals								
	Credit	Payment of interest	Savings	Insurance	Cross-border payments	Merchant payments	B2B payments	Government payments	Salary payments
Transaction and balance limits	X			X	X	X	X	X	X
Customer Due Diligence	X		X	X	X	X	X	X	X
Licensing or partnership requirements	X		X	X	X				
Data privacy	X		X	X	X	X	X	X	X
Disclosure and transparency	X	X	X	X	X	X	X	X	X
Definition of “banking business”		X							
Geographic restrictions					X				
Remote access					X				
Exchange control requirements					X				
Government fund disbursement requirements								X	X

Cross-cutting regulatory issues

TRANSACTION AND BALANCE LIMITS

- Limits designed for low-value P2P may be insufficient for services such as credit, insurance, cross-border remittances, merchant payments, B2B payments, government payments, and salary payments.

CUSTOMER DUE DILIGENCE

- One challenge that providers may face is a lack of harmonized CDD procedures, which may force providers to repeat CDD for new ecosystem services. In addition, simplified CDD requirements designed for low-value P2P services may be insufficient for new ecosystem services. Customers wishing to avail of higher-value services may need to undergo more rigorous CDD procedures in line with a risk-based approach to Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) compliance.

LICENSING OR PARTNERSHIP REQUIREMENTS

- Unless the mobile money provider also has a license to offer other financial services, they will need to work through a partner with a license to offer services such as credit, savings, insurance, and/or cross-border remittances.

DATA PRIVACY

- In some countries, mobile money providers may be prevented from sharing customer data with banks, credit providers, insurance companies, money transfer operators, or entities specializing in mobile data analytics. If providers are permitted to share this information, they should ensure that other parties who handle customer data comply with relevant data privacy requirements and that customers give informed consent to the sharing of their personal information.

DISCLOSURE AND TRANSPARENCY

- Compliance with customer protection and disclosure requirements (e.g., fees, interest rates, other terms and conditions) may be difficult when using a mobile phone interface, particularly with simple feature phones. This is a challenge for all mobile money services, but the risks may be greater for new ecosystem services such as credit, savings, cross-border remittances, and insurance.

Regulatory considerations: credit products

TRANSACTION AND BALANCE LIMITS

- Low transaction and balance limits on mobile money accounts may be insufficient, particularly for larger loans.

CUSTOMER DUE DILIGENCE

- Customers seeking larger loans may need to go through another level of CDD procedures.

LICENSING OR PARTNERSHIP REQUIREMENTS

- Unless they also have a license to offer credit, mobile money providers will have to partner with a bank or other licensed credit provider. Note that unless the mobile money services are directly offered by a bank or other licensed deposit-taking institution that is permitted to intermediate funds (i.e., engage in "banking business"), customer funds may not be lent out.

DATA PRIVACY

- In some countries, mobile money providers may be prevented from sharing customer data with credit providers or entities specializing in mobile data analytics. If providers are permitted to share this information, they should ensure that other parties who handle customer data comply with relevant data privacy requirements and that customers give informed consent to the sharing of their personal information.

DISCLOSURE AND TRANSPARENCY

- Effective disclosure of fees, interest rates, and other terms and conditions for mobile credit may be difficult when using a mobile phone interface, particularly with simple feature phones.

Regulatory considerations: payment of interest on mobile money accounts

DISCLOSURE AND TRANSPARENCY

- Effective disclosure of how interest rates are calculated and other terms and conditions for payment of interest may be difficult when using a mobile phone interface, particularly with simple feature phones.

DEFINITION OF “BANKING BUSINESS”

- Providers need regulatory permission to (1) earn interest on the float and (2) pass this interest on to customers. In some countries, either or both of these activities would be classified as “banking business” and would be prohibited for mobile money providers that are licensed as e-money issuers. Several country approaches to this issue are discussed here.

Regulatory considerations: savings products

CUSTOMER DUE DILIGENCE

- CDD requirements for opening a linked bank account may pose a challenge, particularly if (1) these requirements are different from the requirements for opening m-money accounts; and/or if (2) opening a bank account would require additional, in-person CDD. Successful bank-MNO partnerships such as M-Shwari have benefited from a proportional CDD approach that allows m-money customers to open savings accounts remotely.

LICENSING OR PARTNERSHIP REQUIREMENTS

- Unless they also have a deposit-taking license, mobile money providers will need to partner with a bank or other deposit-taking institution to offer formal savings services to their customers.

DATA PRIVACY

- Providers should ensure that banks or other parties who handle customer data comply with relevant data privacy requirements and that customers give informed consent to the sharing of their personal information.

DISCLOSURE AND TRANSPARENCY

- Effective disclosure of interest rates and other terms and conditions for mobile savings may be difficult when using a mobile phone interface, particularly with simple feature phones.

Regulatory considerations: insurance products

TRANSACTION AND BALANCE LIMITS

- Low transaction and balance limits on mobile money accounts may be insufficient, particularly for paying out insurance claims. For example, Juhudi Kilimo, a Kenyan provider of agricultural asset financing that offers livestock insurance, has often had to make payouts using cheques instead of mobile money due to insufficient transaction and balance limits.

CUSTOMER DUE DILIGENCE

- Customers requiring a mobile money account with higher transaction and balance limits to accommodate insurance payouts may need to submit to another level of CDD procedures.

LICENSING OR PARTNERSHIP REQUIREMENTS

- Unless they also have an insurance license, mobile money providers will need to partner with a licensed insurance provider to offer insurance services to their customers.

DATA PRIVACY

- In some countries, mobile money providers may be prevented from sharing customer data with insurance providers or entities specializing in data analytics for insurance. In addition, providers should ensure that licensed insurance providers or other parties that handle customer data comply with relevant data privacy requirements and that customers give informed consent to the sharing of their personal information.

DISCLOSURE AND TRANSPARENCY

- Effective disclosure of insurance terms and conditions may be difficult when using a mobile phone interface, particularly with simple feature phones.

Regulatory considerations: cross-border remittances

TRANSACTION AND BALANCE LIMITS

- Low transaction and balance limits on mobile money accounts may be insufficient for cross-border remittances, which are typically somewhat higher in value than domestic remittances.

CUSTOMER DUE DILIGENCE

- CDD requirements may be different for domestic and cross-border services. In some cases, simplified requirements for domestic mobile money services may be insufficient for cross-border transactions. Similarly, mobile money CDD in one country may be insufficient to meet the CDD requirements in another country.

LICENSING OR PARTNERSHIP REQUIREMENTS

- In some cases, mobile money providers are obtaining remittance licenses to offer remittance services directly. In other cases, mobile money providers will need to partner with a licensed remittance provider to offer cross-border remittance services to their customers.

DATA PRIVACY

- As cross-border services require sharing customer data with other providers, mobile money providers should ensure that licensed remittance providers and other mobile money providers who handle customer data comply with relevant data privacy requirements and that customers give informed consent to the sharing of their personal information.

Regulatory considerations: cross-border remittances (cont.)

DISCLOSURE AND TRANSPARENCY

- Effective disclosure of the fees (including exchange rates) and other terms and conditions for cross-border remittances may be difficult when using a mobile phone interface, particularly with simple feature phones.

GEOGRAPHIC RESTRICTIONS

- Many country e-money regulations limit e-money services to domestic transactions only. This is beginning to change, however, particularly in East Africa and West Africa.

REMOTE ACCESS

- In some countries, cross-border remittances may only be conducted in person in a bank branch or agent office. Such a requirement can prevent mobile account-based services from taking off.

EXCHANGE CONTROL AUTHORIZATION AND REPORTING

- In some countries, customers must provide documentation even for low-value cross-border remittances. In the absence of an exemption or a simplified regime for low-value transactions (such as the one just announced in South Africa), such requirements will likely prevent mobile account-based remittances from taking off.

Regulatory considerations: ecosystem payments (merchant, B2B, government, and salary payments)

TRANSACTION AND BALANCE LIMITS

- Low transaction and balance limits on mobile money accounts may be insufficient for higher-value merchant, B2B, government, and salary payments.

CUSTOMER DUE DILIGENCE

- Mobile money providers may need to conduct enhanced customer due diligence (both initial and ongoing) for accounts with higher transaction and balance limits, including merchant accounts, B2B accounts, bulk disbursement accounts, and certain salary accounts.

DATA PRIVACY

- Mobile money providers should ensure that merchants, businesses, governments, and other entities in the payments value chain who handle customer data comply with relevant data privacy requirements and that customers give informed consent to the sharing of their personal information.

DISCLOSURE AND TRANSPARENCY

- Effective disclosure of fees and other terms and conditions may be difficult when using a mobile phone interface, particularly with simple feature phones. Similar challenges have been faced in countries where reloadable prepaid cards are commonly used, such as the United States.

REQUIREMENTS AFFECTING DISBURSEMENT OF GOVERNMENT FUNDS

- Some countries have requirements around the disbursement of government funds that could impact the use of mobile money for government payments (including bulk disbursements and salary payments). For example, some countries require that government funds be paid into a bank account, which could serve as a barrier unless paying funds into a pooled account held in a bank is deemed acceptable. In addition, some countries may have government procurement requirements favouring domestic-owned companies that could exclude foreign-owned mobile money providers from participation.