

QUARTERLY
Branchless
Issue 13 **Banking**
NEWSLETTER

Jul-Sep 2014



**Leveraging Technologies and Partnerships
to Promote Financial Inclusion**

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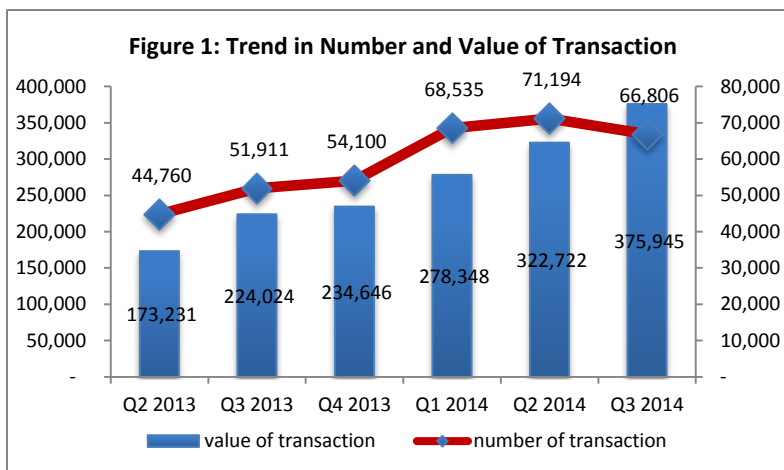
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Branchless Banking Analysis

Branchless Banking Analysis

Branchless Banking industry experienced an increase in value of transactions and number of m-wallet accounts which reached at Rs. 375.9 billion and 4.7 million respectively during the quarter ending on Sep 30, 2014. However, a decline was witnessed in the number of transactions which went down by 6% to reach at 66.8 million. The major decline in the number of transactions was seen in m-wallet transactions which was mainly due to delay in quarterly tranche of BISP (G2P) payments to UBL-Omni for Jul-Sep, 2014. The impact of delayed G2P payments was also seen in m-wallets' deposits which also declined to Rs. 5.6 billion compared to Rs. 6.2 billion as of June 30, 2014.



The evolving market competition with existing eight players has caused some shift in the market share of banks for agents, number and value of transactions, etc. The agent network has now reached at 186,618; there, however, remains concern regarding the quality of agents' growth. Due to widespread sharing phenomenon, only few new access points (agents) are being set up by the players. With the current market focus on OTC, the commission war is raging, and is dictating the agents' acquisition and business. At the same time, there are some evidences that few market players are coming up with innovative and value added products to build business case around mobile wallets.

As the industry is poised to witness an accelerated growth in future, SBP has continued to facilitate efforts for a broader vision of financial inclusion through strengthening ecosystem for digital transaction accounts. Recently, SBP signed an MoU with NADRA (Pakistan's National Identification Authority) at International Branchless Banking Conference in Islamabad on November 17, 2014, according to which, biometric verification cost has been reduced to Rs.10 for each m-wallet account opening at industry level. It is expected that this initiative will lead to accelerated growth of m-wallets in future. Moreover, the BB players also shared their plans to adopt best practices in areas such as building wider cash in cash out network, fair agent acquisition and commission, working on priority use cases of interoperability, ensuring consumer protection, etc.

Table 1: BB Key Indicators

Indicators	Q2 2014	Q3 2014	Quarterly Growth
Number of Agents	168,615	186,618	11%
Number of Active BB Agents	140,747	151,448	8%
Number of Accounts	4,238,178	4,713,145	11%
Deposits as of date (Rs. in millions)	6,219	5,652	-9%
Number of transactions during the quarter (No. in '000')	71,194	66,806	-6%
Value of transactions during the quarter (Rs. in millions)	326,131	375,945	15%
Average Size of Transaction (in Rs.)	4,581	5,627	23%
Average number of transaction per day	791,041	742,293	-6%

A declining trend in number of transactions across all major categories...

The quarter Jul-Sep, 2014 witnessed the number of BB transactions slide by 6% to reach at 66.8 million from 71.2 million in previous quarter. The decline in number of transactions was witnessed in all major transactions type i.e. agent liquidity transactions, OTC and m-wallet transactions. However, the major dip was seen in m-wallets which went down by 23% or 2.8 million transactions. The significant decline in the m-wallet transaction was mainly due to lower G2P payments and simultaneously lower withdrawals. Similarly, the agent liquidity and OTC transactions went down by 3% and 4% respectively. The decline in number of transactions was witnessed amongst all market players, except *MobiCash* and *Timepey*. The increase in *Timepey* was solely due to a new disbursement program for internally displaced persons (IDPs) whereas the increase in *Mobicash* was at the back of growth in P2P transactions. Number of transactions for *MobiCash* went up by 13% whereas for *TimePey*, it increased by 11%. Among the early players, the major share in number of transactions was lost by *UBL-Omni* which saw its number of transactions reduced by 3 million (18%) whereas *EasyPaisa*'s number of transactions went down by 2%. Similarly among new players, *HBL-Express* and *UPaisa* also saw their transactions fall by 37% and 20% respectively.

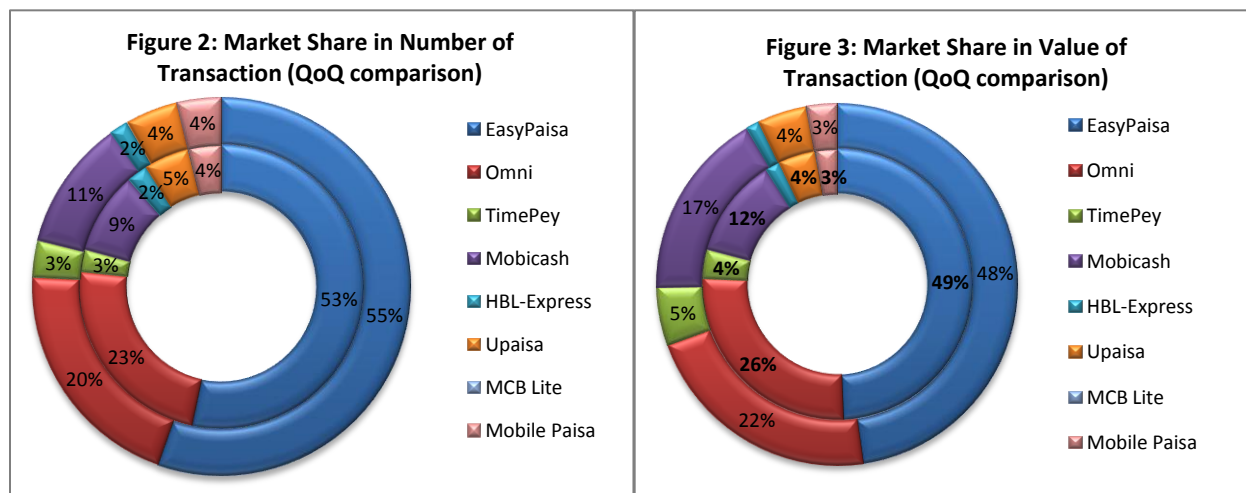
Upward trend in value of transactions continues albeit declining m-wallets transactions...

The value of transactions grew steadily by 15% to reach at Rs. 375.9 billion from Rs. 326.1 billion in the previous quarter. The value of transactions in two categories i.e. agent liquidity and OTC transactions went up quite significantly whereas m-wallet transactions declined significantly by 26%. The OTC and agent liquidity transactions remained dominant in value of overall BB transactions with a share of 47% each, whereas in terms of overall customer transactions, the OTC transactions constituted significant share of 87%.

While three players saw their value of transactions go down, five have seen it go up. Value of transactions for *TimePey* and *MobiCash* went up by 71% and 63% respectively. Similarly, *EasyPaisa* was steady in its growth trend for value of transactions with a QoQ increase of 11% to maintain its position as a market leader in terms of both number and value of transactions. In terms of value, *MobiCash* saw its transaction value climb by Rs. 24.4 billion which is the largest growth by any player during the quarter. This increase was mainly driven by agent liquidity transactions which constituted Rs. 18 billion whereas Rs. 5 billion was contributed by P2P transfer. The rise in *Timepey* was mainly due to the payment of Rs. 3.1 billion to internally displaced persons (IDPs) and increase in the agent liquidity transfers.

Second largest BB player in terms of number and value of transactions, *UBL-Omni* showed a declining trend in value of transactions with an overall dip of 5% or Rs. 3.9 billion compared to last quarter. This decline was mainly due to the less G2P payments to BISP beneficiaries during the quarter. Compared to last quarter, Rs. 3.5 billion or 41% less amount was disbursed using m-wallets for G2P payments through *UBL-Omni*. The major reason for this decline was slight delay in tranche received for BISP payment which led to lesser disbursement during early months of the quarter. This also had a negative impact on value of transactions for cash withdrawal using m-wallets, which went down by 31%. The situation is, however, likely to improve in the next quarter.

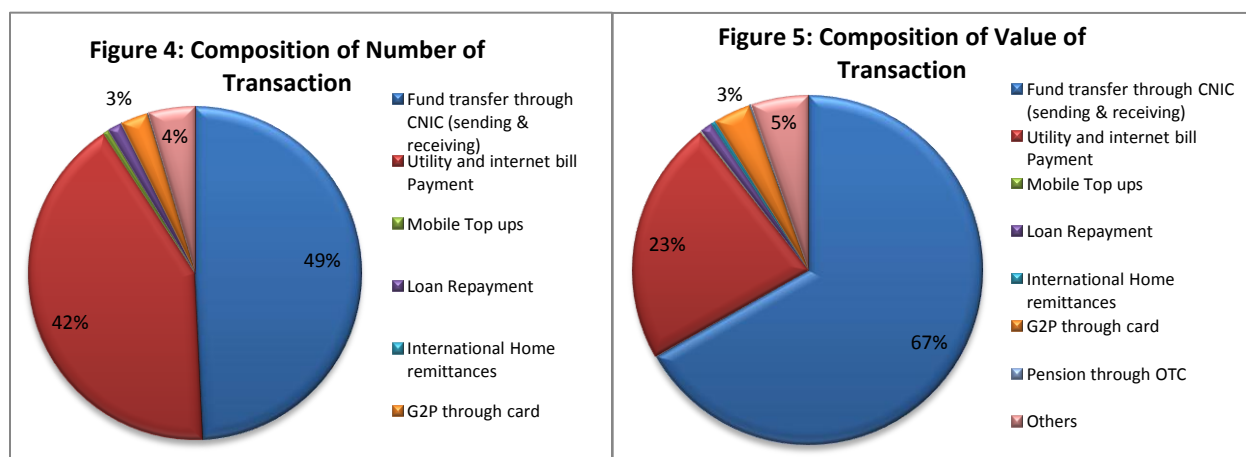
The competition among players is gradually growing, and it has also caused a slight change in the market shares as visible by doughnut in figure 2. *EasyPaisa*'s share in number of transactions increased slightly (55% from 53%) whereas the share in value of transactions fell a little by 1% to come at 48%. *Omni*'s share in overall value fell by 4% whereas the gain was witnessed in *Mobicash* both in terms of number and value of transactions. Other players, especially the new ones have seen little or no change in their share in overall value and number of transactions.



Share of OTC goes further up in the recent quarter...

Share of OTC transactions in overall number and value of customer transactions remained high. The OTC transactions in the current quarter were 55.1 million, or 87% of the overall customers' transactions compared to 57 million transactions (85%) in last quarter.

The breakup of OTC transactions shows that P2P fund transfer is dominant in terms of both number and value of transactions. Of the overall OTC transactions, 49% were P2P fund transfer and 42% were utility bill payments. In terms of overall value of transactions, P2P fund transfer captured 67% share whereas utility bill payment seized only 23% share. This shows that business case for agent and service providers still remains in fund transfers and bill payment. A major shift in behavior of both customers and agents to conduct transactions through mobile can only be brought about through innovative and targeted marketing and increasing value proposition of m-wallets for both customers and agents.



The decline in number of OTC transactions was mainly caused by reduced government to person (G2P) payments through cards which went down by 46% in number and 37% in value. This also caused decline of 28% in number and 14% in value for cash withdrawal through cards. A significant decline was also seen in loan disbursement which dipped by from 0.6 million transactions valuing Rs.1.04 to approximately 8,000 transactions valuing mere Rs. 133 million. Other category that witnessed a decline was cash collection and payment services which fell by 87% in number and 84% in value.

The variable that significantly increased was repayment of loan which increased from 68,000 valuing Rs. 238 million to 0.7 million valuing Rs. 2 billion. This increase was largely due to the loan repayment services provided by *UBL-Omni* to various NGOs/MFIs/MFBs. In terms of value, utility bill payments and

P2P fund transfers (sending & receiving) were the growth drivers with increase of Rs. 10.08 billion for utility bill payments and an increase of Rs. 9.3 billion for P2P transactions.

Overall composition of value of transactions has seen some change; the OTC's share in overall transactions was 48% and 83% in terms of value and volume respectively. The share of agents' liquidity and m-wallets' transactions of the overall transactional value was 47% and 5% respectively.

M-wallets Transactions number and value decline significantly.....

M-wallet transactions fell to 7.9 million transactions valuing Rs. 20.1 billion from 10.2 million transactions valuing Rs. 25.8 billion in the last quarter i.e. decline of 23% in volume and 22% in value. As mentioned earlier, this decrease was mainly brought about due to delay in the quarterly tranche of BISP payments to *UBL-Omni* for Jul-Sep 2014. Overall, 1.2 million lower transactions were reported valuing Rs. 3.5 billion in G2P through MW. This phenomenon of low transfer of G2P through m-wallets also had a negative impact on the cash withdrawal from MW, which declined to 0.8 million transactions worth Rs. 2.5 billion. Moreover, fund transfers through m-wallets also saw slight decline. Overall, 0.4 million transactions worth Rs. 1.7 billion were performed compared to 0.5 million transactions worth Rs. 1.9 billion in the previous quarter.

A main reason for low MW transactions has been lack of capacity of agents to perform such transactions at their location. Majority of agents still don't offer account opening facility at their location. Table below shows that only 15% of agents can open m-wallet accounts at their location. This trend shows that majority of industry players are developing/incentivizing their agents to focus on OTC whereas their approach for mobilizing m-wallets and home remittances remained constrained. Presently, most of the BB players offer account opening facility only at their franchisee and sales centers (and not at the retailer/agent level).

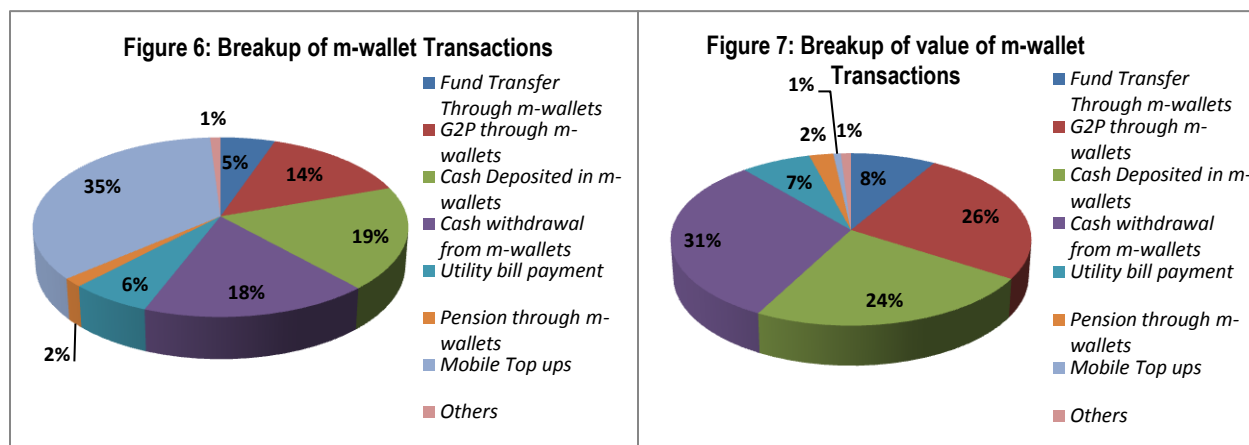
Table 2: Agent classification with respect to account opening

	Can Open Account	Can't Open Account
Easypaisa	2%	98%
Omni	100%	-
Timepey	4%	96%
MobiCash	1%	99%
HBL-Express	100%	-
Upaisa	4%	96%
Mobile Paisa	3%	97%
Total	15%	85%

In terms of volume, mobile top ups make up 35% of the total m-wallet transactions whereas they only make up 1% of the overall value. Although, cash withdrawal from m-wallets makes up 18% of the volume, it contributes 31% of the overall value of m-wallet transactions. Similarly, cash deposited in m-wallets (24%) and G2P disbursement into beneficiaries m-wallets (26%) make up majority of m-wallet transaction value.

The encouraging development in this quarter was pension payments through m-wallets which increased by 41% in number and 40% in value to reach at Rs. 483 million compared to Rs. 344 million in the previous quarter. Presently, a majority of pensioners don't have bank accounts and receive their pensions over the counter (OTC).

The pension disbursements while catalyzing the m-wallet transactions, can also benefit in provision of hassle-free services to retired employees across the country. According to available data, 40,000 pensioners use branchless banking services of *Easypaisa* and 8,000 to 10,000 of them visit National Database and Registration Authority's centres to get pension funds. *HBL-Express* is also delivering OTC services to pensioners. The disbursement of pensions through m-wallets can facilitate pensioners as they will have proper bank accounts with all associated services.

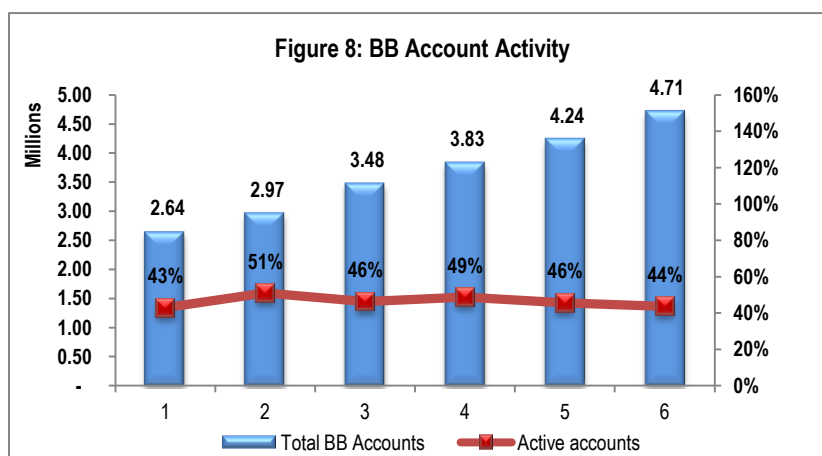


Registration of new accounts continues amid high inactivity and declining deposits...

With an 11% increase during the quarter, BB accounts have reached at 4.7 million. A total of 474,535 accounts including 437,468 level 0 accounts were opened during the quarter. This growth was led by Easypaisa which opened 352,754 new accounts including 95% level 0 accounts. Currently, Easypaisa holds 60% of BB accounts of overall industry.

Despite growth in account registration, the usage level is still concerning. 56% of the total BB accounts are inactive which is largely due to high inactivity in level 0 account. Further analysis of individual accounts shows that 50% of level 0 accounts, 84% of level 1 accounts, and 56% level 2 accounts are inactive. EasyPaisa and Omni which lead the industry in wallet-acquisition, have 83% and 13% inactive accounts, respectively.

Though account registration is increasing, deposits in BB accounts have shown a 9% decline to reach at Rs. 5.6 billion



during current quarter compared to Rs. 6.2 billion in the last quarter. The deposits in G2P accounts declined by 31% to reach at Rs. 2.4 billion whereas a 26% drop was also seen in agent deposits which reduced to Rs. 2.4 billion as at 30th September, 2014 compared to Rs. 3.3 billion in the last quarter. Further, the growth was shown in all levels of m-wallet deposits and caused level 0 deposits to reach at Rs. 2.9 billion. UBL Omni holds 53% of the overall BB deposits whereas 34% is held in accounts opened at EasyPaisa.

The average deposit per account was Rs. 1,199 which has declined from Rs. 1,467 at the end of previous quarter. Level 0 accounts hold average deposit of Rs. 843 whereas level 1 account holds average deposit of just Rs. 222. This shows that plenty of work needs to be done by the market players to attract depositors to hold more money in their m-wallets by offering innovative services and better incentives.

Table 3: Average Deposits in BB Accounts

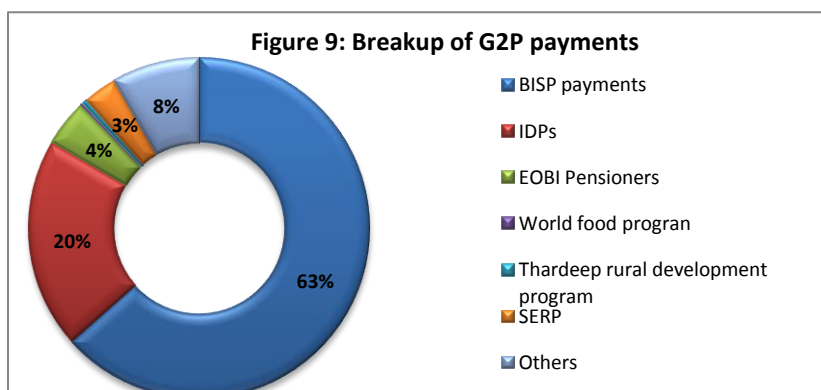
	Apr-Jun 14 (in Rs)	Jul-Sep 14 (in Rs)
Total Accounts	1,467	1,199
BB Level 0	878	843
BB Level 1	195	222
BB Level 2	2,089	1,602
BB Level 3 (Agents)	19,339	13,154

G2P Payments decline...

G2P payments through BB channels slightly declined to Rs. 15.9 billion from Rs. 16.1 billion in the last quarter. Due to slight delay in payment to banks for onward disbursement through BB channels for BISP, the BISP payments through branchless banking channels declined to Rs. 10.1 billion from Rs. 13.2 billion. At the same time, the payments of Rs. 3.1 billion to 205,849 internally displaced persons (IDPs) by Askari Bank have largely compensated for the decline in overall G2P payments.

Despite the decline in the current quarter, the BISP payments still makes the majority of overall digital G2P payments, i.e. 63% compared to 82% in the last quarter. In the current quarter, *UBL-Omni* disbursed Rs. 5.6 billion to BISP beneficiaries whereas

EasyPaisha disbursement for this segment was Rs. 4.4 billion. The increasing trend was continued in the current quarter for EOBI pensioners' payments which reached at Rs. 691 million from Rs. 481 million in the preceding quarter. Currently, only *EasyPaisha* is managing pension payments for EOBI.



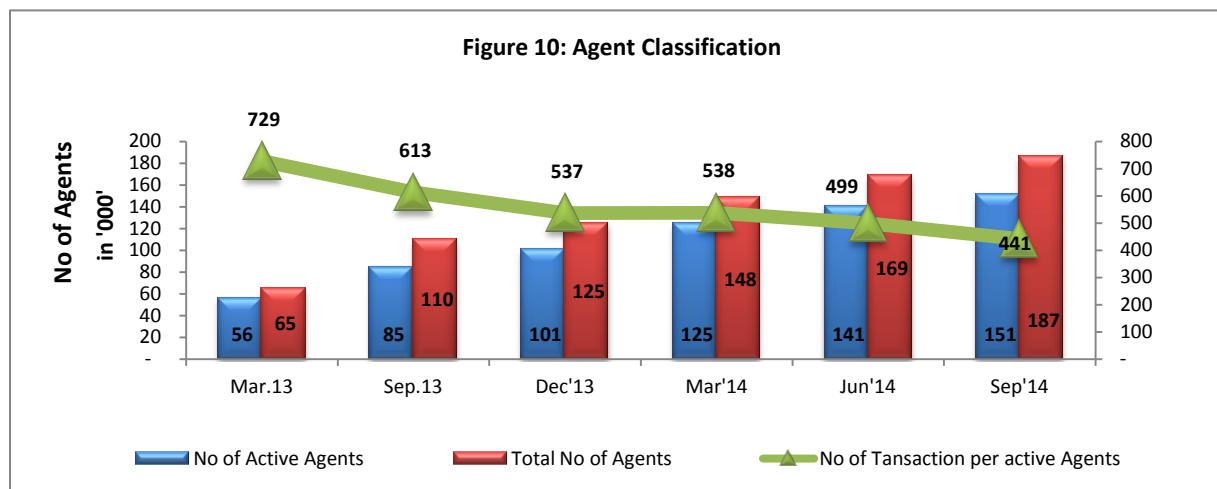
Though the majority of government to person payments is done through two players, the competition is also pushing other players to participate in various G2P schemes. G2P is also seen as an opportunity to grow branchless banking business for new players which may also provide additional revenue to their agent networks, particularly in rural/remote areas.

Agent network is growing as sharing becomes more widespread...

Though agent numbers grew by 11% during the quarter, reaching 186,618 by the end of Sep, 2014, the actual touch points for customers are still low due to sharing. *EasyPaisha* continues to be leader in terms of number of agents with 56,000 agents, whereas *MobiCash* has grown its agent network to 41,924 with 60% of them estimated to be shared agents. Despite sharing phenomenon, the agent liquidity transactions have climbed up to Rs. 176.8 billion and now make up 47% of the overall transaction value.

In terms of activity, 81% of the agents are active whereas business case of these active agents may still not be viable. The number of transactions per active agent is continuously declining and reached at 441 transactions per agent for the quarter. Overall, 80% of the active agents are undertaking under 500 transactions per quarter with further analysis showing that 35% of active agents are undertaking less than 50 transactions per quarter or less than 1 transaction per day, whereas only 10% are undertaking 500-1000 transactions per quarter or 5.6 transactions per day.

During the quarter, agent transactions for liquidity purposes declined by 3% in volume to 3.7 million, but increased in value by 28% to Rs. 176.8 billion. The rise in value was largely seen in “agent bank account to agent account” transactions which increased by 62% due to ATM cards being used for liquidity management.



*The details of BB transactions are given in the next two pages.

Branchless Banking Snapshot

Table 4: Volume and value of different types of transactions

S. #	Type of Transactions	Apr-Jun 2014		Jul-Sep 2014	
		Volume of Transactions (Numbers)	Value of Transaction	Volume of Transactions (Numbers)	Value of Transactions
1	Agents transfers for liquidity				
	Agent account to agent account	2,749,183	63,685,291,088	2,650,658	71,321,006,729
	Agent account to bank account	174,159	11,819,773,309	161,425	12,321,393,111
	Bank account to agent account	558,647	47,744,605,937	577,090	77,542,186,520
	Cash Deposit in L3 by agents	333,412	15,308,425,045	312,432	15,705,127,433
2	Fund Transfers				
	<i>a. Fund transfers through M-wallets</i>				
	MW to MW transfers	75,236	50,690,089	43,848	46,722,456
	MW to bank account transfers	11,325	157,117,592	10,889	160,366,706
	Bank account to MW transfers	20,534	197,299,753	20,308	188,793,815
	MW-to-person fund transfers	401,414	1,491,239,176	345,758	1,311,484,740
	<i>b. Fund transfers through CNIC</i>				
	Person to person sending	12,688,632	53,117,214,282	13,351,784	57,959,384,283
	Person to person receiving	13,130,997	54,792,538,657	13,706,940	59,336,263,551
3	Bulk Payments				
	<i>a. Government to Person Payments</i>				
	G2P through MW	2,374,375	8,698,775,441	1,142,224	5,149,344,258
	G2P through card	2,705,142	9,486,443,172	1,461,844	6,020,292,305
	<i>b. EOB Pensioners</i>				
	Pension payment through MW	88,573	344,071,584	124,744	483,237,661
	Pension payment through OTC	35,919	137,826,780	37,888	207,842,457
	Salaries payments and Others	16,625	247,829,706	18,666	170,884,537
4	Cash deposit & withdrawal				
	Cash Deposited in MW (including person to MW transfers)	1,579,371	4,572,254,038	1,489,927	4,778,509,419
	Cash Withdraw from MW	2,281,723	8,761,079,295	1,403,289	6,256,881,220
	Cash withdraw through card (G2P)	3,134,722	10,127,098,508	2,259,407	8,737,743,933
5	Bill Payments & Top ups				
	Utility Bills Payment	23,780,275	30,610,624,255	23,146,037	41,012,849,623
	Internet Bill Payments	220,046	257,681,478	227,499	271,479,295
	Mobile Top-ups	3,282,503	239,977,369	3,129,815	236,760,575
6	Loan				
	Disbursement	16,475	281,558,196	8,095	133,083,687
	Repayment	673,034	1,006,500,249	750,074	2,094,806,010
7	Others				
	Donations	8,236	488,590	7,362	1,616,241
	Retail Payments	12,244	48,402,425	23,140	99,564,147
	PIA ticketing	77	1,462,762	82	1,418,013
	International Home remittance	24,203	674,408,943	29,353	823,405,739
	Account Opening Transactions	70,983	18,549,453	64,944	18,549,491
	Cash collection/payment services	745,642	2,251,451,389	300,833	3,553,769,240
	Total	71,193,707	326,130,678,560	66,806,355	375,944,767,197

Table 5: Customers' Transactions Analysis - OTC vs. M-wallets

Type of Transactions	OTC		M-Wallets	
	Volume of Transactions (Numbers)	Value of Transactions	Volume of Transactions (Numbers)	Value of Transactions
Fund Transfers				
Fund transfers through M-wallets				
MW to MW transfers	-	-	43,848	46,722,456
MW to bank account transfers	-	-	10,889	160,366,706
Bank account to MW transfers	-	-	20,308	188,793,815
MW-to-person fund transfers	-	-	345,758	1,311,484,740
Person to MW fund transfer	5,587	23,157,941	-	-
Fund transfers through CNIC				
Person to person sending	13,351,784	57,959,384,283	-	-
Person to person receiving	13,706,940	59,336,263,551	-	-
Bulk Payments				
Government to Person Payments				
G2P through MW	-	-	1,142,224	5,149,344,258
G2P through card	1,461,844	6,020,292,305	-	-
EOBI Pensioners				
Pension payment through MW	-	-	124,744	483,237,661
Pension payment through OTC	37,888	207,842,457	-	-
Salaries payments and Others			18,666	170,884,537
Cash deposit & withdrawal				
Cash Deposited in MW (including person to MW transfers)	-	-	1,484,340	4,755,351,478
Cash Withdraw from MW	-	-	1,403,289	6,256,881,220
Cash withdraw through card (G2P)	2,259,407	8,737,743,933	-	-
Bill Payments & Top ups				
Utility Bills Payment	22,643,982	39,607,190,181	502,055	1,405,659,442
Internet Bill Payments	220,850	264,301,936	6,649	7,177,359
Mobile Top-ups	320,919	85,683,109	2,808,896	151,077,466
Loan				
Disbursement	8,095	133,083,687	-	-
Repayment	749,956	2,094,388,731	118	417,279
Others				
Donations	1,415	934,059	5,947	682,182
Retail Payments	-	-	23,140	99,564,147
PIA ticketing	81	1,406,870	1	11,143
International Home remittance	29,353	823,405,739	-	-
Account Opening Transactions	64,944	18,549,491	-	-
Cash collection/payment services	300,499	3,551,992,156	334	1,777,084
Total	55,163,544	178,865,620,430	7,941,206	20,189,432,973

SBP organizes International Branchless Banking Conference in Islamabad

State Bank of Pakistan in collaboration with CGAP and DFID organized a one day International Branchless Banking Conference on November 17, 2014 at Serena Hotel, Islamabad. Federal Minister for Finance, Senator Mohammad Ishaq Dar was the chief guest at the occasion. The conference was also attended by heads of Pakistan Telecommunication Authority (PTA), National Database and Registration Authority (NADRA), Department for International Development (DFID), and representatives of Consultative Group to Assist the Poor (CGAP), World Bank and over 280 participants from the Government, international policy advisory organizations, financial service providers, telecom sector, and payment service providers.

Summary of the Proceedings

In his welcome remarks, Governor SBP, Mr. Ashraf Mahmood Wathra highlighted that high level of financial exclusion has led the society to rely on excessive use of cash especially for payments and savings which is risky, costly, and inconvenient to the businesses and public at large. He stressed that having access to simple financial products can have a real, positive impact on peoples' lives. Considering this, the G-20 leaders, the IMF, the World Bank, other multilateral and development institutions, have called for an improvement in the quality of economic growth, such that it should be "inclusive".



He further said that the greater promise of branchless banking lies in the ability of banks to build new or leverage existing agents' network, and convert massive SIM subscribers' base into banking account holders. This transformation is already underway with the support of an evolving branchless banking ecosystem in Pakistan. In particular, the government's vision to digitize the space of its Government-to-Person (G2P) payments through branchless banking has proved as a strong catalyst to the industry. The industry needs to expand in this area by offering proposition for digitization of larger space of G2P, P2G, Business-to-persons, and persons-to-business payments, he maintained.

In addition, he underlined that the role of PTA and NADRA in this ecosystem has remained critical to support ongoing branchless banking initiatives.

In his keynote address, Minister for Finance, Mr. Mohammad Ishaq Dar said that digital finance channels can lead to rapid expansion in access to financial services, particularly to those currently not served, and can thus help promote economic growth and reduce income disparity in the country.

While appreciating the State Bank of Pakistan for its strategic vision and commitment to improve financial inclusion in the country, the Minister added that SBP's financial inclusion policy framework and branchless banking models are recognized globally. Pakistan's microfinance and branchless banking sectors have seen inflow of foreign capital and increased use of innovative technologies. He desired to be personally involved in steering financial inclusion initiatives in the country through the newly created National Financial Inclusion Council to assign the much needed priority to this issue.

Mr. Dar said that digital payments can be an efficient and transparent medium for Government payments. "By digitizing G2P payments, our Government will strengthen the e-Governance framework," he added.

He commended the successful experience of digitizing the leading social welfare schemes of the Government for income support programs and internally displaced persons. He expressed the desire of the government to work with other stakeholders and global agencies to chart a roadmap for digitizing government's retail payments. Moreover, he stressed on the need to further develop the digital finance to expand services to small farmers and pensioners. He also advised to strengthen the customer grievances redressal mechanism.



Speaking on the occasion, Richard Montgomery, the head of DFID-Pakistan mentioned that DFID is seeking to work in partnerships to promote innovative approaches for financial inclusion. Given the success of DFID partnership with State Bank, this partnership under the current "Financial Inclusion Program (FIP) has been extended for a further period of five years.

The Chairman PTA and Chairman NADRA also spoke at the occasion and expressed their commitment to support branchless banking growth in Pakistan.

Steve Rasmussen, CGAP, shared some global experiences of branchless banking. He affirmed CGAP's commitment to assist in SBP's endeavors for promotion of branchless banking in Pakistan.

Signing of MoUs

During the conference, two MoUs were also signed to advance the digital financial inclusion in Pakistan. The first MoU was signed



between Governor SBP and Chairman NADRA for reducing the biometric verification cost to Rs.10 for each m-wallet account opening at industry level. This initiative will reduce transaction costs of banks and clients and strengthen customer identification & verification procedure leading to accelerative growth in opening of mobile accounts.



The second MoU was signed between Gates Foundation and DFID to set up a Digital Financial Inclusion Unit in Karandaaz which is a newly incorporated company to support small and growing businesses in Pakistan.

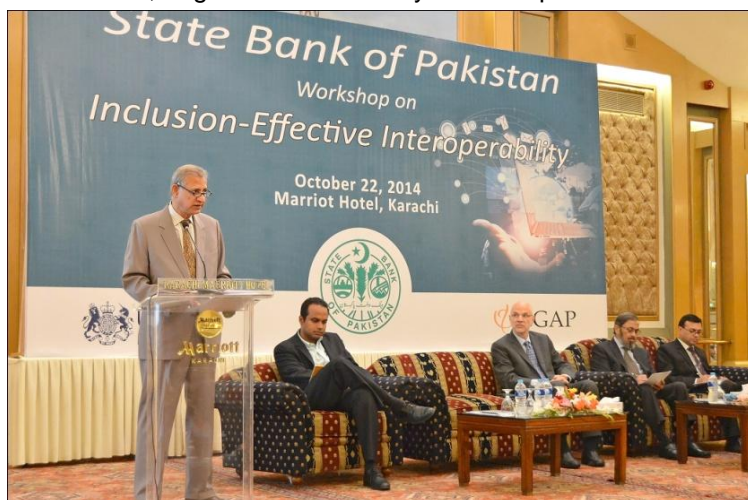
Panel Discussions

After the conclusion of the plenary session, panel discussions were held with national and international experts on following topics:

1. **Increasing Mobile wallet adoption:** The session was moderated by Mr. Daniel Radcliffe and the panelists included: Mr. Nadeem Hussain, Mr. Ghazanfar Azzam, Mr. Shaukat Zaman, Zulfiqar Ahmed, Mr. Imran Khan and Mr. Qasif Shahid.
2. **Building a wider CICO network:** This session was moderated by Qazi Shoaib Ahmad and the panelists included: Mr. Muhammad Yahya Khan, Mr. Gerald Ndemo Rasugu, Mr. Akhtar Javed, Ms. Aniq Afzal Sandhu, and Mr. Irfan Qureshi.
3. **Market catalysts for financial inclusion:** Moderated by Mr. Gabi George Afram, the panelists in this session included: Ms. Ruth Goodwin-Groen, Mr. Abrar Mir, Mr. Noor Ahmed, Mr. Noor Rehman and Mr. Arif Sirhindi.
4. **Interoperability:** This session was moderated by Mr. Kabir Kumar and the panelists included: Mr. Sohail Javaad, Dr. Muhammad Saleem, Mr. Faisal Ejaz Khan, Mr. Karim Jindani, and Ms. Crystal May Kaschula.

SBP-CGAP Workshop on Inclusion-Effective Interoperability

State Bank of Pakistan, in collaboration with CGAP, organized a one day workshop titled “Inclusion-Effective Interoperability” on October 22, 2014 at Marriot Hotel, Karachi. The Governor State Bank of Pakistan, Mr. Ashraf Mahmood Wathra was Chief Guest at the occasion. The conference aimed to share the findings of the global research study conducted by CGAP on topics such as: solution relating to account to account interoperability, how agent interoperability might assist financial inclusion, effective use of national payment infrastructure, and priority use cases and key impediments.



Addressing on the occasion, the Governor encouraged the branchless banking industry to develop interoperability solution in the market to catalyze the take up of mobile wallets, increase choices for the customers, and expand the business of banks. The Governor said that SBP's objectives for financial inclusion were not only to reach out to poor people, but also to contribute to banking stability and economic development. 'In SBP's vision, 'Payment System' and 'Financial Inclusion' are mutually-reinforcing, and their linkages are expected to deepen further in future, he said, adding, 'In line with this vision, digital financial inclusion is going to be the cornerstone of the National Financial Inclusion Strategy (NFIS) that is currently in the stage of formulation.'

Mr. Wathra stated that statistics indicate that there exists a large "financially-excluded" market that is facing difficulties in buying goods and services, paying utility bills, borrowing and saving, or investing in future. Registering this un-served market through mobile wallets should be our key objective. A robust environment of interoperability in branchless banking shall benefit all participants in the Payments ecosystem. End users, including consumers, merchants, governments, and other types of enterprises would find it easier to make and accept payments. Providers to these end users, including banks, networks and other service providers shall capitalize on each other's strengths in interoperable systems that they may not be able to achieve with closed loop (or non-interoperable) systems.

The Governor thanked the team of experts of Consultative Group to Assist Poor (CGAP) for supporting the industry through sharing their global knowledge on interoperability. The speakers included Kabir Kumar, Senior Financial Sector Specialist, Michel Hanouch, Financial Sector Specialist, and Brian Le Sar, Director Bankable Frontier Associates, who shared a global research on interoperability frameworks for branchless banking at the occasion.

SBP organized two day In-House Training on linkages of Branchless Banking and Payment System

SBP, with support of CGAP, held a two day in house training program for SBP officials involved in branchless banking on 20-21 October, 2014. The key objective of this training was to provide a learning platform to SBP officials on global perspective and experience in branchless banking, especially its payment efficiency, regulatory landscape, payment instruments and standards, and interoperability.



The training was conducted by globally well-known experts of i.e. Bankable Frontiers Associates (BFA) and National Payments System Institute (NPS-I). The 2-day session covered topics like payment system,

major issues in mobile financial services, interoperability, payment switches, concept of interchange, and case studies on essential themes.

Dr. Saeed Ahmed, Director AC&MFD, in his concluding remarks appreciated the efforts of CGAP and BFA and hoped that the course will augment SBP's ongoing efforts for creating a pool of experts on branchless banking for dynamic policy making and developmental initiatives. He further expected that the training will provide an opportunity to SBP officials to find innovative and credible solutions to some of key policy areas such as viable interoperability strategy, balance m-wallet vs. OTC growth, decide levels of shared vs. exclusive agents, establish level of outsourcing (role of banks vs. telecoms), develop effective ways of supervising agent network, etc.



Local News

Pakistan invited to play leading role in cashless economy

Dr. Ruth Goodwin-Groen, Managing Director, Better Than Cash Alliance (BTCA), has said that Pakistan has potential to lead to transform into a cashless economy by shifting from conventional mode of cash payments to electronic ones, which now have become preferable for being cost saving, transparent, speedy and secure.

Dr. Ruth, said that the United Nations-backed alliance would ask Pakistan to join the group, which already has over 30 members, while the registration of several other countries is in process. She said that Pakistan has tremendous potential to exploit, as just 10% of its population was utilizing banking services and 90% were still away from these services.

BTCA is UN-housed alliance of governments, the development community and companies, committed to empower people by shifting from cash to electronic payments. The alliance works closely with World Bank, the Consultative Group to Assist (CGAP) the poor, the World Economic Forum and is an implementing partner of the G20 Global partnership for financial inclusion.

Talking about the benefits of the alliance, Dr. Ruth said that the biggest generators of payments globally, estimated offer US\$40 trillion in 2009, with millions of people in developing countries receiving salaries benefits and pensions through government-to-people payments.

She said that electronic payments are more transparent, increasing accountability and tracking and reducing corruption and theft while these are typically safe and have faster delivery. She was also of the view that electronic payments can also accelerate access to and use of financial services and can also open doors for new business models for previously excluded people and create additional benefits.

<http://www.brecorder.com/top-news/108-pakistan-top-news/207203-pakistan-invited-to-play-leading-role-in-cashless-economy.html>

Easypaisa launches first 'International Remittance Doorstep Delivery Service

Easypaisa has collaborated with the International Remittance partner Xpress Money to launch Pakistan's first international remittance doorstep delivery service for its customers. The Easypaisa International Home Transfer facility aims to provide the safety and convenience to receive remittances sent up to PKR 50,000 from over 150 countries through Xpress Money, at more than 50,000 Easypaisa shops across 800 cities in Pakistan.

The service is free for both the person sending the remittance from abroad and the receiver in Pakistan. Expressing his views on new service, Nadeem Hussain, CEO Tameer Micro Finance Bank said, "Home Remittances from overseas Pakistanis play an extraordinary role in the economic development of Pakistan".

<http://www.brecorder.com/money-a-banking/198/1246648/>

UPaisa, Sayyed Engineers Limited Sign Agreement

Ufone has entered into an agreement with Sayyed Engineers Limited – the manufacturer of the famous Piano & Tempo stationery brands through its financial services brand, UPaisa, through which the employees' salaries would be transferred digitally to their UPaisa accounts.

Upaisa has launched a corporate web portal through which all corporate customers like Sayyed Engineers would be able to transfer the employees' salaries to their UPaisa mobile wallets or their CNIC's. In addition to that, the corporate client would also be able to avail other UPaisa services such as

utility bill payments, Ufone postpaid bill payment, prepaid recharge along with transferring funds to other accounts with complete management of their core and branchless banking account.

Through this facility, the employees will now have their salaries transferred directly into their mobile wallets after which they would be able to draw out cash from any 1-Link ATM or through 27,000 plus UPaisa agents in Pakistan. In addition to these features, they will be able to make merchant payments with their UPaisa debit cards and enjoy affinity deals as well.

<http://www.thenews.com.pk/Todays-News-3-284861-Employees-to-receive-salaries-digitally>

International News

Agent Network Accelerator Survey: Bangladesh Country Report 2014

With financial support of the Bill & Melinda Gates Foundation, MicroSave has conducted a research project in Bangladesh as part of the Agent Network Accelerator (ANA). This project presents the findings that focus on operational determinants of success in agent network management in Bangladesh. The research is based on interviews of 2,490 nationally representative agents which were carried out between March and April 2014. The paper states that Bangladesh has created many unique systems for agent network management which are yielding world class results, especially with regards to liquidity management. However, transaction volumes and profits are low compared to East Africa and support structures are still developing. Key findings of the study include:

- Transaction volumes are very low in Bangladesh when compared to East Africa, but very low operational costs keep majority of agents profitable;
- 57% of agents are one year old or less and 86% of agents indicate that they foresee themselves continuing as agents in an year, indicating high levels of satisfaction;
- Most agents have rebalancing done for them at their outlets, and report rarely having to deny a transaction for lack of it;
- Almost all agents are non-dedicated, and while bKash is the dominant provider, other providers seem to be quickly building their networks on top of bKash's, meaning the majority of events are now non-exclusive.

<http://www.microfinancegateway.org/library/agent-network-accelerator-survey-bangladesh-country-report-2014>

Danamon Bank enables fund transfer via Facebook

Danamon Bank has launched its first mobile banking application dubbed "D-Mobile," which is running on Tagit's Mobeix Platform. Developed by Tagit, the m-banking application is expected to benefit more than 2 million Danamon Bank retail customers and on a larger scale, mobile users across Indonesia.

D-Mobile allows customers to do core banking transactions including account information queries, fund transfers and bill payments via a mobile device, also offering personalization features and connection to customers' individual social media platforms. A key feature of the new app is "Sosmed D-Cash," a first-of-its-kind service, allowing users to transfer funds via Facebook to either Danamon or non-Danamon customers.

The new service requires the sender and recipient to be Facebook friends. Once the Danamon user transfers the money, the receiver is required to visit an ATM and perform a series of simple security measures, including generated password and ID, before obtaining approval to withdraw the funds from the ATM. The new feature forms part of Danamon Bank's Branchless Banking Initiative, aiming to bridge the gap between Indonesia's banked and unbanked populations.

Another feature of D-mobile application, the augmented reality function, allows users to use their phone camera to scan for the nearest Danamon ATM and branch. It also provides the capability to scan for the nearest Danamon promotional offers across different categories such as dining and travel.

<http://www.tagitmobile.com/press-releases/danamon-bank-enables-fund-transfer-via-facebook/>

Globacom Launches Nigeria's First Mobile Money Agent Network

Globacom in partnership with three licensed mobile money operators, FirstMonie, Ecobank, and Stanbic IBTC launched the Glo Xchange, Nigeria's first mobile money agent network. This platform will provide mobile money service to both banked and unbanked Nigerians. It will enable existing and potential customers of partner banks to carry out transactions under the three key areas of banking transactions: deposits, withdrawals, and transfers. The banks, on their part, will provide their mobile money platforms to

Globacom's mobile subscribers in compliance with the Central Bank of Nigeria's policy on mobile money. They will also provide specialized trading platforms and merchandising materials to the recruited agents while managing customer accounts and support services.

<http://www.microfinancegateway.org/announcement/globacom-launches-nigeria%E2%80%99s-first-mobile-money-agent-network>

OJK to issue branchless banking rule by year-end

The Financial Services Authority (OJK) is preparing a regulation on branchless banking, expecting to significantly boost access to finance in a country where only a quarter of its more than 240 million people has access to banks. That's in stark contrast to mobile phone penetration, since on average every Indonesian owns one or two cell phones.

Under the regulation, domestic banks would be able to provide basic banking services to a higher number of Indonesians, especially low-income people in remote places, by partnering with local agents. Each bank participating in the Laku Pandai [the name of OJK's branchless banking program] will appoint its own agents, who will assist people with the three basic products. The products would consist of savings accounts, micro loans and micro insurance and they would all be provided from the agent's premise.

The Laku Pandai program is expected to go hand in hand with a similar program promoted by Bank Indonesia (BI), dubbed "Digital Financial Services" (LKD), which also employs agents in the form of institutions or individuals. In the LKD program, however, only BUKU IV banks participate. <http://www.thejakartapost.com/news/2014/09/10/ojk-issue-branchless-banking-rule-year-end.html>

Smartphone Explosion Means Mobile Payments Worldwide By 2020

By the year 2020, 90 percent of the world's population over 6 years of age will have a mobile phone, making them candidates for mobile payments, according to the annual Mobility Report that Swedish networking giant Ericsson released this month. Already there are 2.7 billion smartphone subscriptions, with an estimated 800 million new subscriptions in 2014 — more than a 40 percent growth rate — and the total number of smartphones in use is projected to hit 6.1 billion in 2020, the report said. That would mean 80 percent of the world's population will be smart phone users in six years.

Smartphones currently account for just 37 percent of mobile phone subscriptions, but they also represent more than 65 percent of new mobile phones sold worldwide. Among all mobile phones, the fastest growth rates are in India and China, which gained 18 million and 12 million net new mobile subscriptions just in Q3 of 2014. Users in the Asia Pacific region now represent just over half of all mobile phones in use, and an even larger proportion of smartphones.

The rapid increase in the number of mobile users — and especially smartphone users — in the underdeveloped world is also likely to have a huge impact on financial inclusion. SMS-based financial services like Safaricom's M-Pesa have already made branchless banking, loans and money transfers a reality in rural areas where there's none of the infrastructure required for traditional banking. But text-message-based payments are inherently less secure than other payment-messaging systems that require more bandwidth and phone processing power. With the shift to smartphones, encryption and multifactor authentication will become practical, increasing the security and potentially spurring new financial services.

<http://www.pymnts.com/news/2014/smartphone-explosion-means-mobile-payments-worldwide-by-2020/>

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.