

Quarterly
Branchless
July - September 2013
Issue 9
Banking
Newsletter

❖ Analysis	03
❖ Snapshot	08
❖ Events	10
❖ Local News	13
❖ International News	15
❖ Appendix 1: Definitions of key terminologies	17

**LEVERAGING TECHNOLOGIES AND PARTNERSHIPS TO PROMOTE
FINANCIAL INCLUSION**



State Bank of Pakistan

Agricultural Credit and Microfinance Department

Branchless Banking Newsletter Team

Team Leader

Dr. Saeed Ahmed

Team Members

Qazi Shoaib Ahmad

Faiqa Naseem

Sharoon Rasheed

Rajesh Raheja

Acknowledgement:

State Bank of Pakistan wishes to acknowledge valuable contributions and data support from Tameer Microfinance Bank Limited (Easypaisa), United Bank Limited (Omni), Waseela Microfinance Bank Limited (Mobicash), Askari Bank Limited (Timepey), and Habib Bank Limited (HBL Express), U-Microfinance Bank (U-Paisa)

Contact us:

Agricultural Credit & Microfinance Department,
State Bank of Pakistan,
I.I. Chundrigar Road, Karachi.

Phone: 021-3245-5868

Fax: 021-99212567

E-mail: branchlessbanking@sbp.org.pk

URL: <http://www.sbp.org.pk/publications/acd/branchless.htm>

Disclaimer: Whilst every effort has been made to ensure the quality and accuracy of this newsletter, the State Bank of Pakistan claims no responsibility regarding the contents of this newsletter. The content and comments in this newsletter are provided for educational purposes and for general information only. In no event will the State Bank, its affiliates or other stakeholders be liable for any mistakes. The analysis presented in this newsletter is for the quarter only, whereas, the news and events are covered till the date of issuance of the newsletter.

Branchless Banking Analysis

Branchless Banking Analysis

The third quarter of the calendar year 2013 came to a close with almost 52 million branchless banking transactions, which led total value of transactions to reach Rs. 224 billion, thus reflecting 16% growth in numbers and a notable 29% growth in value during the quarter. The network of agents facilitating the BB industry across the country has reached 110,214 agents, albeit most of the growth stems from shared rather than exclusive agents.

During the period under review, 355,574 new accounts were opened and the cumulative BB accounts grew to 2.97 million. One leading BB player's policy to entirely withhold account opening charges from a previously fixed fee of Rs 60 may explain why 58% more level 0 accounts and 39% more level 1 accounts were opened during this quarter as compared to new accounts opened during the last quarter. The budding market competition is prompting the new players to strongly pursue market share while early providers are introducing strategies to stay ahead. Cumulatively in terms of volume of transactions, the new players captured a share of 11.3% of total transactions in the market (4% more share than last quarter), while EasyPaisa and Omni remained market leaders with shares of 61% and 28% respectively.

M-wallet deposits' value of BB players currently stood at Rs. 2.32 billion. Compared to last quarter, the deposits witnessed an overall reduction of Rs. 71.5 million, particularly from level 0 accounts whose deposits shrunk by 33%. The withdrawals were mainly attributed to G2P payments made in June and July 2013 under the Income Support Program as well as seasonal outflow related to Eid festivities during the month of August 2013.

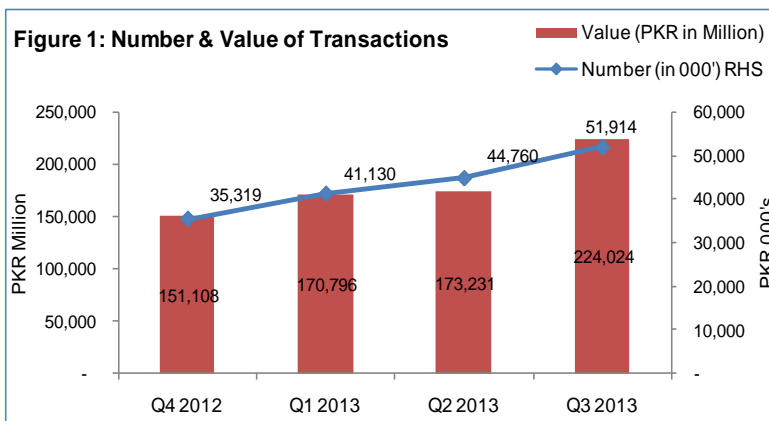
Meanwhile, OTC transactions, with a share of 81% in overall number of BB transactions still dominated over m-wallet transactions which have taken up a share of 14%. However, a slight pickup of 2% in m-wallets transactions in comparison to last quarter has been observed during July-September 2013. Mobile top up payments with a share of 35% remained the largest contributor to the volume of m-wallet transactions. Further, utility bill payments via m-wallets sharply rose by more than 100% from last quarter after a key player incentivized these payments by waiving off the linked service charges.

With each new quarter, the branchless banking industry is getting competitive; however its biggest test remains moving beyond money transfer and bills payments, and to accelerating registration and usage of customers' m-wallets.

1. Number and Value of Transactions

Branchless banking providers collectively transacted 51.9 million transactions valuing Rs. 224.0 billion during the quarter, as compared to 44.7 million transactions valuing Rs. 173.2 billion during the last quarter (Figure 1).

On average, 576,822 transactions have been performed per day with an average transaction size of Rs. 4,315. Major contribution in BB transactions came from Easypaisa (61.2%) and Omni (27.6%), whereas, combined contribution of new players amounts to 11.2% in this quarter, which is an improvement from their combined share of 7.2% recorded in the previous quarter (Figure 2).



In terms of value of transactions, 52% share was attributed to OTC transactions, followed by 42% share of value transacted by agents for liquidity management, whereas 6% accredited to m-wallets (Figure 4). The share of number of OTC transactions slipped from 83% in the previous quarter to 81% in this quarter, whereas m-wallet transactions rose from 12% last quarter to 14% recorded in the quarter under review.

The share of m-wallets transactions has marginally improved, which may indicate that BB customers are warming up to increased usage of m-wallets. The rise in m-wallets transactions was most pronounced in Omni and Easypaisa whose transactions through m-wallets grew by 36% and 25% respectively during the quarter. Agent transactions for liquidity purposes represented 5% in terms of total volume, showing slight increase of 1% from last quarter. Moreover, in terms of value, its share rose to 42%, higher than 40% recorded in the previous quarter (Figure 3).

Figure 2: Share in Number of Transactions

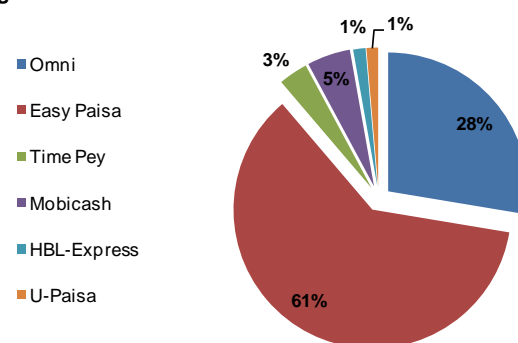


Figure 3: Volume of Transaction (in 000's)

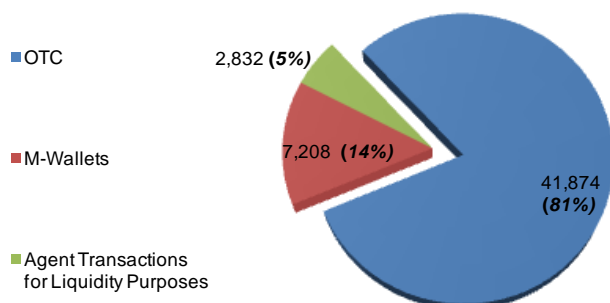
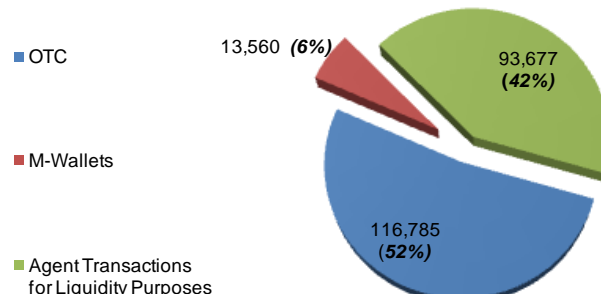


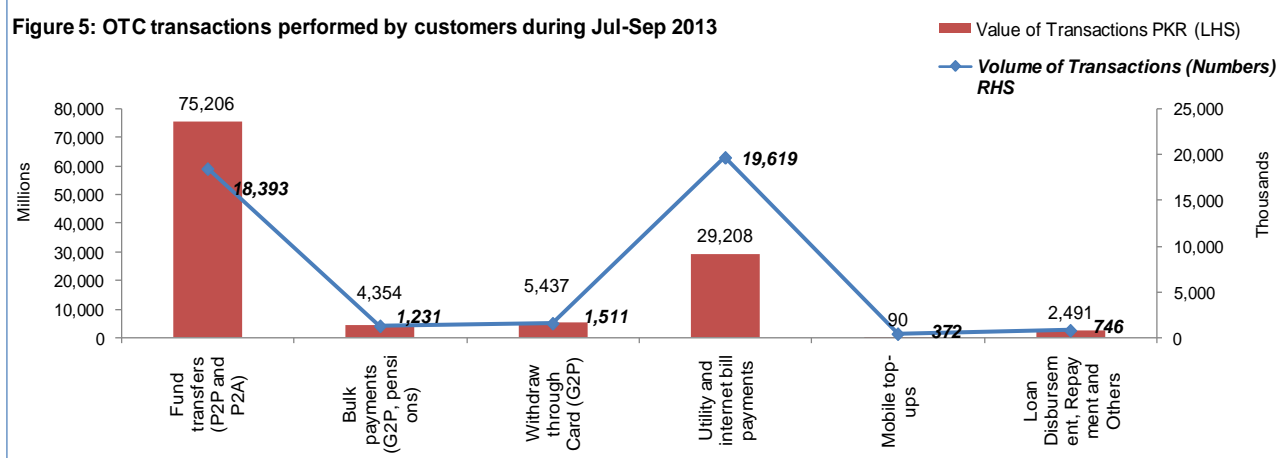
Figure 4: Value of Transaction (PKR Million)



a. OTC Transactions

BB Customers carried out more than 41.8 million OTC transactions valuing Rs. 116.8 billion higher than Rs 37.3 million OTC transactions valuing Rs 94.5 billion recorded last quarter (Table 3). Overall OTC transactions grew by 12% in volume and 24% in value, compared to last quarter. The highest number of transactions came from utility and internet bill payments at 19.5 million transactions, climbing up from 18.5 million registered during the last quarter, and reflecting 46% of total OTC transactions during the period under review. Volume wise, fund transfers represented the second largest share at 44% of total transactions registering 18.4 million transactions, up from 16.1 million recorded last quarter (Figure 5).

Figure 5: OTC transactions performed by customers during Jul-Sep 2013



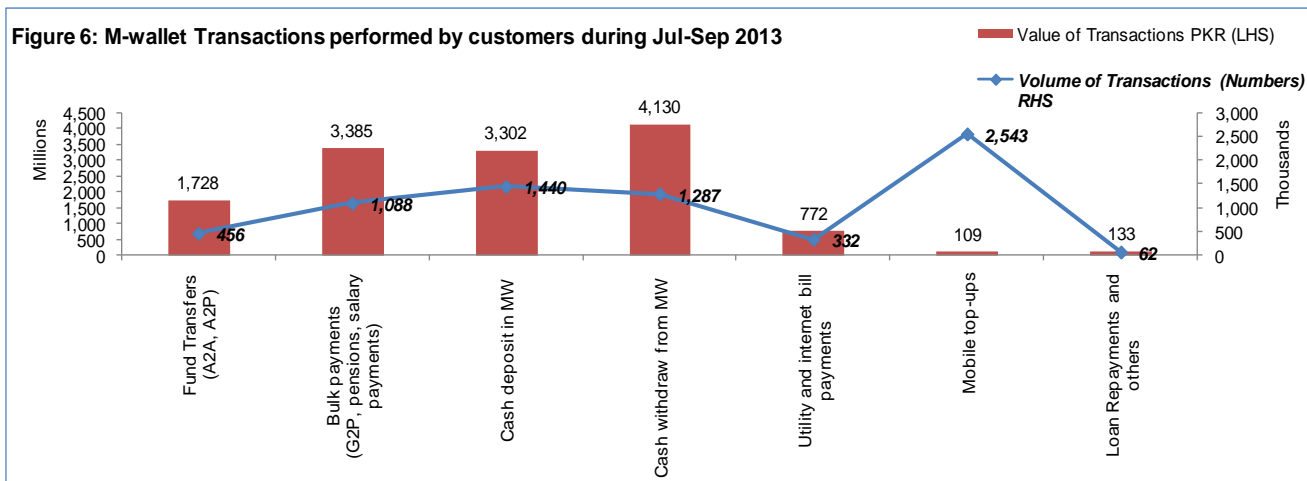
In terms of value, fund transfer transactions worth Rs. 75.2 billion were transacted during the quarter, increasing by 14% from the previous quarter. Whereas the second highest contribution came from utility bill payments, for which transactions worth Rs 29.0 billion were carried out during this quarter, significantly increasing from Rs 19.0 billion recorded last quarter (Figure 5). The sharp growth in utility payment was due to high electricity bills during this time period of peak high temperature. Both of these types of transactions continue to denote the key categories for industry wide growth and earnings for BB players. The share of the remaining categories, including bulk payments of G2P and pensions, withdrawal through G2P cards, mobile top ups and loan repayments collectively represented 9% and 11% in number and value of OTC transactions respectively, up from 7% and 10% respectively in the preceding quarter.

a. M-wallets Transactions

M-wallet holders performed 7.2 million transactions worth Rs. 13.6 billion during the quarter, higher than 5.5 million transactions worth Rs 9.4 billion recorded last quarter. The highest share of m-wallet transactions in terms of value came from cash withdrawals worth Rs 4.1 billion up from Rs 2.2 billion recorded last quarter, whereas the second highest share of m-wallets came from bulk payments worth Rs 3.3 billion, up from Rs 2.5 billion from last quarter. In terms of volume of transactions, mobile top up payments seized the highest share of 35% from total m-wallet transactions, with cumulative 2.5 million transactions recorded this quarter, 12% higher than last quarter (Figure 6).

One of the BB players incentivized utility payment transactions by waiving off the connected service fee, which raised the growth in volume of utility payment transactions. From 140,456 transactions in last quarter, utility payments via m-wallets jumped to 328,696 in number, valuing Rs 768 million. The positive stimulus indicates that with the right strategies BB account holders can gradually adopt digital payments for routine transactions and increase m-wallet take up.

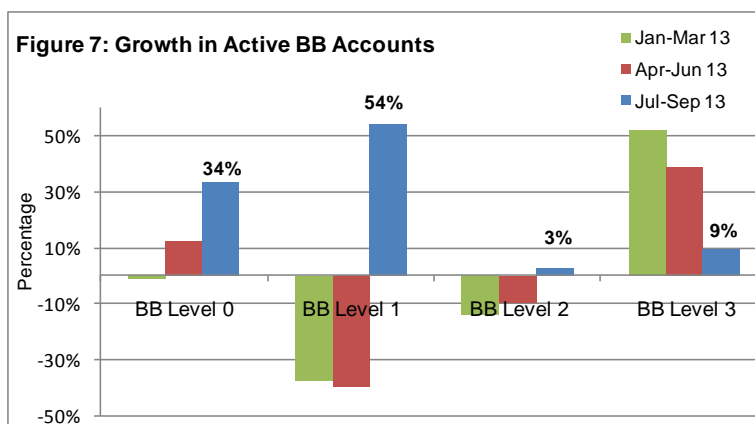
Figure 6: M-wallet Transactions performed by customers during Jul-Sep 2013



2. Branchless banking accounts

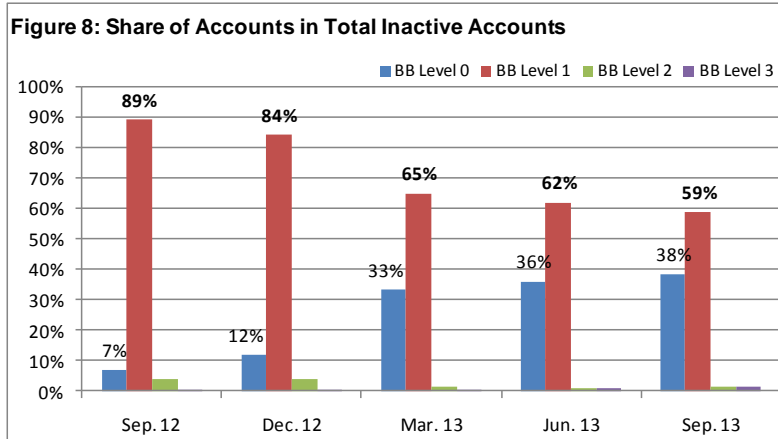
The net increase of 323,365 accounts during the quarter propelled total accounts to reach 2,966,306 in cumulative number. Out of the gross new 355,574 accounts opened during the quarter, 336,122 were level 0 accounts, which have driven the total level 0 accounts to reach 1.82 million in number. Whereas 10,196 new level 1 account were registered during the quarter, bringing its total number to 1.0 million as of date. One leading BB player introduced a policy to completely withdraw account opening charges from a previously fixed fee of Rs 60. This may explain why during this quarter, 58% more level 0 accounts and 39% more level 1 accounts were opened, compared to the last quarter.

As active accounts increased to 1.5 million in number, compared to 1.13 million in last quarter, BB account activity witnessed a 33% jump during the quarter. The most pronounced pickup in activity was seen in level 1 accounts growing by 54%, followed by activity in level 0 accounts that rose by 34%, in comparison to the preceding quarter (Figure 7). Furthermore, this was coupled with a 4% decline in inactive accounts bringing their total number down to 1.45 million from 1.5 million in the last quarter. This is a significant development for the year 2013 so far, as previous quarters showed dismal growth in active accounts, and the trend suggests that some of previously inactive accounts may have become active in this quarter.



However, the prominent account activity may be linked to different policy measures adopted by the industry leaders. During the quarter, one of the BB players initiated to charge Rs 0.24 transaction fee to accountholders every time they check their m-wallet account balance from their mobile handset. Since the customers are henceforth charged a nominal fee for this habitual activity, the m-wallet accounts register a small transaction and the dormant accounts automatically classify as active accounts. This strategy has led to a phenomenal growth of 82% in the policy initiator's active BB accounts. Given that during this quarter, this BB player contributed to 25% of overall active accounts of the industry, the growth in general account activity may be taken with a grain of salt.

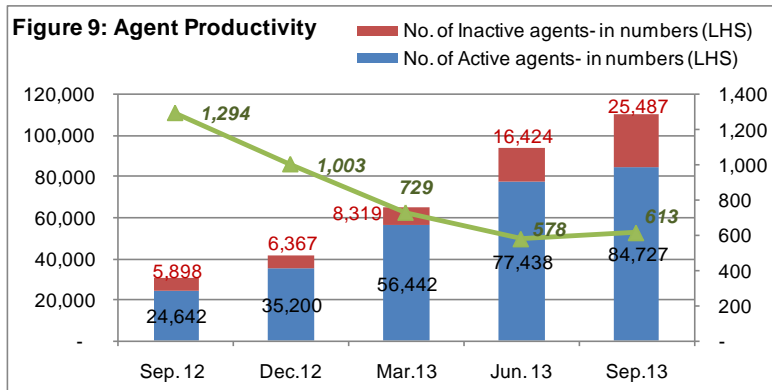
Currently 1.45 million accounts still remain inactive as of September 2013, out of which 97% are BB Level 0 and Level 1 accounts. During the year Level 0 accounts have demonstrated rising levels of inactivity, whereas inactive level 1 accounts are gradually declining (Figure 8). This trend suggests that account retention remains to be a challenge which BB players must address with the right policies and strategies, as these prospective accounts, once tapped, hold great potential.



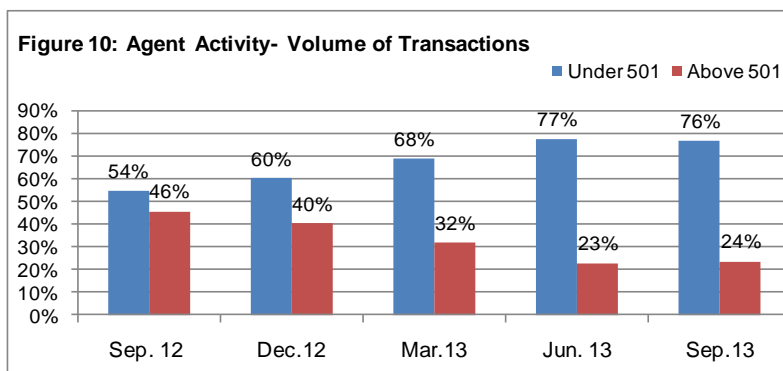
3. Agent network- Growth and Performance

During the quarter, BB providers continued the pursuit to expand their agent network, propelling the number of BB agents to grow by 17% to 110,214. Within the total network of agents, most are operating in grocery stores (49%), and Mobile shops (33%).

Active agents increased by 9% to reach 84,727 this quarter, from 77,438 recorded in the previous quarter. However the number of inactive agents has increased as well to 25,387, which previously amounted to 16,424 in the preceding quarter. A trend of the last 5 quarters reveals that agent productivity measured as the number of transactions per active agents, had been demonstrating a sharp downward trend due to rising inactive agents backed by extensive use of agent sharing. Nevertheless the number of transactions per agent has increased from 578 in end June 2013, to 613 during this quarter. (Figure 9)



Most agents have facilitated less than 501 transactions during the quarter and Figure 10 demonstrates that the share of agents transacting lower volumes is on a rising trend, whereas fewer agents are performing more than 501 transactions with each successive quarter. As the agent network grows, and the productivity of agents subdues, it hints that the growth in agent numbers does not represent a horizontal growth in the network; rather it mostly signifies a vertical expansion of shared agents.



Branchless Banking Snapshot

Table 1: Key Indicators

Indicators	Q3 2013	Q2 2013	Quarterly Growth
Number of Agents	110,214	93,862	17%
Number of Accounts	2,966,306	2,642,941	12%
Deposits as of date (Rs. in millions)	2,320	2,391	-3%
Number of transactions during the quarter (No. in '000')	51,914	44,760	16%
Value of transactions during the quarter (Rs. in millions)	224,024	173,231	29%
Average Size of Transaction (in Rs.)	4,315	3,870	11%
Average number of transaction per day	576,822	497,333	16%

Table 2: Volume and value of different types of transactions

S.#	Type of Transactions	Jul-Sep 2013		Apr-Jun 2013	
		Volume of Transactions (Numbers)	Value of Transactions (Rs. in 000)	Volume of Transactions (Numbers)	Value of Transactions (Rs. in 000)
1	Agents transfers for liquidity				
	Agent account to agent account	1,436,956	44,941,997	1,258,664	34,572,161
	Agent account to bank account	218,940	15,512,054	189,221	11,761,663
	Bank account to agent account	1,176,430	33,223,724	601,199	22,991,751
2	Fund Transfers				
	Fund transfers through M-wallets				
	MW to MW transfers	61,559	56,645	14,759	49,096
	MW to bank account transfers	6,258	94,807	7,461	90,020
	Bank account to MW transfers	5,781	32,205	6,073	32,333
	MW-to-person fund transfers	381,926	1,544,546	347,329	1,395,972
	Fund transfers through CNIC				
	Person to person sending	8,979,870	36,572,482	7,839,027	32,109,413
	Person to person receiving	9,401,917	38,296,196	8,215,827	33,634,877
3	Bulk Payments				
	Government to Person Payments				
	G2P through MW	1,029,401	3,102,273	778,542	2,331,118
	G2P through card	1,231,384	4,353,789	927,254	3,935,706
	EOBI Pensioners				
	Pension payment through MW	53,185	206,787	32,066	123,969
	Pension payment through OTC	-	-	47,254	283,048
	Salaries payments and Others	5,418	76,301	3,818	66,055
4	Cash deposit & withdrawal				
	Cash Deposited in MW (including person to MW transfers)	1,452,585	3,639,828	1,065,765	2,683,778
	Cash Withdraw from MW	1,286,766	4,130,156	719,462	2,228,071
	Cash withdraw through card (G2P)	1,511,466	5,437,123	448,571	2,273,303
5	Bill Payments & Top ups				
	Utility Bills Payment	19,792,916	29,794,649	18,620,526	19,283,927
	Internet Bill Payments	158,108	185,308	143,662	170,712
	Mobile Top-ups	2,915,396	198,641	2,748,272	202,709
6	Loan				
	Disbursement	85,661	223,125	55,199	118,689
	Repayment	571,677	1,399,967	516,764	1,472,432
7	Others				
	Donations	13,478	1083	5,598	260
	Retail Payments	137	147	371	3,924
	PIA ticketing	173	2,348	310	3,434
	International Home remittance	34,620	936,461	33,266	903,468
	Account Opening Transactions	60,808	18,704	81,933	20,559
	Cash collection/payment services	41,077	42,317	51,780	488,747
	Total	51,913,893	224,023,663	44,759,973	173,231,195

Branchless Banking Snapshot

Table 3: Customers' Transactions Analysis - OTC vs M-wallets

Type of Transactions	OTC		M-Wallets	
	Volume of Transactions (Numbers)	Value of Transactions (Rs. in 000)	Volume of Transactions (Numbers)	Value of Transactions (Rs. in 000)
Fund Transfers				
Fund transfers through M-wallets				
MW to MW transfers			61,559	56,644
MW to bank account transfers			6,258	94,807
Bank account to MW transfers			5,781	32,204
MW-to-person fund transfers			381,926	1,544,546
Person-MW fund transfer	11,670	337,818		
Fund transfers through CNIC				
Person to person sending	8,979,870	36,572,482		
Person to person receiving	9,401,917	38,296,196		
Bulk Payments				
Government to Person Payments				
G2P through MW			1,029,401	3,102,273
G2P through card	1,231,384	4,353,789		
EOBI Pensioners				
Pension payment through MW			53,185	206,786
Pension payment through OTC				
Salaries payments and others			5,418	76,301,151
Cash deposit & withdrawal				
Cash Deposited in MW (including person to MW transfers)			1,440,915	3,302,010
Cash Withdraw from MW			1,286,766	4,310,156
Cash withdraw through card (G2P)	1,511,466	5,437,123		
Bill Payments & Top ups				
Utility Bills Payment	19,464,220	29,026,277	328,696	768,372
Internet Bill Payments	154,752	181,377	3,356	3,932
Mobile Top-ups	372,203	89,587	2,543,193	109,054
Loan				
Disbursement	36,882	92,510	48,779	130,615
Repayment	571,671	1,399,910	6	57
Others				
Donations	1,059	579	12,419	504
Retail Payments	67	77	70	71
PIA ticketing	173	2,347		
International Home remittance	34,620	936,461		
Account Opening Transactions	60,808	18,704		
Cash collection/payment services	40,744	40,487	333	1,831
Total	41,873,506	116,785,724	7,208,061	13,560,164

Events

8th International Conference on Information Security held in Pakistan

The 8th International Conference on Information Security - InfoSec2013, held in December 2013, was chaired by Deputy Governor State Bank of Pakistan, Mr. Ashraf Mahmood Wathra. Speaking at the event, he was of the view that innovative banking practices have increased the need to introduce fresh laws and regulations to ensure client privacy, information safety, and payment accessibility. According to Deputy Governor SBP, to tackle the challenge of financial exclusion, SBP is promoting the use of alternative delivery channels that leverage technology and agents networks. He said that with this evolution, the need to consistently strive for holistic risk mitigation "has become greater than ever before and financial institutions around the globe realize that they must proactively work to protect customer data and transactions, as well as their own Information system assets".



He said that during the last few years, technology adoption (especially, in communication systems cellular/mobile systems) had shown a great momentum and spread at an unbelievable pace across developing countries. New channels such as Short Message Service (SMS), Unstructured Supplementary Service Data (USSD), Wireless Application Protocol (WAP) and SIM Application Toolkit (SAT) are widely being used to conduct financial transactions and transmit customers integrally important and confidential details. "But standards for wireless communication are still evolving, creating considerable uncertainty regarding the scalability of existing wireless products. Financial institutions today more than ever, need to exercise extra due diligence in preparing and evaluating the cost-effectiveness of investments in wireless technology or in decisions committing the institution to a particular wireless solution, vendor or third-party service provider."

He mentioned five key principles guiding technology risk management in Mobile Financial Services: Confidentiality, Integrity, Availability, Authentication, and Non-repudiation. "These have been embedded in our regulatory framework for branchless banking," he added. He concluded by saying that the deep penetration of mobile phones in developing regions has made cellular networks the preferred communication medium in branchless banking. "As in any financial service, ensuring security of transactions is paramount."



CGAP and SBP jointly organize a workshop on I-SIP Research at SBP Karachi

SBP and CGAP jointly organized a half-day workshop at SBP on 17th December 2013. The purpose of the workshop was to disseminate findings of CGAP's study regarding the linkages between financial inclusion (I) and central banks traditionally core objectives of Financial Stability (S), financial integrity (I) and consumer protection (P), with reference to Pakistan.



The workshop was chaired by Mr. Muhammad Ashraf Khan, Executive Director, Banking Policy and Regulations, and Development Finance Group at SBP. During the workshop, discussions were structured around four case studies including three ex post cases i.e. (i) Branchless Banking (ii) Microfinance Institutions Ordinance 2001 and (iii) Microfinance Credit Guarantee Facility (2008); and one ex ante case (iv) Microfinance Credit Information Bureau.

“Over the course of transformational journey of banking industry since 1990s, our banking system has adopted most of the standards advocated by the international standards setting bodies such as Basel, and FATF. Our regulatory and supervisory framework is inclusive, well-developed, and widely-recognized. However, since our banking sector continues experiencing growth and becoming innovative, we are also facing new trade-offs between various policy objectives. In this context, it is important that CGAP has developed this innovative research methodology to study the linkages between Financial Inclusion on one hand and stability, financial Integrity and consumer protection on the other hand. I hope that this research will guide us further in developing a structured understanding of linkages between these policy objectives and bring more efficiency in our policy formulation structure and processes.”- Mr. Muhammad Ashraf Khan, Executive Director (Banking Policy and Regulation Group and Development Finance Group) chairing the ISIP workshop.



During 2013, CGAP in collaboration with SBP's Agricultural Credit and Microfinance Department team, had selected these four case studies for research analysis. Previously, CGAP had developed this methodology in 2012 and pilot tested it in South Africa. Pakistan is the second country chosen by the CGAP to further develop the I-SIP methodology. One motivation for I-SIP research was that G20 leaders had recognized and endorsed financial inclusion as a pillar of the global standard-setting bodies (SSBs) to step up their work in this area, consistent with their core mandates. At the same time most countries have introduced financial inclusion as a domestic policy outcome. These advances challenge financial regulators to consider how to optimize the linkages among the four

distinct policy objectives—financial inclusion, financial stability, financial integrity and financial consumer protection, collectively referred to as I-SIP.

Speaking at the workshop, Mr. Timothy Lyman, Senior Policy Advisor indicated that CGAP has deep and sustained engagement in Pakistan. CGAP selected Pakistan for I-SIP research due to the country's long and sustained history of policy attention to inclusion and other areas of I-SIP objectives. He shared key lessons from I-SIP research in South Africa, Pakistan, and Russia. He apprised that all leading international SSBs explicitly recognize compatibility of financial inclusion with their core mandates. He described that both risks and benefits change with increased financial inclusion in a country. Accordingly, it is important that these dynamics are incorporated into proportionate approach to regulation and supervision of financial inclusion areas. While many questions are still open, he hoped that development of global policy architecture would address many I-SIP linkages.



Mr. Stefan Stachen, a CGAP economist consultant shared initial findings of I-SIP research in Pakistan. He described how the team used inflection points, theoretical linkages tables, and identification, management, and optimization of linkages. While sharing research observations, he indicated perspective on synergy, trade-off, and neutrality of linkages of stability, integrity and protection with inclusion. The presentation was followed by Q & A session.

Addressing the workshop, Dr Saeed Ahmed, Head of Agriculture and Microfinance Department presented the context of the cases selection and shared SBP's overall perspective on financial inclusion. He mentioned that I-SIP objectives are deeply ingrained in thinking of central banks and are a significant part of policy-related discussion at SBP. He said that different countries have followed different approaches for financial inclusion. In Pakistan, SBP's decision to allow only bank-led model for financial inclusion was due to SBP's commitment to integrity of the systemic stability and compliance with AML/CFT regime. SBP has been following proportionality principle in its regulatory approach. Regarding stability, Pakistan's experience suggests that these risks are manageable with known prudential tools such as minimum capital requirement, capital adequacy ratio, loan classification & provisioning, CRR/SLR etc. As institutions start to serve clients on a considerable scale, there would emerge concerns regarding consumer protection and AML. Therefore, SBP's approach has been to develop regulatory framework for AML and consumer protection in line with the growth of the microfinance banking sector. While concluding, he thanked CGAP's experts to enrich the research findings and expressed hope that the outcome of the research would be helpful to all central banks including SBP which are keen to implement a policy agenda of financial inclusion.



Local News

HLB partners with NADRA for branchless banking

NADRA Technologies Limited (NTL) and Habib Bank Limited (HBL) have signed a Branchless Banking Super Agency Agreement as a strategic alliance, whereby more than 5,500 NADRA e-Sahulat outlets will conduct branchless banking financial transactions under the brand name of HBL Express. This partnership between HBL and NADRA Technologies will result in provision of financial services, to the unbanked population of Pakistan and is a joint step of both the entities towards financial inclusion,

(Source: <http://www.nation.com.pk/pakistan-news-newspaper-daily-english-online/business/01-Nov-2013/hbl-partners-with-nadra-for-branchless-banking>)

EFU Life partners with UBank

EFU Life and U Microfinance Bank (UBank) have joined hands to provide insurance products and services to customers. This partnership aims to develop insurance products specifically tailored to the branch and branchless banking customer base to meet the varying needs of clients and offer the very best in financial services. U Microfinance Bank is a wholly owned subsidiary of Pakistan Telecommunications Company Limited (PTCL) and a sister concern of Ufone. EFU Life is a 20 year old private sector life insurance company leading the insurance industry of Pakistan. The Company has an IFS rating of AA and the strongest financial base in the private sector.

(Source: <http://www.thenews.com.pk/Todays-News-3-216479-EFU-Life-partners-with-UBank>)

Upaisa Wins Best Bank-Led Mobile Money Global Award

In the Mobile Money Award 2013, held in Dubai, UAE, Upaisa won the award for "Best Bank-Led Mobile Money Programme". Mobile Money global Awards 2013 was a part of Mobile Money and Digital Payment Global Conference that provides a platform for the companies, where they can showcase what they have achieved to industry's top 500 executives of the mobile money sector. PTCL, the parent company of Ufone Pakistan and Ubank, and Master Card also won the award for "Best Mobile Money Development in the Middle East". This title was awarded for launching Flous in Egypt.

(Source: <http://www.thenews.com.pk/Todays-News-3-213060-Upaisa-wins-award>)

SSGC facilitates e-payments through Upaisa

Sui Southern Gas Company (SSGC) and U Microfinance Bank Limited have signed a facilitation agreement that will enable SSGC customers to make online payments at thousands of Upaisa payment points (powered by Ufone) across Pakistan. SSGC continuously strives to add value to its customer-centric approach through well-rounded bill payments including facility of digital payments. This latest collaboration with U Microfinance Bank, which is the first by any public utility in Pakistan, will add a new dimension for SSGC customers in terms of 24/7 bill payment solution.

(Source: <http://pakobserver.net/detailnews.asp?id=225839>)

Easypaisa announces commercial launch of ATM cards

Easypaisa has announced the commercial launch of its ATM cards throughout the country. Easypaisa ATM cards are secure and convenient for Easypaisa Mobile Account customers who will no longer need to visit an Easypaisa shop to withdraw cash from their Mobile Accounts. Easypaisa ATM cards work on all ATMs in the country and can be used to withdraw cash from the Mobile Account directly, at a much lower cost. Commenting on the commercial launch, Head of Strategy for Easypaisa, said, "Pakistan is now one

of the very few countries in the world, where any person with a CNIC can open a free bank account pick up an ATM card and link it to his account easily. Easypaisa is proud to be part of this innovation and link the existing ATM network in Pakistan to Branchless Banking." Customers can have the ATM card linked to their Mobile Account instantly by paying a one-time ATM issuance charge of Rs 200 only. The cash withdrawal fee is Rs 25 per transaction which includes all 1-link fees and taxes.

(Source: <http://www.nation.com.pk/business/10-Dec-2013/easypaisa-announces-commercial-launch-of-atm-card>)

Warid Telecom, Bank Alfalah unveil new brand 'Mobile Paisa'

Warid Telecom, a leading mobile network operator and Bank Alfalah Limited, one of the largest commercial banks of Pakistan, have launched their Mobile Financial Service (MFS) by the name of 'Mobile Paisa'. Monet (Pvt.) Limited is the technology provider who partnered with Fundamo - a global mobile platform provider, to utilize its technology and offer branchless banking solutions to banks in Pakistan.

Commenting on 'Mobile Paisa', Bank Alfalah Limited's Head of Branchless Banking Mr. Amaar Naveed Ikhlas said, "Mobile Paisa is aimed at making banking, money transfers and bill payments effortless tasks. In this era of modernization and technical development, it is essential to digitize and hence enhance transacting convenience through a secure and swift system."

Discussing 'Mobile Paisa', Monet's CEO Mr. Ali Abbass Sikander stated, "Monet envisions a collaborative branchless banking environment which enables the larger financial inclusion agenda set forth by the State Bank of Pakistan. We, at Monet, facilitate existing and new players alike in their efforts to promote branchless banking. Warid Telecom and Bank Alfalah's collaboration for 'Mobile Paisa' is an ideal platform providing branchless banking together and interconnect with other existing players to extend the benefits to a wider audience."

(Source: <http://payments.banking-business-review.com/news/warid-telecom-bank-alfalah-unveil-new-brand-mobile-paisa-030114-4154505>)

1Link arranged a showcase event

1LINK arranged a showcase event on October 31, 2013. The purpose of this event was to bring awareness about 1LINK particularly, the services that 1LINK is offering to its member banks and participant billers. In his speech, Mr. Faisal Ejaz Khan, CEO 1LINK, mentioned that there has been a significant growth in branchless banking over the period of time and with the addition of new players in market, customers now have choice of availing variety of value added services from branchless banking. He further added that role of State Bank of Pakistan in growth of branchless banking and an alternate delivery channel has been noteworthy. Mr. Faisal talked about different types of services being offered to 1LINK's member banks and its participant billers along with the international affiliations with the global partners like VISA, MasterCard and Union Pay.

Talking about future milestones of 1LINK, Mr. Faisal briefed the audience that 1LINK will adopt biometrics ATM transaction to ensure safe and secured mode of transaction for customers. New billing companies will be added to 1LINK bill payment services so that customers have variety of bill payment services available in ADC. To mitigate the risk of fraudulent transactions, 1LINK will be launching fraud monitoring solution for its Member Banks. More global players like AMEX and JCB etc. will be added to 1LINK's offering.

International News

Global telecom leaders call for financial inclusion through mobile phones

An international conference of global telecom leaders called to bridge the digital divide and deepen financial inclusion in the emerging and least-developed economies through mobile phones. Speakers stressed putting proper regulations in place to bring the unbanked population of the world under formal banking activities. They called upon governments, regulators and stakeholders to intervene and collaborate with each other to streamline mobile phone-based financial services and ensure security of such transactions.

One of the key discussions was on “the many faces of mobile financial services”, especially in Asian and African countries such as Bangladesh, India, Pakistan and Nigeria, where the markets are more complicated and most people are unbanked. By 2020, access to mobile financial services could increase gross domestic product by 2 percent in Bangladesh, 3 percent in Pakistan and 5 percent in India according to one speaker. Mobile financial services are now “poised for explosive growth”. Telenor, which has around 56 percent share in Bangladesh’s leading mobile operator Grameenphone, considers mobile financial services a “major” business opportunity. By using the existing infrastructure and distribution network, the telecom companies can offer affordable and sustainable solutions to customers with small funds. However, the telecom and financial services analysts suggested mobile-based financial services should not be overregulated so that the unbanked population of the world- now around 2.5 billion can easily join formal banking activities.

Source: <http://www.thedailystar.net/beta2/news/global-telecom-leaders-call-for-financial-inclusion-through-mobile-phone/>

RBI Sets up Mobile Banking Committee

The Reserve Bank of India (RBI) has set up a special committee that will look into the possibility of introducing an SMS-based payment system allowing millions of currently ‘unbanked’ Indians to make financial transfers via their cell phones. The committee, which is due to report by the end of the year, will consider the advantages of having a single application that can run on any type of handset, the RBI said, adding that “any optimal solution that would take mobile banking to every nook and corner of the country” would be examined. The committee, which includes directors from State Bank of India and ICICI Bank -- the country’s two largest lenders – as well as Vodafone, will also carry out an “in-depth study” of the challenges faced by banks in expanding mobile banking services and come up with solutions on how to implement the Unstructured Supplementary Service Data (USSD) channel for person-to-person payments.

(Source: <http://www.cgap.org/news/rbi-sets-mobile-banking-committee>)

The Global Voice Recognition Market to Grow At A CAGR Of 22.07 Percent over the Period 2012-2016

Research and Markets has announced the addition of the "Global Voice Recognition Market 2012-2016" report to their offering. One of the key factors contributing to this market growth is the increasing demand for voice biometrics. The Global Voice Recognition market has also been witnessing the increasing demand for speech recognition in mobile devices. However, the inability to suppress ambient noise could pose a challenge to the growth of this market. Commenting on the report, an analyst from TechNavio's Enterprise Computing team said: "The need for stronger verification is leading to the growing integration of voice authentication into mobile banking. In regions such as North America and Western Europe, a large number of banking customers use phone banking facilities. Large numbers of these financial institutions are adopting voice-based authentication solutions to accept or reject mobile transactions by a user. In addition, incorporating voice authentication in mobile devices is cost effective and at the same

time provides stronger security. Hence, the trend of integrating voice authentication in mobile banking is expected to grow stronger over the years.

(Source:<http://www.prnewswire.com/news-releases/the-global-voice-recognition-market-to-grow-at-a-cagr-of-2207-percent-over-the-period-2012-2016-233354371.html>)

ANZ developing voice recognition for mobile banking

ANZ Bank plans to use voice recognition technology when authorizing large cash transfers to external accounts via mobile banking, a move it says will enhance security. Under the plan, which is still being tested, mobile banking customers would no longer be prevented from “paying anyone” \$1000 or more through the bank’s smart phone application. Instead, they would be able to authorize higher-value payments by speaking into their phone, after having already provided a password. The bank’s computer system would then compare their voice to a digital “voiceprint” stored in a database. It is the latest sign banks are using “biometric” information in an attempt to identify customers more easily and cheaply. Lenders have also looked at using fingerprint testing to replace personal identification numbers or PINs, or attaching retina-scanners to automatic teller machines.

(Source:<http://www.smh.com.au/business/banking-and-finance/anz-developing-voice-recognition-for-mobile-banking-20131127-2ya5d.html>)

Beyondbranches Launches Agent Network 3.0 in Nigeria

Distribution networks specialist BeyondBranches launched a mobile financial agent network in Nigeria in association with integrated payment processing service provider Interswitch. Using BeyondBranches’ Duka platform and Interswitch’s Quickteller VAS platform, the firms have created standardized processes for a robust, secure and scalable network. Banks, mobile money operators and other entities can leverage the BeyondBranches Network to offer branchless services to their customers. Agents are identified, vetted and trained to use the service on their internet-enabled mobile handset. Once they pass a quality control test, agents are allowed to advertise BeyondBranches services.

Using this approach, BeyondBranches has been able to bring the benefits of digital financial services within reach of those who prefer paying cash. As consumers begin to see the benefits of mobile payments, they can potentially become users of mobile payment services currently being deployed in Nigeria by many organizations under the Central Bank of Nigeria’s mobile payment regulatory framework.

(Source:<http://www.developingtelecoms.com/tech/apps-services-devices/71-mobile-finance/4990-beyondbranches-launches-agent-network-3-0-in-nigeria.html>)

Vodafone introduces new mobile wallet service in Spain

Vodafone has introduced its mobile wallet service in Spain that will allow customers to perform various types of everyday transactions by simply waving or touching their smart phone. Vodafone’s mobile wallet is one of the first European mobile payment services built on the GlobalPlatform open standard, which makes it easy for organizations, such as banks, retailers and transport companies, to host services in the wallet.

(Source:<http://onlinebanking.banking-business-review.com/news/vodafone-introduces-new-mobile-wallet-service-in-spain-251113>)

Appendix 1: Definitions of Terminologies

BB Terminology	Definition
Level 0 account (L0)	Basic MW account with low KYC requirements and low transaction limits
Level 1 account (L1)	Entry level MW account with adequate KYC requirements commensurate with transaction limits
Level 2 account (L2)	Top level MW account for individual customers offering all BB facilities and subject to full KYC requirements
Level 3 account (L3)	Account specific for BB agents, third-party service providers, or businesses
M-wallets (MW)	All level 0, level 1, and level 2 BB accounts
BB Accounts	M-wallets plus level 3 accounts (Level 3 mainly represents agents' accounts).
Banking account	Banking account means a regular bank account maintained in bank branch by agents/customers
Active m-wallet account	An m-wallet account will be considered as an active account if: <ul style="list-style-type: none"> - Performed at least 1 transaction during the last 180 days. - Opened during the last 180 days. - Account has not been suspended /closed/ terminated for any reason. - Fully compliant with KYC requirements as per BB Regulations.
Inactive M-wallet account	An m-wallet account which does not qualify the criteria for active accounts will fall in inactive account category. The applications in process of account opening are not counted in inactive accounts.
Active Agent	An agent will be considered as an active agent if: <ul style="list-style-type: none"> - Performed at least 1 transaction during the last 90 days. - Opened during the last 90 days. - Agent has not been suspended /closed/ terminated for any reason. - Fully compliant with KYC as per BB Regulations.
Inactive agent	An agent who does not qualify the criteria for active agents will fall in inactive agents' category. The new take-on agent applications in process are not counted in inactive agents.
Average Size of Transaction (in Rs.)	Value of transactions divided by number of transactions
Average number of transaction per day	Number of transactions during the quarter divided by 90 days
Account to account transfer (MW holders)	Total number of transactions and amount transferred by MW holders. It includes MW to MW transfers, MW to banking account transfers, and banking account to MW transfers.
Account to account transfer (by Agents)	Total to number of transactions and amount transferred by agents for liquidity management purpose. (It includes agent account to agent account transfers, agent account to banking account transfers, banking account to agent account transfers)
MW to person transfer	Number of transactions and amount transfers from MW to person (transfer on customer's computerized national identity card (CNIC)).
Person to person transfer	Number of transactions and amount of money transacted through OTC (transactions

	from one CNIC to another CNIC).
Bulk Payments	All bulk payments done through BB channel which include wages, pensions, G2P social transfers and welfare payments
G2P payments	Government to person payments which include social transfers and welfare payments
EOBI pensioners	All payments from Employees' Old-age Benefit Institution (EOBI) to pensioners
Salary payments	Salary payments from institutions to its employees
Cash Deposited in a MW account	Cash deposited into MW accounts
Cash Withdrawals from a MW account	Cash withdrawals from MW accounts
Cash withdrawals through card (G2P only)	Cash-out of G2P payment received by Watan /BISP or any other G2P related card holders using BB channel
Other cash collection services	Any other cash collection service such as school fee collection.
Utility Bills Payments	Gas, water, electricity, telephone and any other public utility payment
Loan Disbursement	Loan disbursements through BB channel
Loan Repayment	Loan repayments through BB channel
Donations	Donations collected through BB channel
Merchant payments	Retail payments to authorized merchants to purchase goods/services
Account opening transactions	Limited transactions (as permissible under BB regulations) in m-wallet accounts during account opening / activation process.