GSMA

Mobile Money Policy and Regulatory Handbook

2024



GSMA

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Introduction



Mobile money is a key payment instrument in the digital financial services (DFS) landscape, particularly in low- and middle-income countries (LMICs), where traditional banking services may not be accessible to women, rural populations and vulnerable groups. Mobile money has enabled these underserved customer segments in particular to "leapfrog" to DFS and build better livelihoods and sustainable businesses.

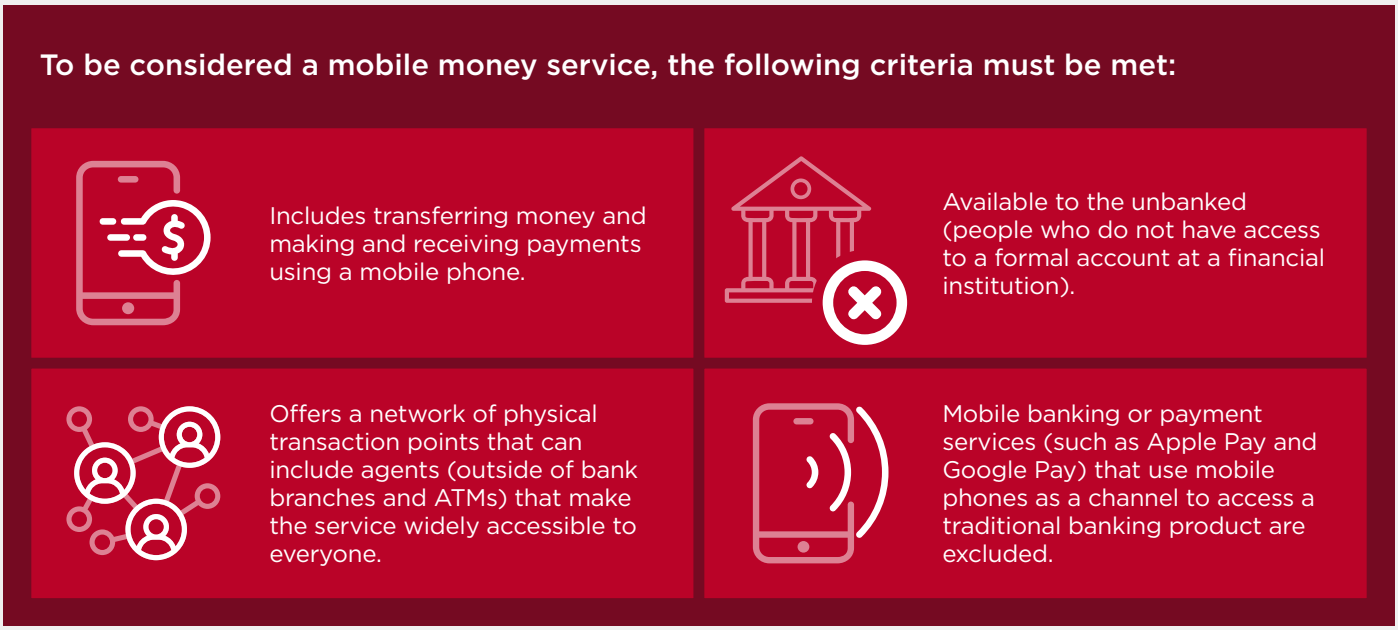
However, mobile money has the potential to do more. For example, efforts to expand financial literacy are underway, as is the development and offering of more complex financial products, including productive digital credit and insurance. Despite its socio-economic benefits and significant contribution to financial inclusion, mobile money risks being overregulated, stifling innovation and the accessibility of DFS. This handbook provides a guide to key issues for policymakers and regulators to examine the possibilities and provision of mobile money in an increasingly digital world.

In 2023, around 1.75 billion mobile money accounts processed more than USD 1.4 trillion a year.[1] Worldwide, mobile money increased gross domestic product (GDP) by $600 billion between 2013 and 2022.[2] There is no doubt that the industry will see more gains, and as financial ecosystems become more interconnected the potential of mobile money could be exponential.

Figure 1

What is a mobile money service?

Source: GSMA



1 GSMA. (2024). The State of the Industry Report on Mobile Money 2024.
2 GSMA. (2023). Mobile Money: How Digital Payments have Impacted Economic Growth.

This handbook highlights the importance of striking the right balance between regulation and innovation to drive and maintain gains in financial inclusion. In most countries, the regulatory landscape for mobile money has matured, with substantial progress made in transparency, disclosure requirements and consumer protection. Authorisation processes are generally well established, although less so for remittances. Regulatory approaches vary, especially when it comes to integrity, such as minimum Know Your Customer (KYC) requirements and identity document (ID) verification processes. Operational oversight, organisational governance and policy enablement are also at different levels of development. These insights are explored in detail in the latest GSMA Mobile Money Regulatory Index.[3]

This handbook outlines key policy and regulatory issues affecting the mobile money industry, such as fraud, consumer protection and financial literacy, and serves as a guide for policy conversations and design. The GSMA unifies the mobile ecosystem and is in a unique position to collect information from consumers, money money providers (MMPs), governments and international partners, and offer a narrative on cutting-edge policy efforts.

The handbook should be used in conjunction with other policy research and national and regional inclusion frameworks. It should be grounded in the country and community contexts of mobile money markets, with consumers front of mind. A mature mobile money system with financial inclusion at the centre requires a whole-of-system approach, and policymakers and regulators need a reference tool to guide their discussions. By aligning the issues highlighted in this handbook, stakeholders will be in a better position to achieve tangible financial inclusion goals, contribute to socio-economic development and boost GDP.

The following issues are examined:


Mobile money and socio-economic development


Transaction limits


Consumer protection


International remittances


Affordability


Storage and safeguarding of customer funds


Data privacy and protection


Interoperability


KYC requirements


Capital requirements


Fraud


Financial literacy


AML/CFT requirements


Agent networks and supervision


Interest-bearing mobile money trust or escrow accounts


Financial health

3 GSMA. (2024). Evolution of the Mobile Money Regulatory Index.

Mobile money and socio-economic development



Mobile money provides financial transaction services via mobile phones, including to traditionally unbanked populations. Mobile money has been a key enabler of economic growth and a major contributor to the United Nations (UN) Sustainable Development Goals (SDGs).

For example, in Uganda in 2022 and 2023, mobile money provider (MMP) MTN partnered with the World Food Programme (WFP) to provide cash transfers to refugees and host communities affected by the COVID-19 pandemic and food insecurity. The cash transfers were disbursed through MTN's MoMo platform, which enabled beneficiaries to receive and spend money digitally, reducing the risks of fraud and theft in the process. The project reached more than 1.2 million people and supported SDG 1 (No Poverty), SDG 2 (Zero Hunger) and SDG 10 (Reduced Inequalities).[4]

Over the past decade, mobile money has spread rapidly in LMICs, effectively leapfrogging the provision of formal banking services.[5] For example, smallholder farmers who may not have had access to formal financial services due to a lack of ID, low literacy levels or proximity to bank branches, can now rely on mobile money to make digital transactions for their business.

Mobile money also has an impact at the individual and household level. Families can use mobile money to send and receive international remittances, save money or purchase insurance, all of which helps to mitigate the impact of financial shocks like illness, unemployment or natural disasters, and to increase their resilience.[6] While the impacts of mobile money are well documented at the micro level, macroeconomic impacts, especially GDP growth, have only recently been researched. Understanding the long-term impact of mobile money on sustainable development, beyond economic change, is also essential.[7]

4 WFP. (2023). Uganda Country Brief.
5 World Bank Group. (2018). Mobile Money and the Economy: A Review of Evidence.
6 Ibid.
7 GSMA. (2023). Mobile Money: How Digital Payments have Impacted Economic Growth.

01
Affordability



Background

The mobile money industry remains a strong example of success and competitiveness in the markets it serves. Mobile money services continue to grow, driving financial inclusion and economic empowerment, particularly in rural and remote areas, through competitive product offerings. Affordability broadly relates to the ability of consumers to pay for mobile money services. It is not merely a function of prices set by mobile money providers (MMPs). Some of the factors that affect affordability include taxation, capital expenditures and operating expenses.

According to the GSMA Mobile Money Regulatory Index,[8] most mobile money markets, particularly in Africa, have left pricing to market forces, with few countries imposing price controls. Instead, regulators have successfully implemented broad-based principles to guide MMPs without stifling innovation and growth, for example, in Tanzania.

Taxation policies have a direct impact on the affordability of mobile money services. Research has shown a clear need to assess more closely the potential impacts of policy reforms on financial inclusion objectives and the risks of mobile money taxation policies.

Key questions

1. Should mobile money pricing be mandated through regulation or left to market forces?
2. How can taxation policies strike a balance between financial inclusion objectives and the commercial sustainability of mobile money services?

The GSMA's proposed approach

Taxation

The right approach to taxation can help to develop and diversify mobile money product offerings and boost financial inclusion. Governments can consider aligning mobile money taxation with policies that have been applied to other sectors and with best practice taxation principles. This may help to reform sector-specific taxation and fees. Best practice principles can aim to minimise the potential inefficiencies and distorting effects of taxation and consider important practical challenges. Taxation of the mobile money industry should not fall disproportionately on those with lower incomes; it should be simple and easy to understand and enforce. Governments should adopt equitable tax structures designed to unlock greater digital and financial inclusion and growth of digital financial services (DFS). Taxes that discriminate against players in the financial services sector should be avoided.

To advance financial inclusion and the wider digitisation of economies, it is critical that taxation does not disincentivise customer usage or investment or competition in the mobile money industry. Taxation on mobile money services can also reverse gains in financial inclusion as consumers revert to cash to avoid the unintended high costs.

8 GSMA. (2022). Four years of the Mobile Money Regulatory Index: Insights, Opportunities and Challenges.

Pricing regulations versus broad-based guidelines

The GSMA supports the principles of customer-centricity and transparency, which mobile industry players also value. In a free market-based economy, price setting should be left to market forces. Where pricing practices are deemed inadequate, rather than intervene in price setting, regulators may use moral suasion with a focus on fairness and sustainability while upholding high standards of confidentiality. The industry has developed business models that offer services affordably and, in many cases, charges have been waived to foster innovation and DFS adoption. This demonstrates the maturity and ability of the industry to self-regulate on pricing issues.

Key considerations

It is crucial to assess the impact of policies on affordability and how they correlate with other policy objectives, such as financial inclusion. For instance, taxation should not be considered independently of its long-term impact on financial inclusion. Furthermore, the financial sustainability of MMPs should be considered with a view to avoid higher costs and lower returns, resulting in lower tax contributions to the government and potential industry-wide job cuts.[9]



CASE STUDY

Ghana

In May 2022, the Ghanaian government introduced an e-levy, imposing a 1.5% charge on all electronic and mobile money transactions exceeding 100 cedis (at that time around 13 cents) per day. The e-levy aimed to raise additional revenue from the informal economy, which accounts for about 90% of total employment in Ghana. However, the levy faced significant backlash due to its regressive nature and adverse impacts on the poorest workers. In January 2023, the government reduced the rate to 1%, but concerns remain about its impact on vulnerable groups.

9 Regulatory coherence involves applying sound regulatory practices during the planning, design, issuance, implementation and review of regulations. This approach helps to achieve both domestic and international policy goals and supports greater regulatory collaboration across government ministries, departments and agencies.

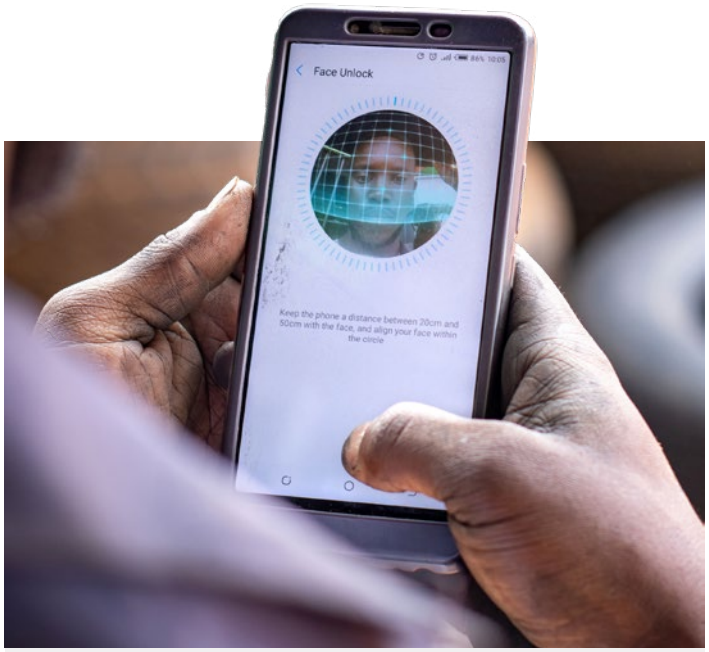
02

Know Your Customer requirements

Background

Mobile money providers, like other financial entities, must identify their customers and assess risks before offering services. Challenges arise when customers lack formal identification (ID), complicating the verification process. It is estimated that 850 million adults globally do not have a form of ID.[10] This limits financial inclusion by making customer onboarding costly for MMPs and inconvenient for users, especially individuals with low incomes. Efficient customer due diligence (CDD) can reduce these barriers, lowering costs for MMPs and speeding account opening for customers. Innovations like simplified onboarding for restricted accounts and digital IDs for electronic Know Your Customer (e-KYC) processes are improving financial access.

KYC is the process by which personal identification is verified, for example, using a government-issued ID such as a passport or driving licence. KYC requirements for mobile money should be proportional. Despite its popularity, mobile money is relatively low risk due to its traceability and limits on amounts that may be sent or held at one time. Proportionality can be best implemented through relaxed CDD requirements, compensating for the risk by restricting account functionality. This is also referred to as "tiered KYC".



In an effort to have a single document for KYC verification for financial services, Ghana, Nigeria and Tanzania have rolled out the Ghana card, NIN card and NIDA card, respectively. Such initiatives are a welcome move when ID cards are ubiquitous and a phased roll-out ensures that marginalised and underserved populations are not blocked from accessing financial services. However, they have also provided valuable insights into how to implement national ID roll-outs more smoothly and minimise disruptions for customers. Biometric e-KYC is a preferred alternative to physical ID cards and would be an excellent opportunity to support interoperable ID databases. For example, the Central Bank of West African States (BCEAO) has been leading initiatives within the West African Economic and Monetary Union (WAEMU) to harmonise identity verification.

10 Clark, J., Metz, A. and Casher, C. (2023). "850 million people globally don't have ID—why this matters and what we can do about it". *World Bank Blogs*.

Key questions

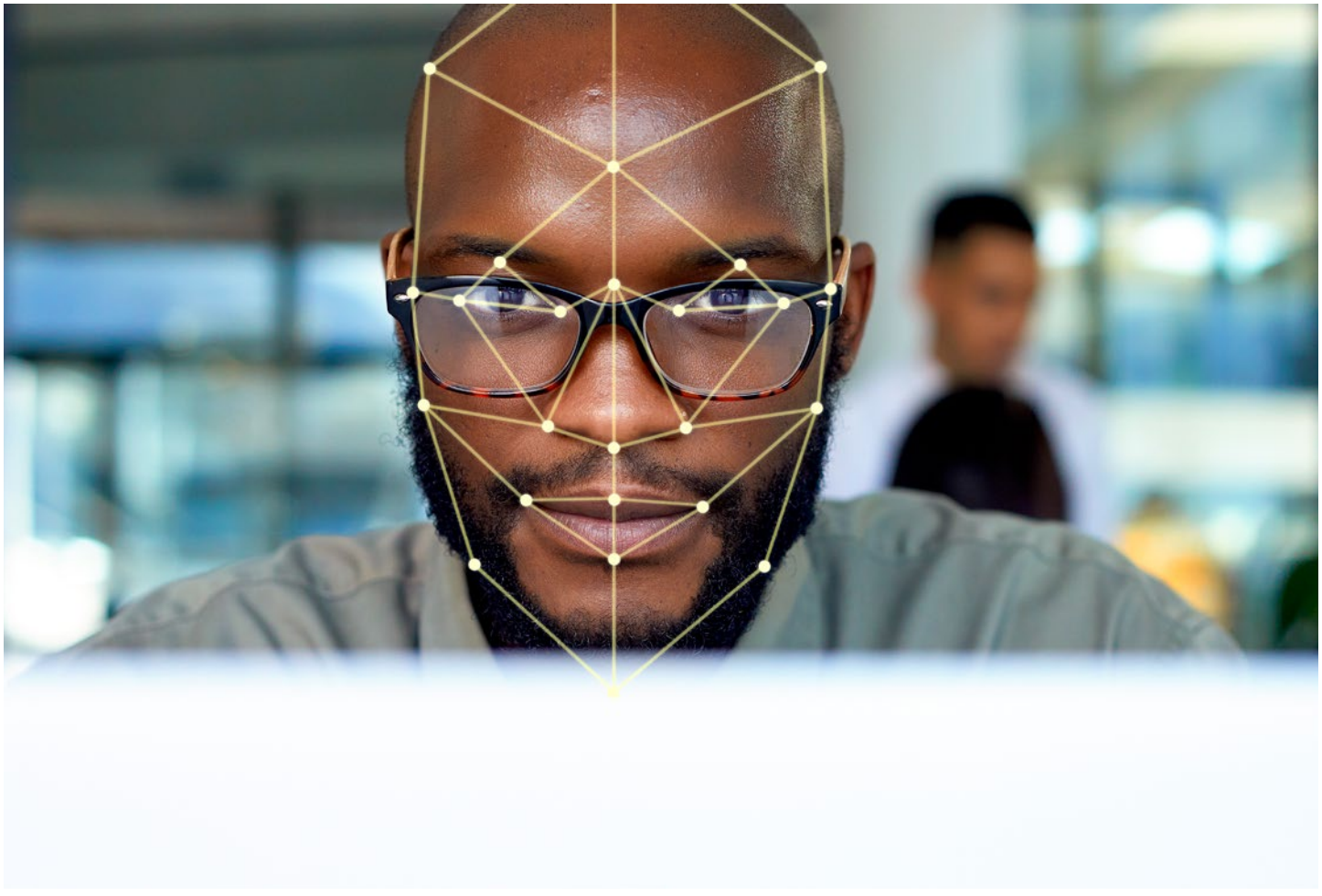
1. How should relevant regulatory authorities ensure that a lack of national IDs is not a barrier to the adoption of mobile money services?
2. What should regulators consider when applying a risk-based approach to mobile money KYC processes?

The GSMA's proposed approach

Proportional Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) regimes, as well as simplified risk-based CDD requirements, are crucial for customer adoption of mobile money, particularly among vulnerable groups such as forcibly displaced persons (FDPs). Following the Financial Action Task Force (FATF) guidelines on proportionate and tiered KYC, and Principle 8 of the G20 Principles for Innovative Financial Inclusion, which urges policymakers to establish a policy and regulatory framework proportionate to the risks and benefits, the GSMA advocates for proportionate, risk-based regulatory flexibility. Financial inclusion and AML/CFT have mutually supportive and complementary objectives, since measures that enable more citizens to use formal financial services will also increase the reach and the effectiveness of AML/CFT regimes.

Key considerations

KYC procedures are essential in mobile money payments to prevent fraudulent activity and ensure the safety and security of the payment system. KYC requirements can vary by country and by MMP, and it is important to take the local context into account.



03

Anti-Money Laundering and Combating the Financing of Terrorism requirements



Background

Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) requirements are essential for mobile money services as they prevent illegal activities like money laundering and terrorist financing, protect consumers from fraud, ensure regulatory compliance and enhance financial stability. These measures build trust and confidence among users, which in turn encourages the adoption of mobile money services. While AML/CFT regulations are crucial for maintaining the security and integrity of the financial system, they must be balanced to avoid excluding low-income and underserved populations and to promote financial inclusion.

Common AML/CFT practices in mobile money include verifying customer identities through KYC processes, monitoring transactions for suspicious activities and reporting any suspicious transactions to authorities. Mobile money providers implement a risk-based approach to apply different levels of scrutiny based on the risk profile of customers or transactions, and ensure that staff receive regular training on AML/CFT regulations. Additionally, maintaining detailed transaction records and customer information is crucial for audits and investigations, helping to keep mobile money services secure and compliant with international standards.

Key questions

1 What is the FATF's approach to AML/CFT?

2 What guidance should financial regulators provide to the mobile money industry on applying the FATF's risk-based approach to AML/CFT?

The GSMA's proposed approach

Proportionate AML/CFT regimes recognise that one size does not fit all. Regulations should be calibrated to the specific risks posed by mobile money services. Excessive compliance requirements hinder innovation and deter MMPs from providing services. Rather than imposing uniform CDD measures, regulators should allow for risk-based flexibility. MMPs can adapt their due diligence processes based on customer profiles and transaction types. Categorising customers into risk tiers enables targeted CDD. Low-risk customers benefit from streamlined procedures while high-risk customers receive enhanced scrutiny.

The FATF recognises that well-regulated financial systems and services are essential for an effective AML/CFT regime. However, overly cautious AML/CFT safeguards can unintentionally exclude legitimate businesses and consumers from the financial system. In June 2011, the FATF published a guidance paper supporting countries and financial institutions to design AML/CFT measures that promote financial inclusion without compromising efforts to fight financial crimes. The revised guidance, adopted in February 2013, focusses on ensuring AML/CFT controls do not hinder access to well-regulated financial services for underserved groups (e.g. low-income, rural and undocumented populations).

Key considerations

Regulators can consider designing proportional and risk-based regulation. This is critical to developing safe and sustainable mobile money services, protecting the integrity of the financial system and providing billions of people with access to convenient financial services.

04

Transaction limits

Background

The use of mobile money has pivoted from peer-to-peer (P2P) transfers to a diverse set of payments that have been adopted by micro, small and medium enterprises (MSMEs) for customer payments, utility payments and government payments, such as taxes. Transaction limits on mobile money are the maximum amount of money that can be sent, received or withdrawn in a single transaction or within a specific period (daily, weekly or monthly). These limits are set by mobile network operators (MNOs) and financial regulators to ensure the security of, and compliance with, financial regulations. The value of such transactions require a review of maximum wallet and transaction limits, which would be affected by other factors such as tiered KYC.

Following a proportionate risk-based approach, an increase in transaction limits can be supported by the level of KYC required. Allowing different limits based on KYC requirements would give MMPs greater commercial flexibility and target different customer segments and use cases, such as payments to government agencies, bulk payments from governments to citizens (G2P) and e-commerce merchants. Such flexibility supports greater financial inclusion.

Key questions

1. How can higher transaction limits promote financial inclusion while also managing risks?
2. What strategies can regulators employ to mitigate fraud, money laundering and cybersecurity risks?
3. How do transaction limits affect the viability of mobile money agents?

The GSMA's proposed approach

The mobile money industry supports higher transaction limits to allow users to conduct larger transactions with fewer restrictions, saving time and effort. Businesses benefit from streamlined operations by making bulk payments and managing supply chains more efficiently. Increased limits promote financial inclusion, especially for those in underserved areas and microentrepreneurs. Mobile money agents can earn sustainable income through commissions and lower overhead costs can make their businesses more viable. Higher transaction limits also boost consumer spending, contributing to economic growth. To enable higher limits, regulators must balance these considerations with security measures to prevent fraud and money laundering.

Key considerations

While higher transaction limits enhance financial access for users, they must also guard against fraud, money laundering and cybersecurity threats. Striking this balance involves defining robust authorisation processes, safeguarding customer funds and implementing effective AML/CFT and KYC requirements.



CASE STUDY

Central Bank of Kenya: Driving financial inclusion for individuals and MSMEs

The Central Bank of Kenya increased new transaction limits and wallet sizes following the applications by mobile money providers. The data received by the regulator showed that mobile money customers attempted to make larger transactions from their wallets, and a failed transaction would lead to cash withdrawals. The daily mobile money wallet size was increased from Kes 300,000 to 500,000, and the transaction limit from Kes 150,000 to 250,000, effective from 15 August 2023. This is an effort by the regulator to increase the adoption of mobile money services through digitised payments.

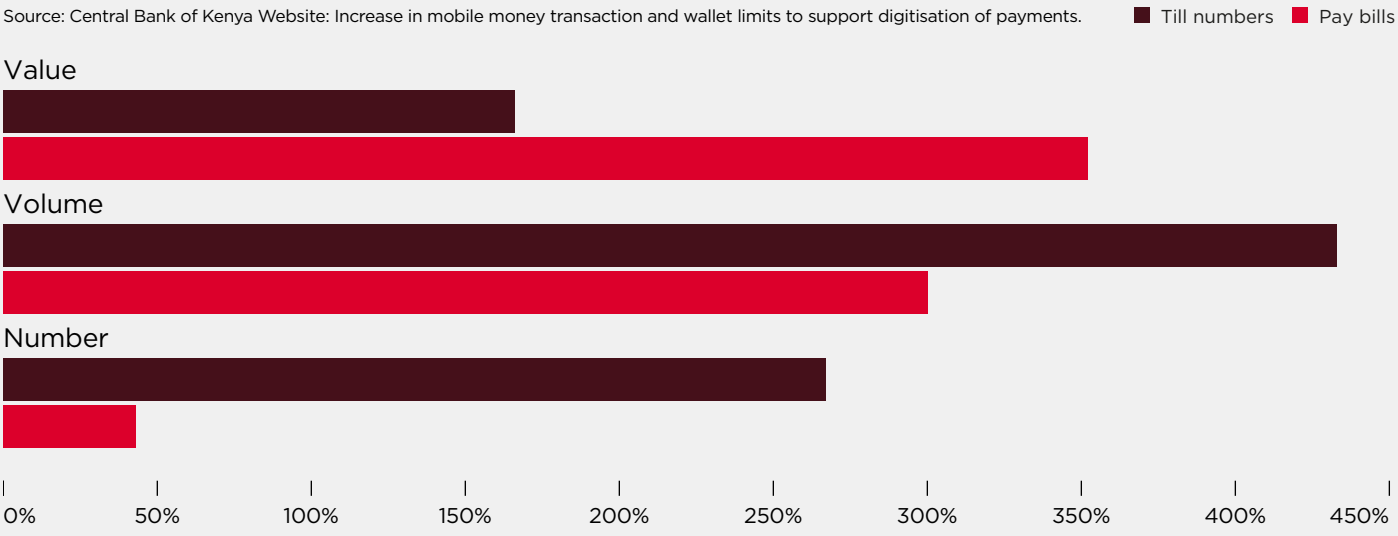
The uptake of mobile money payments by micro, small and medium enterprises will have the leverage to make larger transactions and facilitate businesses previously constrained by the size of the mobile money wallet.

Before increasing mobile money wallet and transaction limits in 2023, the CBK had increased the transactions from Kes 70,000 to Kes 150,000 in the daily limit and wallet size from Kes 150,000 to Kes 300,000 from March 2020 to June 2023. This led to a significant increase in the volume and value of mobile money transactions driven by the usage of services that facilitate payments to businesses, i.e., pay bills and till numbers. The increase was as follows (in percentage):

Figure 2

Mobile Money payments growth due to increase in transaction limits

Source: Central Bank of Kenya Website: Increase in mobile money transaction and wallet limits to support digitisation of payments.



05
Storage and safeguarding of customer funds

Background

Allowing both banks and non-banks, including mobile money providers, to offer mobile money services can promote greater financial inclusion, but it also poses a risk to customer funds. This risk must be mitigated to support financial integrity and stability.

Mobile money providers are typically required to keep customer funds and operational funds separate. Similarly, many countries mandate that MMPs hold funds equivalent to 100% of their outstanding mobile money liabilities in safe, liquid investments. MMPs undergo audits and compliance checks and are often required to report their financial status. These general practices guarantee a level of security for customer funds.[11]

Key questions

1. How can MMPs best ensure that customer funds are adequately safeguarded?
2. How can financial regulators guide MMPs effectively to ensure customer funds are safeguarded?

The GSMA's proposed approach

To ensure that customer funds are adequately safeguarded, MMPs require guidance. This guidance should consider the various legal instruments available in different jurisdictions. Deposit insurance, for example, is not available in most countries. MMPs also need to be able to protect customer funds to the same degree as traditional bank deposits, but in a cost-effective way. The best safeguarding approaches tend to offer customer funds a high degree of protection in the least burdensome and most cost-effective manner. Given significant variations in available legal instruments and market infrastructure, this will vary by country.

Key considerations

Regulators can consult MMPs and other industry stakeholders to develop tailored and cost-effective safeguarding measures. These measures should aim to avoid a negative impact on the adoption of mobile money services by low-income and unbanked customers.

Prohibiting the interim use of customer funds has been found to safeguard funds in most jurisdictions. However, in markets where the regulator has taken all risks into account, intermediation could be considered. Additionally, MMPs can be required to set aside funds that match outstanding mobile money liabilities in safe liquid investments or government treasury instruments. These funds should be ring-fenced from the MMP's own funds. While ensuring the protection of funds against insolvency, regulators should adopt solutions best suited to their respective markets. Regulators should also take emerging risks into consideration.

11 GSMA. (2016). Safeguarding Mobile Money: How Providers and Regulators can Ensure that Customer Funds are Protected.

06

Capital requirements

Background

A minimum capital requirement is a prudential rule with three functions:

- It stipulates what assets the MMP must hold as a minimum requirement to insure their creditors (including depositors) against insolvency risk and minimise subsequent system disruptions (guarantee function).
- It ensures that the institution can cover operational costs, such as the infrastructure, management information system (MIS) and start-up losses to reach a viable scale (organisational function).
- It aims to set a cost that creates a barrier to market entry for new institutions that want to pursue the business initiative (selective function). In addition to minimum capital requirements, some jurisdictions also require MMPs to meet minimum ongoing capital requirements.

Capital requirements play a crucial role in shaping the mobile money ecosystem. As a general rule, non-bank MMPs are prohibited from intermediating (lending or investing) customer funds. Consequently, both the risks and potential rewards are more limited. These are typically calculated as a percentage of outstanding mobile money liabilities and are intended to ensure that a provider's capital continues to grow along with their obligations. If the customer is not fully reimbursed in the event of a bank insolvency, the MMP will be expected to maintain sufficient capital to make up the difference.

Despite the benefits of capital requirements, exceedingly high minimum capital requirements can increase compliance costs to a level that makes the business case difficult to justify, even for larger companies. In this case, smaller companies may be deterred from entering the market. By creating a secure and stable environment, capital requirements can ensure safety, promote trust and enable financial services to be offered to more consumers. However, they can also pose challenges for smaller providers or new market entrants.

Key questions

1. How should initial capital requirements be established to strike the right balance between the cost to the business and ensuring all MMPs have the resources to be responsible market actors?
2. How can ongoing capital requirements be established to meet their objectives while minimising the need for businesses to regularly recapitalise?

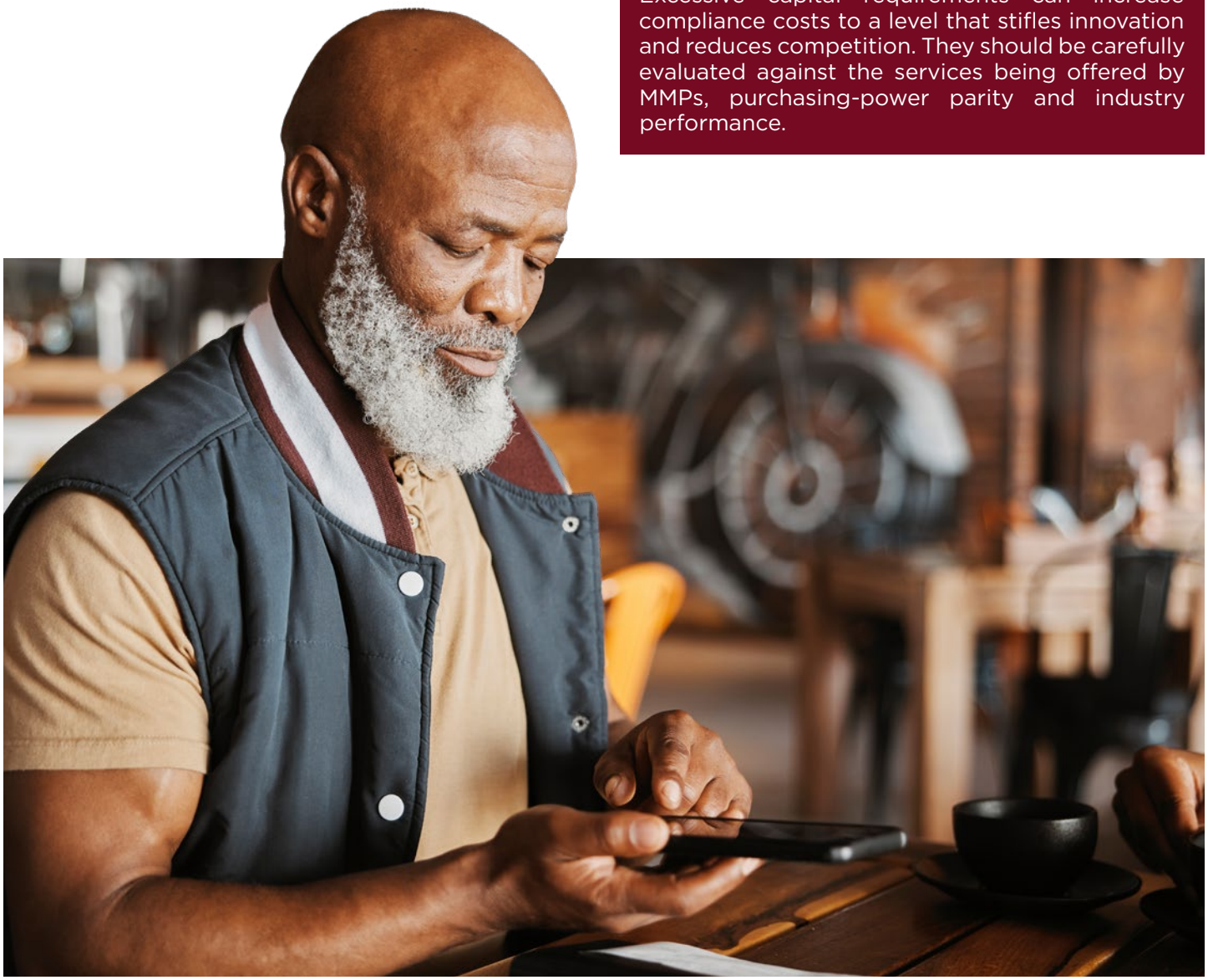
The GSMA's proposed approach

Capital requirements should be proportionate, as mobile money transactions are primarily low value and low risk. They therefore do not need to be as stringent for MMPs as for prudentially regulated institutions such as banks. Excessive capital requirements can increase compliance costs to a level that stifles innovation and reduces competition.

Initial and ongoing capital requirements should be evaluated based on the characteristics of the business and how certain risks are mitigated through other prudential requirements and by MMPs. When deciding on capital requirements, financial regulators can consider that MMPs are subject to additional requirements that safeguard customer funds and lower the risk profile of mobile money. Where capital requirements are applied, they must be proportional to the risks posed by the business model. If excessive capital is immobilised, this can increase the cost of doing business, stifle innovation and reduce competition, ultimately hindering financial inclusion.

Key considerations

Excessive capital requirements can increase compliance costs to a level that stifles innovation and reduces competition. They should be carefully evaluated against the services being offered by MMPs, purchasing-power parity and industry performance.



07

Agent networks and supervision

Background

Mobile money agents have been key to the growth of the industry over the past decade. There were 8.3 million agents worldwide as of December 2023.[12] Primarily responsible for registering customer accounts and the cash-in/cash-out process, mobile money agents continue to boost transactions and drive MMP revenues.

Distribution networks are critical to the success of mobile money and it is imperative that regulation aims to enhance this infrastructure to reach the underserved. A number of issues arise from the provision and supervision of agent networks, including adequate spread of the distribution network, the eligibility of agents and maintaining high-quality agents through regular training and monitoring.

Most MMPs can control the quality of their mobile money agents to some extent with eligibility requirements. While some will likely be dictated by regulation, in most markets MMPs will need to develop their own selection criteria. Regulators often recognise that business decisions about the distribution network should be freely negotiated between the MMP and the third party. Regulatory intervention is often limited to setting baseline standards for vetting third parties. A balanced approach encourages innovation while safeguarding consumer interests and ultimately advancing financial inclusion.

Key questions

1. What are the minimum standards a regulator can impose to enable responsible expansion of the agent network?
2. How can financial regulators ensure that third-party liability is addressed without increasing the regulatory requirements of MMPs and the agents themselves?



12 GSMA. (2024). The State of the Industry Report on Mobile Money 2024.

The GSMA's proposed approach

Regulatory intervention should focus on risk management by establishing baseline standards that ensure third parties meet minimum requirements. Regulations should mandate transparent disclosure of fees, terms and agent responsibilities. In the case of disputes, clear resolution procedures are needed to protect consumers.

Regular forums involving MMPs, regulators and third parties can foster understanding. Industry collaboration among financial service providers (FSPs), such as MMPs, other DFS providers and banks, can promote knowledge exchange. Successful models can be replicated to benefit the ecosystem. Regulations must evolve and regular (at least annual) assessments can ensure they are aligned with market realities.

Key considerations

The success of mobile money hinges on an efficient and inclusive distribution network. While negotiation empowers MMPs, regulatory oversight maintains integrity. It is important to build an agent network that thrives on collaboration, innovation and consumer protection.



08
Consumer protection

Background

In an increasingly digital world, access to financial services is essential for individuals and households. However, this access must be balanced with the need for privacy and data protection. Governments, private sector entities and regulators play crucial roles in ensuring financial services are both accessible and secure. Individuals should be given opportunities to exercise meaningful choice and control over their personal information.[13]

When consumers feel secure that their funds and personal information are protected, they are more likely to use mobile money services. This trust encourages wider adoption, bringing financial services to underserved and unbanked populations. Effective consumer protection measures, such as fraud prevention, transparent fees and dispute resolution mechanisms, ensure that users have a positive experience, essential to the sustained growth and success of mobile money platforms. This, in turn, promotes greater financial inclusion by making financial services accessible and reliable.

Key question

1 How can relevant regulatory authorities best provide guidance to MMPs on improving key aspects of consumer protection?

The GSMA's proposed approach

The mobile money industry advocates for the implementation of proportionate regulatory interventions that safeguard data privacy without imposing unnecessary costs on consumers or restricting access. For example, the risk thresholds triggered by prescriptive regulatory requirements for financial services should be managed and mitigated with a risk-based approach, embedded with privacy impact assessments.

Bridging the gap between government policies and private sector innovation can take the form of public-private dialogues (PPDs). PPDs foster collaboration between regulators, financial institutions and technology companies. For instance, regulatory sandboxes between financial services regulators, data protection authorities and telecommunications regulators create controlled environments for testing innovative services while also ensuring compliance and data governance, enabling secure data flows and data sharing for trusted service delivery.[14]

Key considerations

Education and awareness are crucial for consumer protection, as they help to ensure consumers understand their rights and risks. Through digital financial literacy initiatives, for example, individuals can learn about data privacy, security principles and rights and responsible financial behaviour.

13 GSMA. (2016). Mobile Privacy Principles: Promoting Consumer Privacy in the Mobile Ecosystem.
14 Information Commissioner's Office. (2024). Regulatory Sandbox Final Report: Financial institutions / Home Office and UK Finance.

09

Data privacy and data protection

Background

Achieving comprehensive, baseline data privacy and security compliance is paramount. As governments, companies and individuals navigate mobile money services, they encounter opportunities and challenges. Cross-border data flows facilitate the exchange of goods, services and ideas. As data evolves into a valuable asset, the amount of legislation restricting data localisation (sovereignty) requirements is increasing. By safeguarding user data, MMPs can build confidence and promote the adoption of financial services among underserved and unbanked populations, enhancing financial inclusion.

Key questions

1. How does data security affect the provision of mobile money services?
2. What is the impact of data localisation requirements on data protection and security?

The GSMA's proposed approach

The private sector's advantage lies in innovation, which fuels mobile money systems. Companies should empower individuals by granting them control over their data. Governments, financial services regulators and other sector-specific regulators should consider flexibility, technology and sector neutrality, as advocated in the 2019 GSMA paper *Smart Data Privacy Laws*.[15]

Due to the high level of innovation in mobile services, which is closely tied to regulatory requirements in other sectors, legislation should focus on the overall risk to an individual's privacy rather than attempting to legislate specific types of data. For example, legislation must deal with the risk to an individual arising from a range of data types and contexts, rather than focusing on individual data types.

Key considerations

In the context of mobile money, governments, private sector players and regulators should ensure data privacy and security risks are considered by default and provide individuals with simple ways to understand their data.[16]

15 GSMA. (2019). Smart Data Privacy Laws: Achieving the Right Outcomes for the Digital Age; GSMA. (2024). Mobile Policy Handbook: An Insider's Guide to the Issues.
16 GSMA. (2024). Mobile Policy Handbook: An Insider's Guide to the Issues.

10
Fraud

Background

Mobile money services have revolutionised financial inclusion, providing convenient and accessible ways for individuals to manage their finances. However, with this growth comes the risk of fraud. Fraud not only affects financial institutions, but also erodes consumer trust and threatens the entire industry. Mobile money fraud involves deceptive or unauthorised activities that exploit vulnerabilities within mobile payment systems. This type of fraud typically aims to gain financially from, or cause financial loss to, others by abusing technology or positions of trust. Common methods include identity theft, social engineering, SIM swap fraud and impersonation.

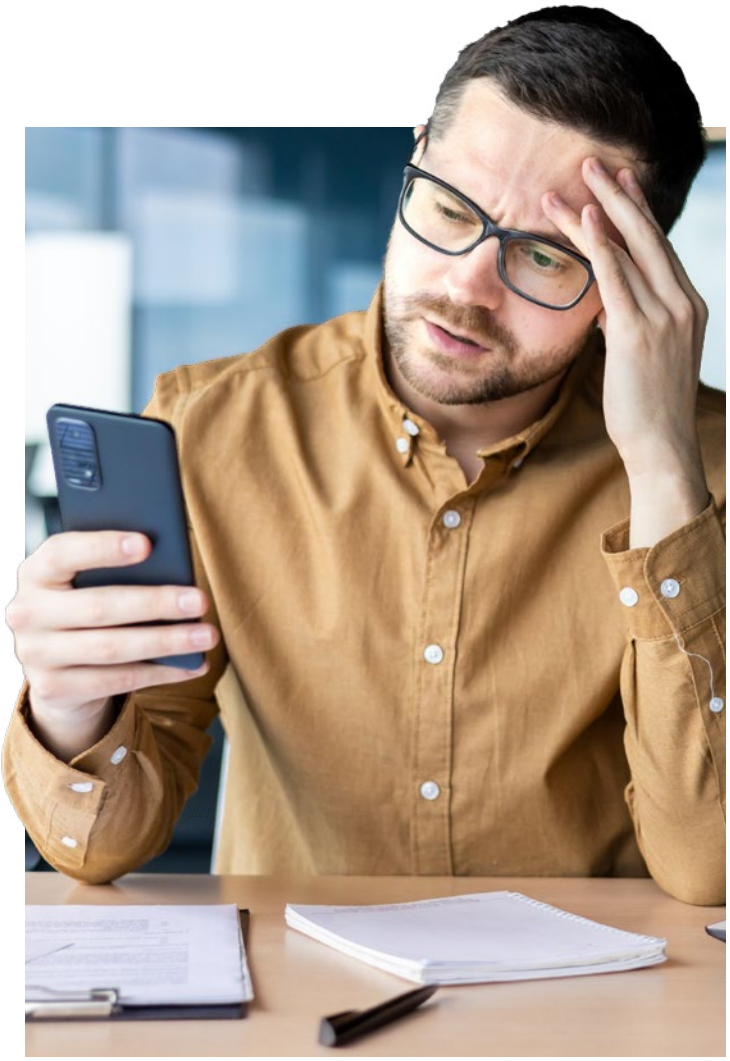
Fraudsters continually evolve their tactics, making it challenging for individual mobile money providers to keep pace. Fraud often transcends national boundaries, necessitating a global coordinated response. MMPs, regulators and law enforcement agencies should actively share near real-time information on fraud incidents. Compliance with data privacy laws is also crucial when sharing personal information.

Mobile money fraud undermines trust in mobile payment systems, leading to financial losses and discouraging service use, especially among low-income individuals. It also increases operational costs for MMPs, which can result in higher fees for users and stricter regulations that complicate service delivery. Despite these challenges, mobile money remains a crucial tool for financial inclusion when effective anti-fraud measures are implemented.

Combating fraud requires a multifaceted and multilayered approach. It should involve enhanced proportionate and fit-for-purpose regulation, improved technical capacity, comprehensive education and awareness programmes, robust technological solutions and strict ethical standards across all stakeholders.

Key questions

1. How can MMPs go beyond regulation to establish an effective fraud mitigation mechanism?
2. What are best practices for fraud mitigation?



The GSMA's proposed approach

Regional and international best practices and risk-based approaches, such as tailoring regulations to address specific fraud risks prevalent in each market, should be adopted. The GSMA and World Bank have both outlined best practices.[17] To address the growing concern of fraud, MMPs have worked with standard-setting bodies and law enforcement agencies and implemented best practices to combat fraud. However, due to the dynamic and reactive nature of fraud, there is a need across the industry for more transparency and communication to tackle fraud. The GSMA has researched and reviewed several reporting criteria used by different regulators and developed a fraud reporting template for real-time fraud-reporting purposes. In an increasingly interconnected digital financial ecosystem, fraud can be mitigated efficiently through a multisectoral approach.

Key considerations

Regulators, MMPs, law enforcement agencies and other relevant stakeholders can collaborate on information sharing to mitigate fraud risks in the mobile money ecosystem. Regulators should enforce the adoption of regional and international best practices to mitigate common types of fraud that have the biggest impact.



17 GSMA. (2024). Mobile Money Fraud Typologies and Mitigation Strategies; GSMA. (2020). Mitigating Common Fraud Risks: Best Practices for the Mobile Money Industry; Chatain, P.L. et al. (2021). Protecting Mobile Money Against Financial Crimes: Global Policy Challenges and Solutions. World Bank.

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Interest-bearing mobile money trust or escrow accounts

Background

Trust accounts are a cornerstone of the mobile money ecosystem, as holding mobile money funds in trust accounts ensures they are protected from outside creditors if a mobile money provider becomes insolvent. Funds held in trust (or in escrow) on behalf of users of a mobile money service are usually eligible to earn interest. This section explores best practices for managing interest earned in these trust accounts while maintaining transparency and regulatory compliance.

Key questions

1. Should financial regulators permit MMPs to earn interest on pooled customer funds?
2. How best can accrued interest be passed on to customers as a benefit?

The GSMA's proposed approach

Prescriptive regulations can stifle innovation and create unnecessary administrative burdens. One-size-fits-all rules may not suit the diverse mobile money landscape. A non-prescriptive approach that avoids overly detailed rules on the use of interest is most effective. Providing high-level principles that encourage responsible management of interest earnings is a possibility, as long as MMPs disclose how they use their interest earnings to customers.

Providers can reinvest interest earnings to enhance their services, improve infrastructure or expand agent networks. Interest can directly benefit customers through reduced transaction fees, enhanced services or financial literacy programmes, as well as being paid out to customers. Some interest could be allocated to social impact initiatives, such as financial education campaigns or community development projects.

Reinvesting interest ensures the long-term viability of mobile money services, while prioritising customer benefits can enhance financial inclusion and trust. MMPs should engage with regulators to discuss interest-bearing trust accounts and participate in industry forums to share best practices and learn from peers. Policy advocacy is crucial for proportionate and flexible regulations that foster innovation.

Key considerations

Interest-bearing mobile money trust accounts are a powerful tool for financial inclusion. By adopting a non-prescriptive approach, promoting transparency and collaborating with MMPs, it is possible to strike a balance that benefits consumers, service providers and regulators. It is important to consider local contexts to determine the most impactful ways to use the interest earned on trust accounts.

12

International remittances

Background

International remittances play a vital role in global economies, connecting families across borders and supporting financial inclusion. Mobile money remittances are electronic transfers of funds sent via mobile money platforms. They are the most affordable way to send money across borders. The average total cost for an individual to send $200 from one mobile money wallet to another mobile money wallet across borders is 3.54%, according to ongoing research by the GSMA. This is in line with SDG target 10.c, which aims for remittance costs to not exceed 3% on average by 2030.

The use of mobile money for digital remittances has proven transformative for migrant families, enabling them to pursue a range of socio-economic activities. These include increasing household incomes and improving access to health care and educational opportunities, among others, ultimately lifting individuals out of poverty.

Key questions

1. Should financial regulators prescribe the partnership models through which MMPs and remittance companies should engage?
2. How could regulators ensure a level playing field for MMPs by streamlining the licensing criteria for international remittances?

The GSMA's proposed approach

The GSMA advocates for a collaborative regulatory framework that ensures transparency, efficiency and accessibility for MMPs. Clarity is needed on regulations for mobile money-enabled international remittances, particularly for nontraditional international money transfer organisations. This will go a long way toward opening more corridors for the service. There is also room to harmonise regulatory frameworks across countries, at least aligning customer due diligence (CDD) checks to ensure AML/CFT concerns are addressed. As a first step, regulators could consider allowing mutual recognition of cross-border sandboxes. Regional trading blocs and other regional bodies present opportunities to reach "low-hanging fruits".

Key considerations

Traditional licensing frameworks may exclude nontraditional players from the mobile money ecosystem, with new entrants capable of bringing fresh ideas and competition. Regulators should carefully consider other concerns such as data localisation laws, particularly if there is a requirement for relevant data to be stored in the country where a transaction occurs, as this could drive investment away due to high data storage costs.

13
Interoperability

Background

Interoperability describes the process of different products, services or systems working together in a way that can create value for companies and consumers. There has been an increased focus on interoperability in mobile money markets, as more than 50 countries have at least one mobile money service in place. Mobile money interoperability practices vary between countries, which can include bilateral agreements between MMPs, the use of aggregators to connect multiple providers and centralised hubs that facilitate transactions. These models enable seamless transactions across different mobile money platforms and regions. This interoperability enhances the usability and reach of mobile money services, promoting financial inclusion.

Key question

1 What are the characteristics of governance and commercial models for interoperability schemes that facilitate the participation of MMPs?

The GSMA's proposed approach

Policymakers play a crucial role in shaping the trajectory of the mobile money industry. Policymakers can actively engage with MMPs to understand their challenges and aspirations. Creating a safe space for experimentation through regulatory sandboxes allows MMPs to innovate without fear of repercussions.

Policymakers must also work closely with MMPs to create a strategic roadmap. This involves identifying key milestones, aligning with financial inclusion targets and balancing innovation with consumer protection. Policymakers should provide transparent guidelines on licensing, compliance and risk management. Regulations should evolve alongside technological advancements to support and promote agility. Policymakers must assess when to introduce interoperability. If launched early, it can facilitate seamless transactions but may strain nascent providers. If introduced late, it allows MMPs to mature but may delay broader financial inclusion.

For long-term success, these governance and commercial models need to work for all service providers. Where possible, interoperability should use existing infrastructure to minimise costs. Interoperability transactions must be priced sustainably and MMPs should be part of the decision-making process, having equal voting rights in the interoperability governance structure.[18]

18 Naji, L. (12 June 2020). "How mobile money is increasingly interoperable", *Mobile for Development Blog*. GSMA.

Key considerations

Policymakers should consider the evolution and dynamics of the markets in which they are considering interoperability. It may be beneficial to become interoperable once MMPs have reached a certain scale and there is sufficient value to customers to have interoperable services. Imposing ex-ante mandatory interoperability too early might lead to regulatory failure that could impede the development of both the technology and market, particularly if it is unclear which bottleneck interoperability is required to address.



CASE STUDY

Tanzania: an interoperability success story

In 2014, Tanzania was the first market to implement market-led bilateral interoperability agreements for P2P transactions between Airtel, Tigo and Zante. This proactive move by these MMPs paved the way for the Bank of Tanzania (the central bank) to implement regulatory requirements for MMPs to facilitate P2P interoperability.

14
Financial literacy



Background

Financial literacy is a critical skill in the rapidly evolving digital financial landscape. Financial literacy about mobile money refers to the knowledge and skills needed to use mobile money services effectively. This includes understanding how to manage and transfer funds, recognise and avoid fraud and use various financial products available through mobile platforms. Market regulators and service providers are realising the key role that financial literacy plays in digital financial services, prompting an examination of current policy interventions aimed at enhancing financial literacy.

The evolution of DFS has resulted in greater convenience, accessibility and efficiency. However, it has also presented new challenges for vulnerable consumers who are often unfamiliar with navigating the complexities of digital tools, platforms and financial services. As such, industry stakeholders have started to incorporate digital financial literacy needs in product development, policymaking, regulatory intervention and international donor funding decisions.

Regulators have also begun to integrate digital financial literacy measures and strategies in national financial inclusion roadmaps and strategies to support sustainable financial inclusion and consumers' financial health.

These efforts can be seen in countries such as Zimbabwe, South Africa, Tanzania, Singapore, India and Kenya, where initiatives and campaigns have been launched to address digital financial literacy.[19]

Key questions

1. Where does financial literacy feature in national financial inclusion strategies?
2. How do policymakers and MNOs support financial literacy efforts?

19 Reserve Bank of Zimbabwe. (2022). The Financial Inclusion Bulletin. Vol. 2, Issue 1; National Council for Financial Inclusion. (2023). Guide for Financial Educators 2023–2028; Reserve Bank of India's Financial Education Initiative: https://www.rbi.org.in/FinancialEducation/.

The GSMA's proposed approach

The mobile money industry is a trailblazer in the provision of financial education and literacy training programmes. However, financial literacy is a multidimensional issue that requires collaboration among all relevant stakeholders. MNOs play an active role in promoting financial literacy to ensure consumers can use DFS effectively. Regulators should collaborate with industry stakeholders to create standardised guidelines and best practices for financial literacy initiatives, as the industry plays a leading role.

Key considerations

Effective financial literacy efforts should consider the market context. This can only be informed by an unbiased and thorough market analysis that includes all market actors. These efforts also need to be tracked and measured against a set of key performance indicators (KPIs).



15
Financial health

Financial health and well-being have become increasingly important as financial inclusion has continued to increase. Although there is no universal definition of financial health, it is often understood as the "optimal" behaviours or outcomes that individuals are measured against. Financial health is related to an individual's financial circumstances. In broad terms, this includes several elements: day-to-day financial management, resilience, the ability to take advantage of financial opportunities or pursue financial goals and the feeling of being in control of, and secure in, one's financial future.

For the purposes of this handbook, we have focussed on overindebtedness based on ongoing research by the GSMA on this topic. A cursory look at overindebtedness reveals it is a complex and pervasive social phenomenon in emerging markets. Research by the GSMA suggests there are vast differences in the level of overindebtedness by country. The tendency to take out loans ranges from very conservative to very extreme. A shortage of money to cover day-to-day expenses is by far the most important driver of borrowing behaviours in several countries, such as Côte d'Ivoire, Ghana and Tanzania. The main reasons for taking out loans include ease of application, quick access to funds and favourable interest rates. Common challenges in repaying loans often arise from income loss (partial or total) and rising costs of living.

A significant obstacle to assessing overindebtedness is the lack of adequate and symmetrical data, which hampers understanding of both macroeconomic financial markets and the microeconomic conditions of individuals and households.

Key questions

1. What is the impact of digital credit on financial health?
2. What are the best approaches to prevent overindebtedness?
3. What policies and regulatory interventions can support consumers and financial service providers in mitigating overindebtedness?

The GSMA's proposed approach

The benefits of digital credit to consumers and households far outweigh the risks of overindebtedness. Evidence indicates some important factors that drive borrowing include paying for education, investing in one's business and paying for medical treatment. Regulators should implement measures that prevent overindebtedness and support borrowers who are struggling with debt. This includes promoting responsible lending practices, enhancing financial literacy programmes and providing mechanisms for debt restructuring and relief. Additionally, early warning systems and risk management approaches should be leveraged to identify and mitigate the risk of overindebtedness.

Key considerations

When assessing overindebtedness, the positive impact of digital credit on households should be carefully considered. To do so, and to avoid anecdotal reports of overindebtedness, policymakers and financial service providers should collaborate on comprehensive data analytics on the use of digital credit offerings.

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