

Transparency in Mobile Payments & Reporting (CASE STUDY)



FAIR TREATMENT OF CUSTOMERS

SECURITY OF THE MOBILE
NETWORK AND CHANNEL

SOUNDNESS OF
SERVICES

Our growth depends not on how many experiences we devour, but on how many we digest. *“Ralph W. Sockman”*

Mobile payments industry has huge potential, and the winners will be those who can develop new business models and partnerships – invest in promising technologies – and meet consumers’ desire for transparency, security, speed and convenience-Patrick Gitau .

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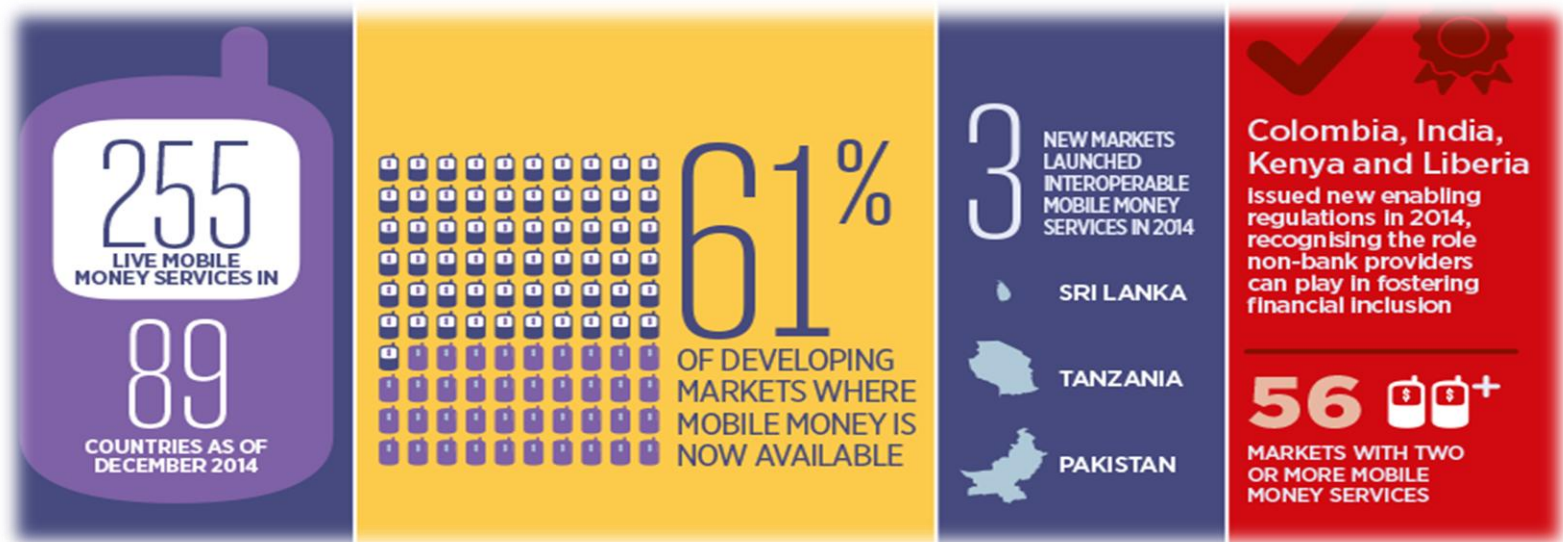
1	Session Objective
2	Introduction & Definitions
3	Case Studies
4	Mobile Payment Transparency Principles
5	Mobile Payment Reporting

Learning Objectives

- **A case of Kenya Mobile Payment**
- **Principles of Mobile Payment transparency**
- **Context of regulatory framework for e-money issuers**

Mobile Payment at Global Stage

- **Gartner Says Worldwide Mobile Payment Transaction Value to Surpass \$235 Billion in 2013-** expect global mobile transaction volume and value to average 35 percent annual growth between 2012 and 2017, and we are forecasting a market worth \$721 billion with more than 450 million users by 2017,”



The global mobile payment transaction forecast is expected to reach \$4.6 trillion in 2019, compared to \$1.8 trillion in 2014,

Kenya Mobile Payment Data



THE KENYAN JOURNEY
TO DIGITAL FINANCIAL INCLUSION

ACTIVE MOBILE
MONEY
CUSTOMERS
as of Dec 2014

12.5M



MOBILE MONEY
TRANSACTIONS
IN VOLUME
as of Dec

73.9M

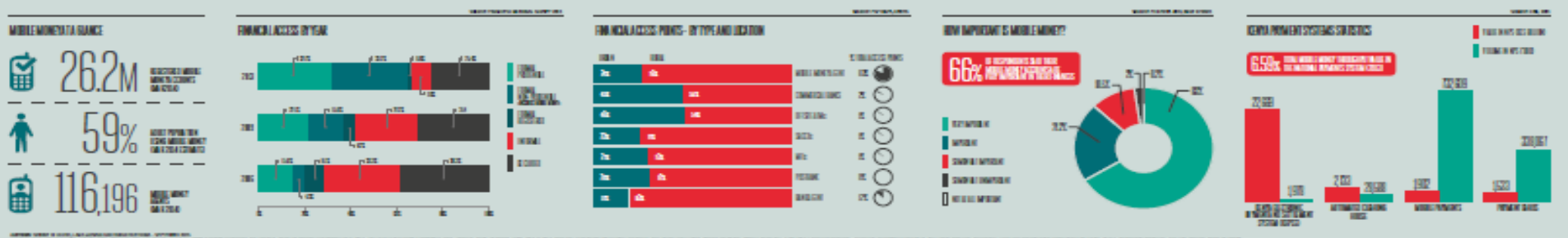
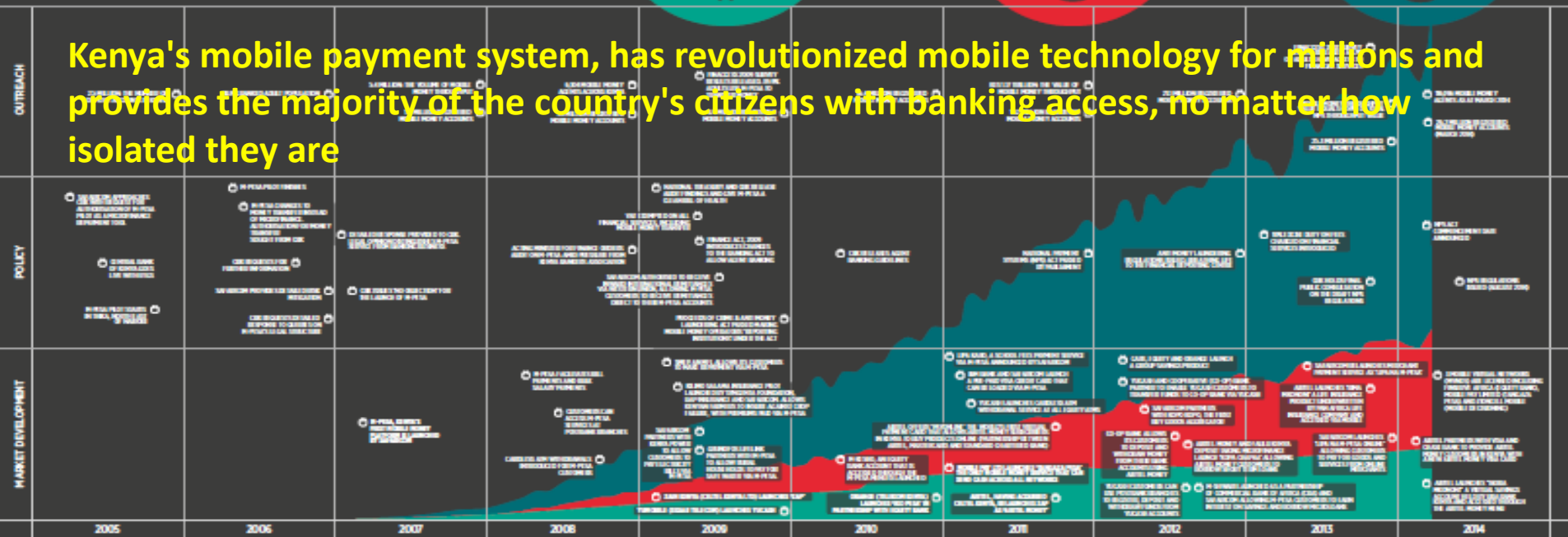


MOBILE MONEY
TRANSACTIONS
IN VALUE
as of Dec 2014

192.6BN

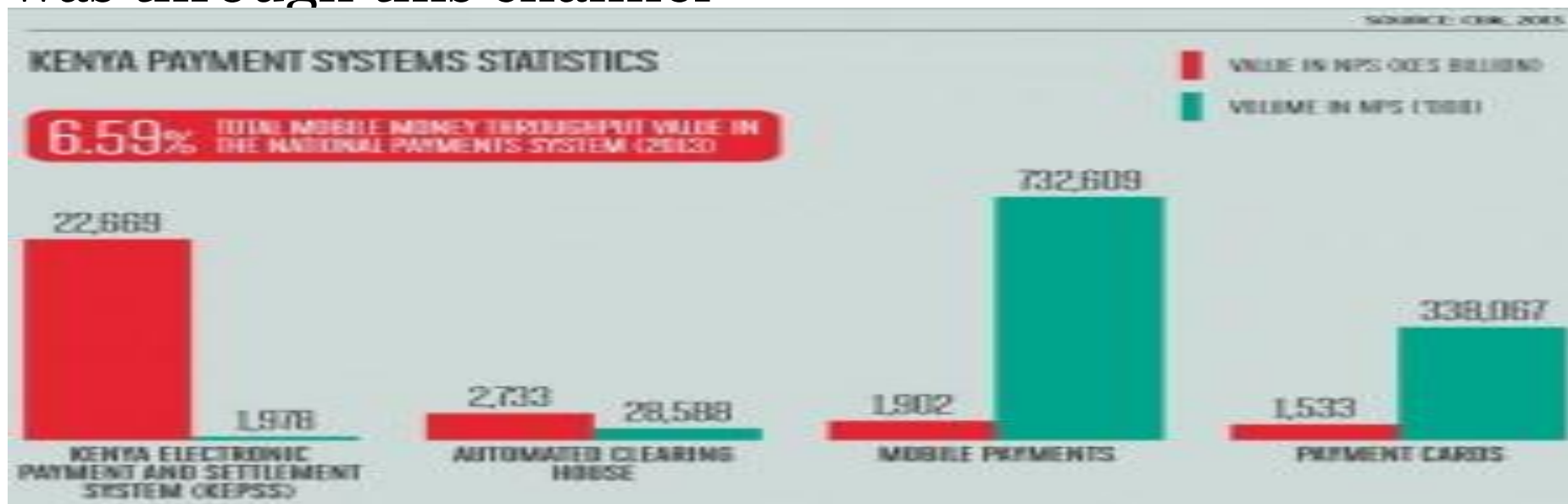


Kenya's mobile payment system, has revolutionized mobile technology for millions and provides the majority of the country's citizens with banking access, no matter how isolated they are



Kenya Mobile Payment Story

Misquote or true Story: the value of mobile money in Kenya, reporting in 2014 that 43 percent of Kenyan GDP is being channeled through M-PESA, and reporting in 2013 that 31 percent of Kenyan GDP was through this channel



KES 3.8 trillion (USD 42.6 billion) to KES 4.76 trillion (USD 53.3 billion)

Kenya News

CBK sets tough sign-up rules for telcos and banks

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The Central Bank of Kenya building in Nairobi. The bank requires telcos and banks to confirm customers' ID numbers with the government register before signing them up. PHOTO | FILE

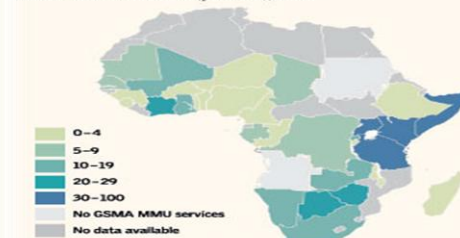
government register before signing them up. PHOTO | FILE

The Central Bank of Kenya building in Nairobi. The bank requires telcos and banks to confirm customers' ID numbers with the

Regional banks jittery over threat posed by mobile money services

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Mobile money account penetration in Sub-Saharan Africa
Adults with an account (per cent), 2014



Note: "No GSMA MMU services" account services included in the GSMA MMU database.

Source: Global Findex database



Banks in East Africa are growing jittery over the deepening uptake of mobile money services, which threatens to erode traditional banking models. TEA GRAPHIC | NATION MEDIA GROUP

Kenya Security News

Agency set to watch more bank clients in terror cash hunt

SHARE BOOKMARK PRINT RATING ☆☆☆☆☆



The Central Bank of Kenya building in Nairobi on June 20, 2015. PHOTO | SALATON NJAU

Global Mobile Payment Leader



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M-PESA

Since its inception 7 years ago, M-PESA has continued to lead the world in mobile money technology. It has revolutionised the way Kenya does business; it has been a source of great transformation in the lives of Kenyans. As the world spins further into the 21st Century, the future of M-PESA is promising, revealing more opportunities to bring positive change and progress to Kenya and the world.

The world's unlikely leader in mobile payments:

Related links

[My M-PESA](#)[M-PESA Services](#)[M-PESA Agents](#)[M-PESA Legal](#)[M-PESA Statistics](#)[Managing My M-PESA](#)[M-PESA Tariffs](#)[Nchi na Safaricom M-PESA](#)

Subscriber SIM Registration

Cannot find what you are looking for? Chat with our customer care representative

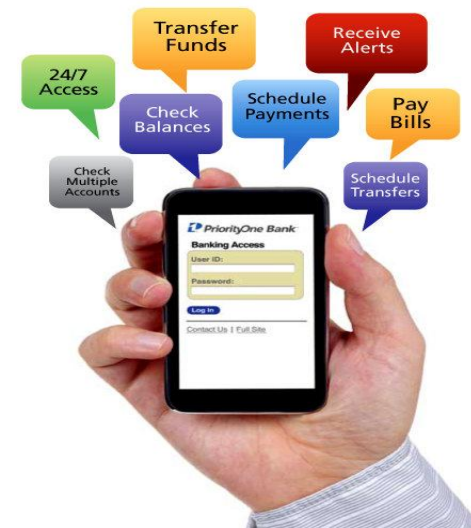
[LIVE CHAT](#)

Introduction –Kenya Situation

- 43% of GDP through up from 31% last year MPTRX / individual can transact in a day is Kshs 140,000 (or approximately US\$1600) /AV Trx Kshs2,634 (US\$30) for February 2014. ((Source Economist).
- Estimated 59% of Kenyan actively using mobile money services[1] and transacting over KES 192.6 billion (USD 2.2 billion) per month on average
- Current mobile money market size is about 15 million users transferring Kshs. 2 billion daily –
 - of these over 14 million are Mpesa customers
 - Mpesa competes with Orange Money, Airtel Money and Yu Cash – who have only 500,000 users collectively
 - Competition is set to intensify as more companies enter the segment with an eye on the USD 200 billion revenue to be gained from the cash transfer service

Mobile Payment Service offerings

- Mobile phones can be used to deliver a range of banking services, including:
 - money transfers
 - retail purchases
 - bill payments
 - welfare payments and other social services
 - savings
 - withdrawals
 - remittances
- Transaction data can be used to develop customers' credit histories:
 - Can lead to a wider range and depth of inclusion



Mobile Payment Methods



Peer-to-peer

“Peer-to-peer” transfers occur when one person pays another person using a mobile device. The device uses either a preloaded app or a browser-based app to initiate, authenticate, and transfer funds.



In-person

“In-person” purchases are initiated using a mobile device where the buyer and seller are in-person, usually at a brick-and-mortar retail location where the product/service is immediately delivered.



Remote

“Remote” payments are made when a buyer purchases goods or services using a mobile device, but the buyer is not physically present with the seller and the goods are not immediately delivered (as with eCommerce).

Source: Forrester Research, “US mobile payments forecast, 2014 to 2019,” November 17, 2014.

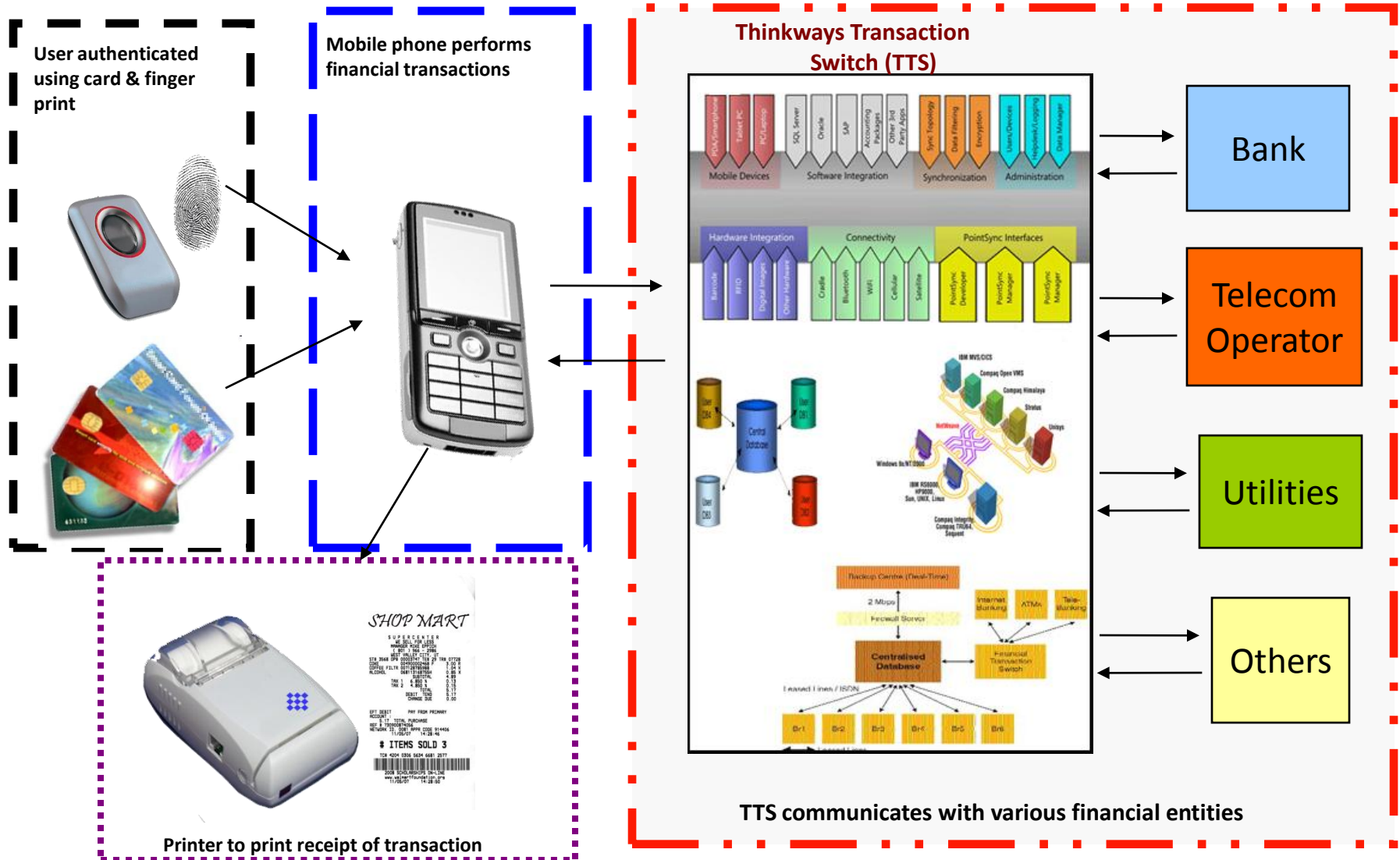
What Mobile Payment mean to Finance Services Industry

Shape up of ship out

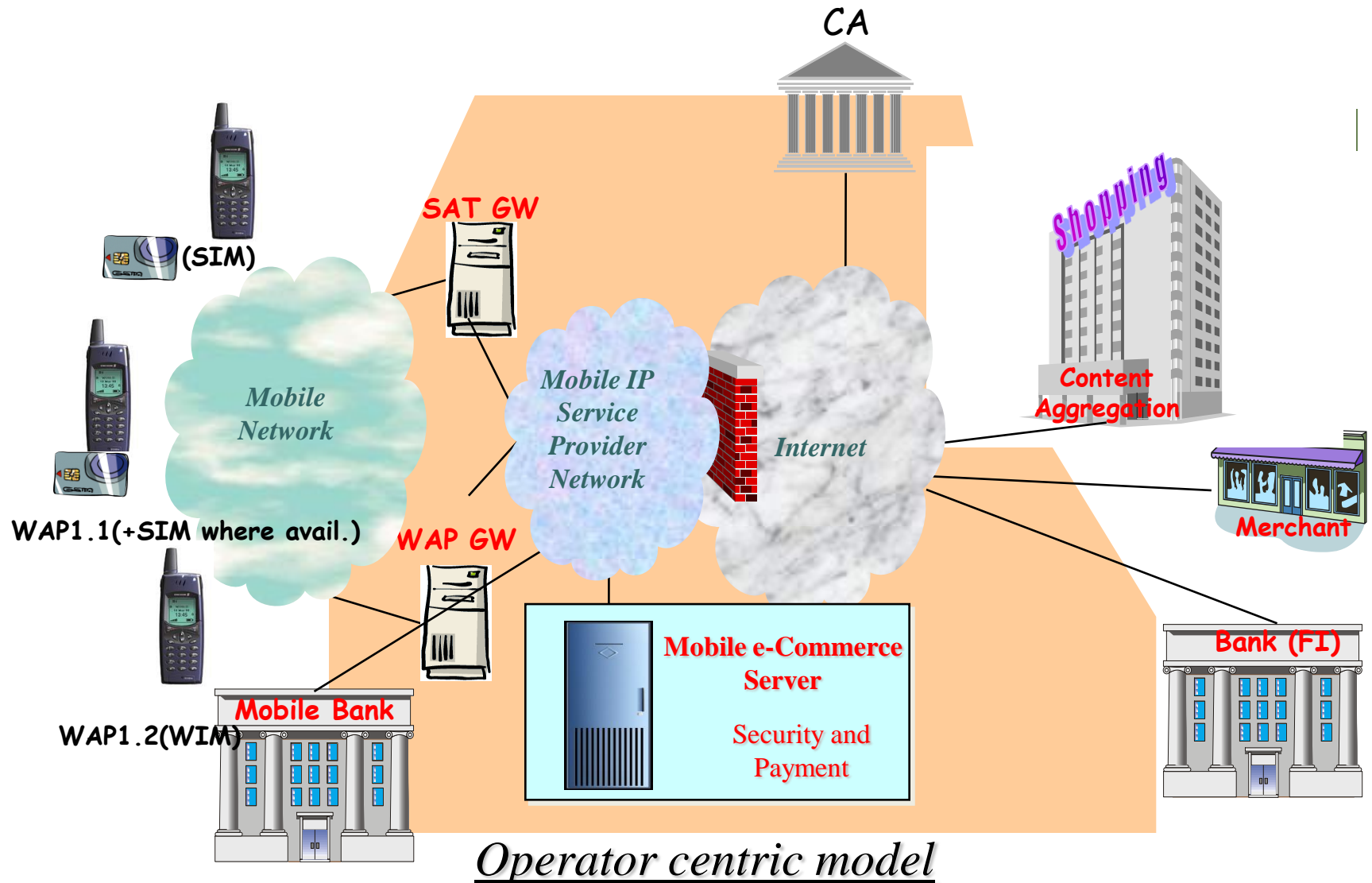
Key financial services can be provided by the banks to their customers:

- ✓ Basic Banking
- ✓ Money Transfer
- ✓ Remittance
- ✓ Bill Payments
- ✓ Mobile Recharge
- ✓ Mobile Wallet
- ✓ Mobile ATM
- ✓ Ticketing
- ✓ Loyalty & m-coupon
- ✓ Insurance & Loans
- ✓ POS based services

Mobile Payment Flow



Security in M-Payment Environment



What does this Mean to Kenya

- 48% of Kenyans believe mobile finance can replace banks
- In Kenya only 23% of the population has access to a bank account. By contrast, 14 million of our 20 million adult population use M-PESA, transacting over Sh2 billion a day
- Mobile money transfer and mobile banking will accelerate the development agenda - as tele-density picks pace, the potential for economic growth becomes significant

Transparency Expectation

- Consumers expect technology to deliver transparency, and they are starting to expect the same kind of transparency and frictionless transactions from other financial services .

Mobile Payment Principles (GSMA)

- Principle 1: Mobile money providers (“providers”) safeguard customer funds against risk of loss.
 - Protection against loss due to failure of bank, provider, or other party
 - Protection against settlement risk

Mobile Payment Principles (GSMA)

- Principle 2: Providers have in place effective, proportional risk-based mechanisms to prevent, detect, and report the misuse of services for the purpose of money laundering or terrorist financing (ML/TF).
 - Effective policies and procedures/ Senior management commitment/CDD

Mobile Payment Principles (GSMA)

- Principle 3: Providers screen, train, and monitor staff, agents and entities providing outsourced services to ensure that they offer safe and reliable services and comply with all relevant operational and legal requirements.
 - Due diligence policies and procedures
 - Training
 - Contractual agreements
 - Proper oversight
 - Providers' responsibility for actions of agents (and any sub-agents)

Mobile Payment Principles (GSMA)

- Principle 4: Providers have well-developed policies and processes and sufficient network and system capacity to ensure reliable service provision.
 - Board and senior management oversight
 - Network and system capacity testing
 - Robust back-end settlements
 - Business continuity and contingency plans

Mobile Payment Principles (GSMA)

- Principle 5: Providers take robust steps to ensure the security of the mobile network and channel.
 - Governance
 - Building a secure network, systems, and applications
 - Ongoing monitoring

Mobile Payment Principles (GSMA)

- Principle 6: Providers communicate clear, sufficient, and timely information in a manner that customers can understand so that customers can make informed decisions.
 - Effective disclosure and transparency
 - Safety and security

Mobile Payment Principles (GSMA)

- Principle 7: Providers have in place mechanisms to ensure that complaints are effectively addressed and problems are resolved in a timely manner.
 - Policies and procedures to ensure efficient resolution of customer complaints
 - Availability of customer service support
 - External recourse mechanisms

Mobile Payment Principles (GSMA)

- Principle 8: Providers collect, process, and/or transmit personal data fairly and securely.
 - Governance
 - Transparency and Notice
 - User Choice and Control
 - Minimization of Data Collection and Retention

MPESA on Sustainability report

Mobile money services are driving financial inclusion, offering people without a bank account access to financial services. In this way our mobile money transfer and payment product, M-Pesa, enhances the ability of people to improve their livelihoods.

M-Pesa began in 2007, enabling people to transfer small amounts of money to friends and family via their mobile phone; it is now a well-established part of our business with over 16.8 million active users¹.

Many people still have no access to financial services, especially in emerging markets. M-Pesa offers people a way to transfer funds that is cheaper than traditional alternatives such as wiring money, and safer than carrying or sending cash.

M-Pesa continues to evolve. Our partnership with the Commercial Bank of Africa, for example, is enabling people to save money and access loans via their mobile phones. In 2013/14, we launched the service in Mozambique, Lesotho, Romania, Egypt and India.

Extending access to M-Pesa

M-Pesa is available in a number of markets where the population includes a high percentage of the 'unbanked' – people who do not have access to a bank account. In 2013/14, we launched the service in Mozambique, Lesotho, Romania, Egypt and India. M-Pesa also continues to have a strong and growing presence in other states in Africa.

There are now 16.8 million active users of M-Pesa. In 2013/14, the number of active users increased by 18% and we processed 2.8 billion transactions, up 27% from 2012/13¹.

" Services like M-Pesa are exciting because formal financial services of any kind have been available to only 23% of the 2.5 billion people who live on less than US\$2 per day. A recent study² found that M-Pesa allows users to maintain steady levels of consumption, particularly of food, through shocks such as job loss, illness, harvest failure and livestock deaths."

Bill Gates, The Bill & Melinda Gates Foundation

Source: Vodafone Group Plc, 2013/14 Sustainability Report

Kenya's regulatory framework

- ***Ring-fencing and safeguarding of funds:*** in order to allocate risk and minimise the concentration of trust funds balances in one institution, the NPS Regulations require that the funds be diversified across strong-rated institutions.
 - Where the trust funds balances are in excess of KES 100 million (US\$ 1.14 million) the funds will have to be placed in at least two strong-rated institutions with a maximum of 25% of the total trust fund balance held in each institution.
- ***Risk management:*** the NPS regulations have made provision for the application of international standards such as the BIS Committee on Payments and Settlement Systems (CPSS) core principles and the Financial Action Task Force (FATF) recommendations.
 - Operators are required to comply with such international standards in addition to any other technical standards that the CBK may prescribe.
- ***Non-exclusive dealings with agents:*** the NPS Regulations prohibit exclusive dealings with agents thus empowering agents to seek contracts with multiple service providers. The agent shall enter into separate contracts with each institution.
- ***Interoperability:*** in order to encourage interoperability the regulatory framework has provided for the recognition by the CBK of a Payment Service Provider Management Body (PSPM).
 - The PSPMB would essentially be a clearing and settlement house for mobile money transactions established and operated by payment service providers, including e-money issuers.
 - It is also intended to act as a channel for communication by its members with the CBK and as a forum through which matters of mutual interest can be addressed.

Patrick Gitau-MBA,CFE, CIA, CRISC, GRCP

Fraud Management | Mobile Financial services | Internal Assurance | GRC

Educational Qualifications

- MBA –Finance with Merit
- Diploma in Business Management
- Diploma in IT Application & Systems
- Diploma 1 Data Processing Management
- Diploma Legal Studies
- Diploma Project Management

Professional Qualifications

- Certified Internal Auditor -CIA
- Certified Fraud Examiner-CFE
- Certified Governance Risk and Compliance Professional –GRCP
- Certified in Risk and IT controls-CRISC
- ACCA Part Qualified

Experience

- Independent Consultant-Jan 2013 to date
- Senior Manager –GRC @ PwC - Jan 2012-13
- Risk Management Specialist –Globacom Nigeria-Aug-2009-Dec 2011
- Manager- Risk , Fraud and Revenue Assurance –Essar -July 2008-August 2009
- Risk Analyst –Zain Kenya -2000- 2008
- Co-Founder of ACFE Kenya Chapter and GARP Kenya Chapter
- Business Development -KPLC 1997-2000
- Temporary Employments-1994-1997
- Various Vocation, Business Advisory and Training

Profile brief

A Risk Expert with multinational experience having undertaken Assignment in Nigeria, Benin and Ghana (West Africa) Zambia and Malawi, and South Africa (South Africa) Afghanistan (Central Asia) and Kenya providing risk centric Business Advisory and Capacity Building through training.

Is current Head of IT Risk Management at Equity Bank, Previously was a Senior Manager in Governance Risk and Compliance (GRC) Business at PwC, dedicating 17 years of Risk Management, Mobile Financial services, Revenue Assurance, Corporate Fraud Management and Business Development. Having been involved in setting up Risk & Control functions , expertise in Internal Audits , ERM, Tele-Banking services (Mobile money services) and Fraud governance plus has been involved in successful multiple Project Risk Assurance/Product Assurance provides a distinctive wealth of knowledge

He is founding secretary of the Local Chapter of Risk Management Professionals –GARP Kenya and pioneer board member and first training Director of chapter of Fraud Examiners -ACFE Kenya and has been instrumental in creating Fraud fighting capacity for Kenya. Other Key experience include Auditing for Fraud, Project Management and Risk and Fraud Management Training

Key expertise

Risk Management

- Enterprise Risk Management (ERM)–ISO 31K/COSO /Basel III/Risk IT/SOX /GRC Capability
- Fraud Analysis for Investments, Integrity system set up and review, Fraud Health & policy design, Fraud Risk Assurance (Assessments, Examination and Prevention /Fraud Training)
- Revenue , Projects and product Assurance
- Internal audit , BCM, CMMI , IT Risk, IT policy development and process reviews

Business

- Business Development, Strategy & Financial Mgt, Entrepreneurship and Business Training
- Tele-Banking Service and Customer Services , and Mobile Financial services

Technology capabilities :

- Platforms: MS Windows 2000/XP/7 |Development: Foxpro/VB/Dbase | ERPs: Oracle, SAP
- Productivity Tools: MS Office Suite/SQL /Visio/CRM's /FMS's and RAM's /QuickBooks/Sage/CAATS
- Methodology: Transform and Change Management/Global IAS/BCM/ERM/GRC Methodologies

If you can't explain it **simply**, you
don't understand it well enough.

– Albert Einstein

Patrick Gitau, MBA-Finance CIA, CFE, CRISC, GRCP
Risk Management Advisers

Thank you

