**Terms of Reference of the Focus Group Digital Financial Services**

**1. Rationale and Scope**

Globally, more than 2.5 billion adults do not have a formal bank account, most of them in developing economies. Low levels of financial inclusion represent a barrier to socio-economic development in developing countries. Mobile money can be a game changer for people of limited income and an enabler for financial inclusion in developing countries. As indicated by a growing body of evidence, increasing the poor’s access to high quality, affordable financial services will accelerate the well-being of households, communities, and economies in the developing world. One of the most promising ways to deliver these financial services to the poor – profitably and at scale – is by using digital payment platforms. The recent growth of digital financial services has allowed millions of people who are otherwise excluded from the formal financial system to perform financial transactions relatively cheaply, securely, and reliably.

Digital financial services can expand the delivery of basic financial services to the poor through new technologies like mobile phones, electronic money and new channels such as retail agents. These channels can drastically drive down costs for customers and service providers, opening the door to remote and underserved populations. Smartphones coupled with innovations in technologies such as near field communications (NFC) and cloud computing is also changing the landscape of this field.

The Focus Group activities will be focused on innovations in payments and delivery of financial services via mobile technologies occurring in both developed and developing countries with a particular focus on the latter. Innovation in digital financial services in developed countries can provide examples of products, services and best practices which could find a meaningful and effective application to promote financial inclusion in emerging markets, particularly, when the use of such products and services is consolidated and standardized.

**2. ITU-T Focus Group on Digital Financial Services (FG - DFS)**

The ITU-T FG – DFS will analyse ICT solutions and projects that promote financial inclusion, secure mobile financial services and emerging technologies in the field that can be standardized by ITU-T study groups and will identify best practices which could facilitate the implementation of such solutions on a global scale.

It will develop a standardization roadmap for interoperable digital financial services taking into consideration the activities currently undertaken by the various standards developing organizations (SDOs) and forums and a regulatory toolkit which may be used by national policymakers and regulatory authorities from ITU Member States for scaling up digital financial services uptake.

This Focus Group will work closely with ITU-D study groups and will also invite non ITU-T members to participate in its work. This Focus Group does not intend to duplicate other efforts but will benefit from existing work and expertise.

**2.1 Objectives**

To support the development of base materials for global standards for digital financial services the objectives of this focus group include:

* Identify the technology trends in digital financial services over the coming years and how the role of various stakeholders in this ecosystem will evolve. This will include identifying underlying frameworks, new business models and public private partnership arrangements necessary for digital financial services.
* Establish liaisons and relationships with other organizations which could contribute to the standardization activities of digital financial services.
* Describe the ecosystem for digital financial services in developed and developing countries and the respective roles and responsibilities of the stakeholders in the ecosystem.
* Identify successful use cases for implementation of secure digital financial services including developing countries with a particular focus on the benefits for women;
* Suggest future ITU-T study items and related actions for various ITU-T study groups for example on:
  + Concepts, coverage, vision and use cases of digital financial services.
  + Characteristics and requirements for digital financial services.
  + Architectural framework for digital financial services including security of mobile transactions.
* In collaboration with ITU-D study the best practices related to policies, regulatory frameworks, consumer and fraud protection, business models and ecosystems for digital financial services in developed and developing countries.
* Work towards the creation of an enabling framework for digital financial services which could be submitted, through TSAG, for endorsement at the ITU Global Regulators Symposium.

**2.2 Relationships**

This Focus Group will work in close collaboration with all ITU-T study groups, especially SG2, SG3, SG13, SG16 and SG17.

This FG – DFS will collaborate with relevant entities, in accordance with Recommendation ITU-T A.7.

These entities include the following: financial institutions, telecommunications regulators, financial regulators, non-governmental organizations (NGOs), policy makers, SDOs , industry forums and consortia (such as ISO TC 68, ISO/IEC JTC 1, GSMA, SWIFT etc.), payment systems networks, remittances companies, ICT companies, academic institutions, research institutions and other relevant organizations.

**2.3 Specific Tasks and deliverables**

* Study the material from SG2 in TSAG-TD158
* Collect and document information on current initiatives from the stakeholders involved in digital financial services. This will involve developing use cases and identifying standards related to digital financial services deployments across the world.
* Develop a document which reflects how technologies enable financial inclusion in developing countries and the underlying nature of the ecosystem including best practices of policy and regulatory framework, risk assessment methodologies and business models being used.
* Develop a report on the definitions of terminologies and taxonomy for digital financial services and its ecosystem. This will also include developing a stakeholder map identifying all stakeholders involved in the area of digital financial services and their respective roles and responsibilities in the ecosystem. Develop a report on the potential barriers for the deployment of digital financial services.
* Study and analyse the implications of mandating interoperability and interconnection of digital financial services. This will include the development of a roadmap for interoperable digital financial services taking into consideration the interoperability challenges and best practices.
* Study and analyse the implications of standards for cross border remittances.
* Study and analyse technology competitiveness issues that may hinder the deployment of digital financial services (i.e. USSD[[1]](#footnote-1) channel).
* Develop a regulatory toolkit which can be used by policymakers and regulatory authorities for scaling up digital financial services uptake.
* Organise regional thematic workshops, in accordance with Recommendation ITU-T A.31, in order to collect inputs from various stakeholders. The workshops will be a platform to investigate best practices for the harmonization of legal and regulatory framework for mobile money globally and to safeguard the issuance of new digital payment instruments like mobile money, e-money and other digital currencies. The workshops will bring together the Telecommunication Regulators, Financial Regulators, Policy makers and other relevant parties to identify issues and priorities, exchange information and best practices through peer learning and knowledge dissemination processes and identifying possible policy interventions enabling financial inclusion. Issues such as anti-money laundering (AML), taxation of mobile transfers and devices and know your customer (KYC) in relation to digital financial services and mobile-enabled cross border remittances will also be considered.
* Draft technical reports describing and addressing the standardization gaps and identifying future standardization work for ITU-T study groups in the area of digital financial services.
* Send the final deliverables to the parent group, at least four calendar weeks before the parent group meeting.

**2.4 Parent group**

The parent group is TSAG.

**2.5 Leadership**

See clause 2.3 of Recommendation ITU-T A.7.

**2.6 Participation**

See clause 3 of Recommendation ITU-T A.7. A list of participants will be maintained for reference purposes and reported to the parent group.

It is important to mention that the participation in this Focus Group has to be based on contributions and active participations.

**2.7 Administrative support**

See clause 5 of Recommendation ITU-T A.7.

**2.8 General financing**

See clauses 4 and 10.2 of Recommendation ITU-T A.7.

**2.9 Meetings**

The frequency and location of meetings will be determined by the Focus Group and the overall meetings plan will be announced as soon as possible. The Focus Group will use remote collaboration tools to the maximum extent, and collocation with existing meetings to the maximum extent. The meetings will be announced by electronic means (e.g., e-mail and website, etc.) at least four weeks in advance.

**2.10 Technical contributions**

Contributions are to be submitted at least twelve calendar days before the meeting takes place.

**2.11 Working language**

The working language is English.

**2.12 Approval of deliverables**

Approval of deliverables shall be taken by consensus.

**2.13 Working guidelines**

See clause 13 of Recommendation ITU-T A.7.

**2.14 Progress reports**

See clause 11 of Recommendation ITU-T A.7.

**2.15 Announcement of Focus Group formation**

The formation of the Focus Group will be announced via TSB Circular to all ITU membership, via the ITU-T Newslog and other means, including communication with the other involved organizations.

**2.16 Milestones and duration of the Focus Group**

The Focus Group lifetime is two years from the first meeting, but extensible by decision of the parent group if necessary.

A preliminary set of milestones includes:

* First Focus Group meeting: Fourth quarter of 2014

**2.17 Patent policy**

See clause 9 of Recommendation ITU-T A.7.

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1. Unstructured Supplementary Service Data [↑](#footnote-ref-1)