

# FRAMING THE POLICY AND REGULATORY ISSUES

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***Windsor II Global Leadership Seminar on Regulating Transformational Branchless Banking***  
*March 9-11, 2009 | Windsor, UK*



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# What if you could double financial access

*. . . in less than 2 years?*

***What if it turned out this massive, rapid growth was fueled entirely by a single unlicensed, nonbank service provider?***

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# Takeaways

- Nonbanks are essential
  - . . . but **can** be regulated **prudently** without sacrificing financial access*
- Proportionate regulation: timing and sequencing is everything
  - . . . too soon/too much may **hold things back**, but **scale** can change quickly*
- Business case, business case, business case
  - . . . and policy & regulation are **key determinants***

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# The Crisis: what ramifications for branchless banking?

## Regulatory reaction:

... will it *hurt* financial access generally?

## Disaggregation of services/ regulatory fragmentation:

... parallels (or false parallels) between roots of sub-prime crisis and branchless banking?



## Focuses brighter spotlight on:

- Consumer protection
- G2P
- Government's possible role as a payment system provider on a "public utility" model?

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# Concepts and terminology

- Models: **“bank-based”** and **“nonbank-based”**
- **“Bank-based”** doesn't = **“bank-led”**
- **“Branchless banking”** versus **“mobile banking”**
- **“Agents”** versus **“third party service provider”**
- **“Transformational”** versus **“additive”** branchless banking
- **“Convergence”** – conflicting regulatory objectives
- **“Proportionate”** regulation
- **“Certainty”** and **“openness”**

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# Moving beyond moving money

*Payment and transfer services dominate*

*Regulation is partly to blame*

*(But also business case and practical challenges)*



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# Six big topics in regulating branchless banking

## Necessary but not sufficient:

Retail agents

Risk-based AML/CFT

## Next generation issues now:

Regulatory space for e-money

Consumer protection

Inclusive payment system reg

Competition and interoperability

*Source: CGAP/DFID Focus Note 43 "Regulating Transformational Branchless Banking: Mobile Phones and Other Technologies to Increase Financial Access"*

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# Topic 1 – Defining regulatory space for nonbanks

- Emerging mobile banking guidelines: ***decision tree***
- ***E-money*** and related topics in branchless banking: differing roles for nonbanks
- Nonbanks in branchless banking: the ***service provider's perspective***

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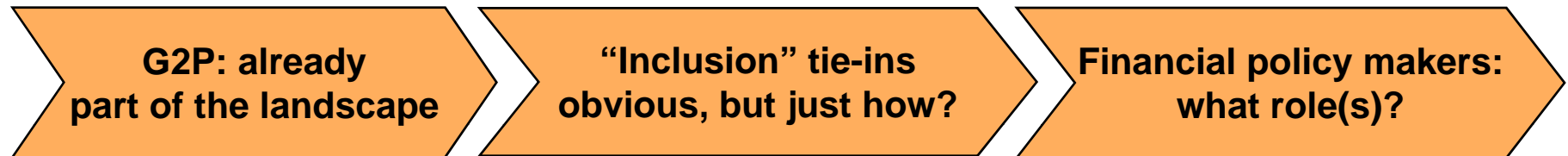
## Topic 2 – Consumer protection

- Financial crisis highlights need to make **customer protection, financial access** and **financial stability** mutually reinforcing
- CP issues in transformational branchless banking **are not unique**
  - . . . but **nature** of branchless banking **amplifies** certain CP challenges
- What will be **proportionate CP regulation** in branchless banking?

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# Special topic

## Linking branchless banking with gov't transfers (“G2P”)



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# Topic 3 – Competition in payment systems

- Competition issues in retail payments:
  - **critical** to branchless banking
  - growing more **complex**
- What is **optimal** level of **competition** (and how to balance **cooperation**)?
- Financial regulators must understand competition issues, **regardless of legal mandate**
- Some **key issues**:
  - pricing
  - exclusionary practices
  - precluded access to payment systems
- **Impose** an “access regime” on a particular payment system?

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# Special topics

## Three parallel sessions

AML/CFT

Use of Agents

G2P

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# Branchless banking scenarios

- No crystal ball in our complex and fast changing world
- But we can understand driving forces and main uncertainties in future development of branchless banking

**Driving question:**

***“How can private sector and government most affect the uptake and usage of branchless banking among the unserved majority by 2020?”***

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# “Clinics”/“Surgery”

. . . What topics are hot in your country?



- Financial crisis, new global financial architecture, & “re-regulation”
- Other topics more closely related to branchless banking?

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