

WORKING GROUP 1 – LICENSING MOBILE PAYMENTS SERVICE PROVIDERS

EXACTLY WHAT SERVICES ARE WE TALKING ABOUT?

- Mobile Banking (credit, savings, payments, other products like insurance)
- Electronic Money (like M-PESA)
- NFC contactless payments (payment cards stored on SIM or secure element)

WHO WILL PROVIDE THE SERVICE?

- The Mobile Network Operator
- Existing Banks
- New Financial Institutions
- Partnerships

IS COMPETITION A GOOD THING OR A BAD THING?

- A monopoly service provider may not operate in consumers' interests
- How many competitors can the market sustain?
- How to reconcile barriers to market entry (licensing) with competition
- Does competition lead participants to cut corners and lower standards?

AT WHAT POINT SHOULD REGULATION BE INTRODUCED?

- If too soon, it could stifle innovation and enterprise
- If too late, it could expose the systems to undue risk

WHO SHOULD BE RESPONSIBLE FOR REGULATION?

- Central Government
- The Central Bank (or other financial regulator)
- Consumer Protection Agency
- The telecoms regulator
- Law enforcement
- How do you get multiple regulators to work together

WHAT ARE THE OBJECTIVES OF REGULATION

- Public confidence in the services
- Public awareness (of risks and opportunities)
- Frustrating Financial Crime
- Financial Inclusion
- Facilitate innovation and competition
- Consumer Protection (safeguarding their funds, preventing unfair T&Cs and unfair charges)
- Market/system stability
- technological/platform/channel neutrality

WHAT ARE THE RISKS INVOLVED IN THESE SERVICES

- Technological failure
- Commercial failure (poor business case)
- Liquidity
- Operational Risk (people, processes and systems)
- Investment Risk
- Financial Crime (Fraud, ML, TF)

HOW INTENSIVE SHOULD REGULATION BE

- Regulation, supervision and enforcement
- Relationship management
- Principles
- Rules
- Guidelines

A POSSIBLE REGULATORY FRAMEWORK

- Prudential Rules
- Conduct of Business Rules
- AML/CFT Rules
- Data Protection
- Cost Benefit Analysis