Digital Transactions in Today's Smart Society

William Delylle
Greenwich Consulting
william.delylle@greenwich-consulting.com

13th Global Symposium for Regulators
"4th Generation regulation: driving digital communications ahead"
Warsaw, Poland, 3-5 July 2013

GSR13
3-5 July 2013
W A R S A W
POLAND

Context for digital transactions discussion

Acceleration in Launches (but Market Still at Early Stage)	Breadth of Services Will Increase	Wide Variety of Models Adopted

2

Acceleration of launches, but market still at an early stage of development

Mobile Money (for the Unbanked)[1] Deployments

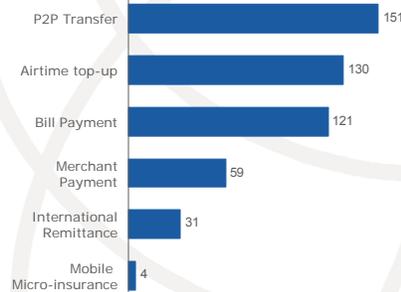| Number of Deployments	2006: 10	2010: 38	2013: 183

3

Initial deployments focus on a handful of offers, but providers will broaden

Mobile Money (for the Unbanked)[1] Deployments

- P2P Transfer — 151
- Airtime top-up — 130
- Bill Payment — 121
- Merchant Payment — 59
- International Remittance — 31
- Mobile Micro-insurance — 4

Service Offers from Selected Providers

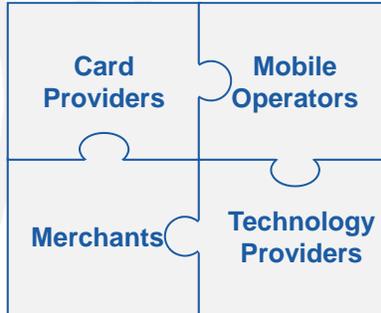| Service	WIZZIT (SA)	SMART (PH)	MTN (UG)	Easypai-sa (PK)
Transfers (dom)	Yes	Yes	Yes	Yes
Transfers (int.)	Yes	Yes	Yes	Yes
Pay in shops	Yes	Yes	-	-
Pay bills/salary	Yes	Yes	Yes	Yes
Cash in	Yes	Yes	Yes	Yes
Cash out (Agent)	Yes	Yes	Yes	Yes
Cash out (ATM)	Yes	Yes	-	-
Buy top-up/ send airtime	Yes	Yes	Yes	Yes
Airtime loyalty	-	Yes	Yes	Yes
Mobile wallet	Yes	Yes	-	-
Internet banking	Yes	-	-	-

4

Slide 5:

Mobile Point of Sale – emerging service with multiple parties involved

Mobile Point of Sale Solutions

Parties Involved

- Acceptance via mobile
  - Mobile phone loaded with payment app
  - Card reader connected

Card Providers	Mobile Operators
Merchants	Technology Providers

5

Slide 6:

Wide variety of models adopted

Bank-Led	MNO-Led	MNO-Bank Collaboration

Tech-Led	Merchant Closed Loop	De-centralised

6

3

Amidst activity, not all launches successful

Some services and countries have seen incredibly rapid adoption...

SMART   MTN

ECOCASH   M-PESA

...but a large number have struggled in spite of clear benefits to users

What is slowing mass adoption?

Consumer Barriers

Merchant Barriers

Supply-side Challenges
- Market
- Regulatory

7

End user barriers to adoption

Consumer
- Lack of awareness
- Lack of willingness
  - Security concerns
  - Limited places to use service
- Willing but unable
  - Lack of ID
  - Lack of mobile internet (coverage or cost)
  - Device requirements

Merchant
- Lack of awareness of services and of consumer usage
- Uncertainty over which service to adopt
- Low volume of sales due to lack of consumer adoption

8

4

Supply side challenges

'Market' issues

- Fragmented market where scale required
- Lack of dominant technology increases risk of investment
- Lack of clarity on best commercial model

'Regulatory' issues

- Lack of clarity on regulation
- High cost of compliance
- Innovation blocked by regulation

9

Role of regulators in supporting industry development

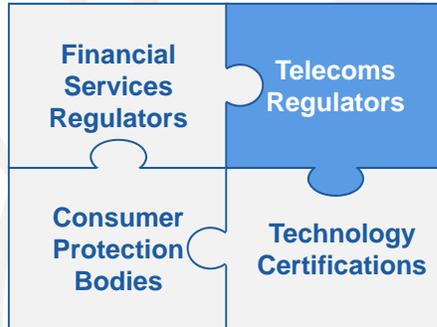| 1. Providing Clarity on Digital Payments Regulation | 2. Addressing Security Concerns whilst Encouraging Adoption | 3. Non-Regulatory Measures to Address Barriers and Increase Adoption |

10

Slide 11

Committed to Connecting the World

Providing clarity on digital payments regulation

Intersection of Regulatory Bodies

Financial Services Regulators	Telecoms Regulators
Consumer Protection Bodies	Technology Certifications

- Risks of gaps and confusion for providers, so:
- Clarify roles of regulatory bodies where unclear
- Support providers in understanding all regulatory requirements[1]

1. I.e. Telecoms regulators helping operators to understand financial services, consumer, and tech related regulations
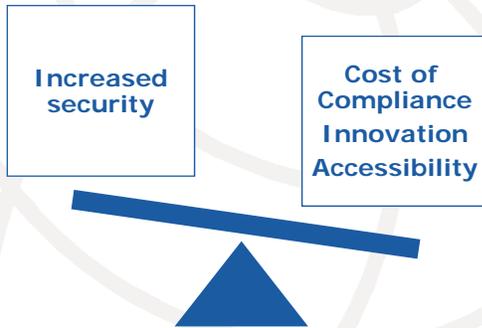**Source: GSMA**

Slide 12

Committed to Connecting the World

Addressing security concerns...

Risks and Mitigation

- Security a concern for customers and authorities
- Wide range of risks to address

(Paper provides detailed discussion)

...whilst encouraging innovation and user adoption

Increased security

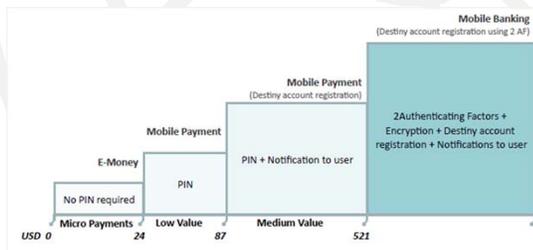**Cost of Compliance Innovation Accessibility**

- Recognise there may be a trade-off between security measures and adoption
- Set regulation in proportion to risks...
- ...and consider alternative:

Are lightly regulated digital transactions preferable to cash?

13

Example: Increasing accessibility by lowering authentication requirements

Authentication

Mobile Banking
(Destiny account registration using 2 AF)

Mobile Payment
(Destiny account registration)

2Authenticating Factors + Encryption + Destiny account registration + Notifications to user

Mobile Payment

PIN + Notification to user

E-Money

PIN

No PIN required

Micro Payments Low Value Medium Value

USD 0   24   87   521

Mexico:
- Authentication requirements for low value payments minimal
- Removes 'lack of ID' as barrier to adoption

14

7

Non-regulatory measures to address barriers and increase adoption

- Raising end user awareness of services and benefits

- End user research to support understanding of needs and barriers

- Engaging industry to move to interoperability of services

- Boosting demand by working with government departments to adopt services e.g. for welfare payments

15

Thank you and Q&A

16

8