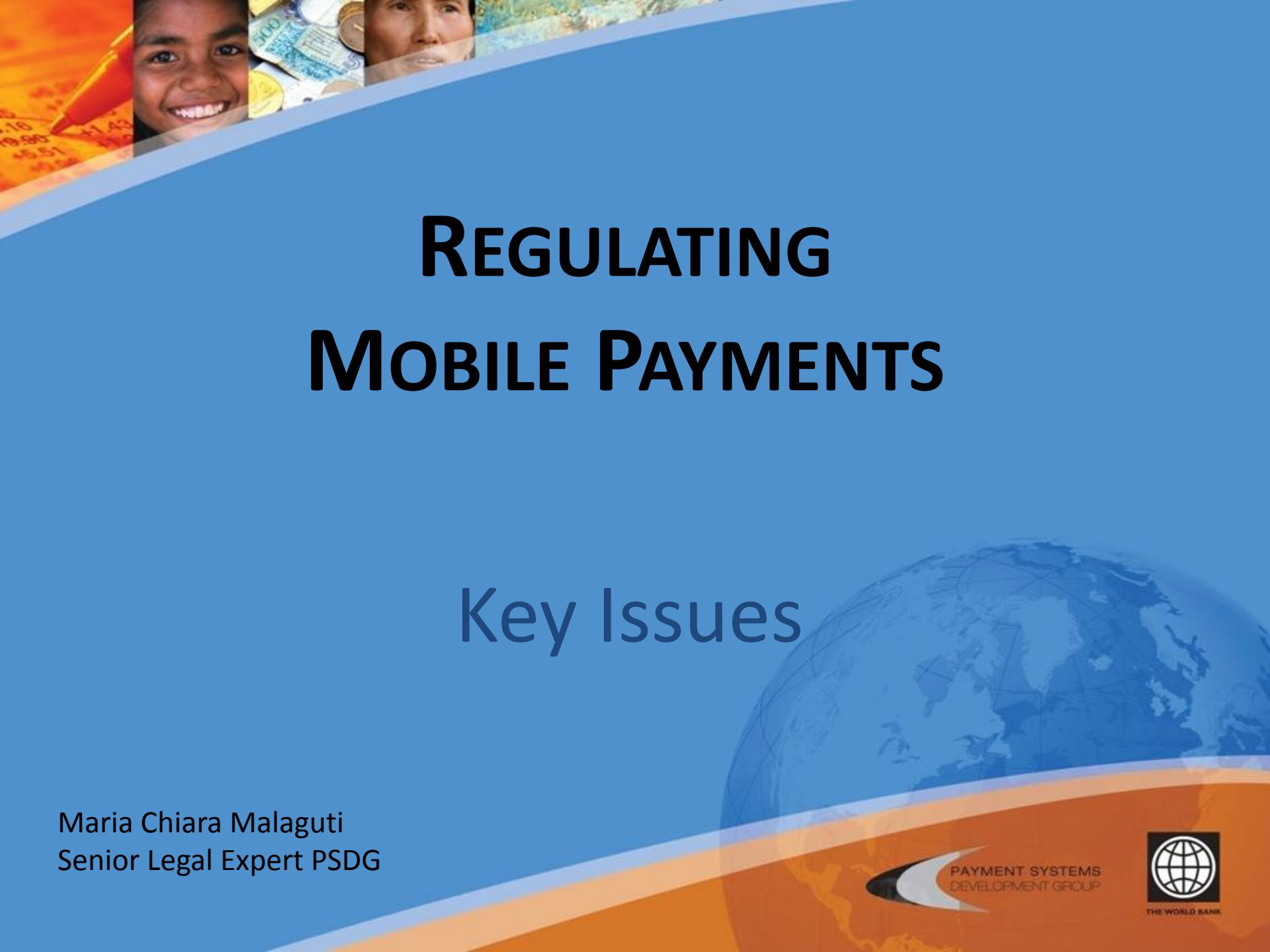




REGULATING MOBILE PAYMENTS

Key Issues

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THE MAIN MESSAGE

**Understanding innovative means
of payment within the common
framework of retail payment
system regulation**



RADIOLOGY OF MOBILE PAYMENTS



INFRASTRUCTURE

- **SETTLEMENT**
- **CLEARING**
- **PLATFORMS**

SERVICE PROVIDERS

DISTRIBUTION CHANNELS

- **OUTSOURCING**
- **AGENTS**

USERS

- **P2P**
- **TO BUY GOODS AND
SERVICES**

INFRASTRUCTURE

- **RETAIL
PAYMENT
SYSTEMS**

- Membership/access
- Governance
- Finality
- Safety
- Interoperability
- ...



SERVICE PROVIDERS

A bank or a group of banks allow customers to access their account remotely

This may imply the opening of special accounts only accessible by mobile, with caps and limited/no cost

A bank or a group of banks allow customers to access accounts remotely through a platform run by a third party. This platform may also connect merchants. Also in this case the bank(s) may open special accounts for the purposes of the new service. N.B.: the client might only deal with the MNO/agent although the account is open at the bank

A MNO provides payment services to its clients. It deposits the equivalent of money collected into an account at a bank (trust account, pooling account, account with sub-accounts...)

WHOEVER THE SERVICE PROVIDER IS

Customer's funds need to be protected

- Liquidity must be ensured: an equivalent amount of money must be deposited in a bank account or insured.
- Traceability must be granted: by sub accounts in a pooling account, by reporting standards
- Ownership of the funds in the bank account must be guaranteed under domestic law (trust account, other legal schemes)

OTHER GUARANTEES UNDER SOME REGULATIONS WHEN THE PSP IS NOT A BANK

- **The PSP may be required not to give credit**
- **The PSP may be required to provide payment services under a separate corporate entity or business unit**
- **MNOs accounts for payment services may be required to be with more than one bank**
- **Capital requirements against liquidity requirements**

DISTRIBUTION CHANNELS

OUTSOURCING

- **Strategic risk**
- **Reputational risk**
- **Operational risk**
- **Compliance risk**

[BCBS 2005]

AGENTS

- **Liquidity risk**
- **Remuneration**
- **Sharing of agents**
- **KYC**

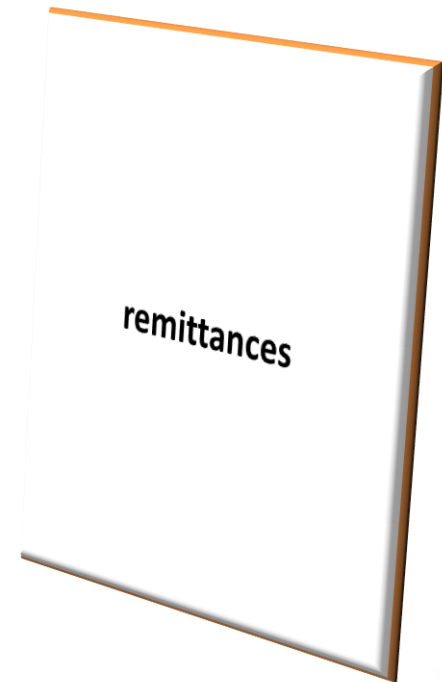
CUSTOMERS

- **Transparency**
- **Protection of customer data**
- **Protection against fraud and misuse**
- **Reports**
- **Redress procedures**
- **Role of merchants**

RETAIL INSTRUMENTS



DIFFERENT INSTRUMENTS, COMMON CONCERNS



TOWARDS COMMON PRINCIPLES



RISK-BASED ASSUMPTIONS

Remittance services, m-payments and pre-paid cards are components of the (retail) payments system and should consequently be taken into consideration under this approach for the kind of risks they raise



EFFICIENCY

As part of the retail payment system, these services should contribute to the overall effort to enhance the efficiency of the sector.

This means that one of the objectives of regulation should be to ensure that the benefits on any improvement in the retail payment space accrue to the end-users and the economy in general, without creating un-justifiable rents in some part of the value chain.



COMPETITION AND MARKET CONTESTABILITY

Different regulatory treatment might lead to distortions on competition: regulatory constraints should be proportionate to effective risks and public policy needs to ensure a level playing field for retail payment services in general.

In the same vein, regulation should be non-discriminatory and not favour/ignore certain categories of service providers over others.

Regulation should also remove business practices when they hamper competition severely.



CONSUMER PROTECTION

Retail payments raise the additional issues of consumer protection. Independently from the kind of commercial relationship between the provider and the user of the service, either durable or occasional, rules on transparency and protection of customers must be granted.

