

# Branchless Banking State of Readiness

**Abrar Ahmed Mir**

Executive Vice President & Head Branchless & e Banking

[abrar.mir@ubl.com.pk](mailto:abrar.mir@ubl.com.pk)

# Agenda

- History
- In house vs. Third Party Solution
- Services offered
- Channels
- Security
- A few projects around G2P
- Agent network and challenges

# History

- UBL developed a vision of “ Mobile Wallet” in 2005
- First Mobile Wallet in South Asia was rolled out by UBL in 2007 under the brand name of “Orion”.
- Since no regulations existed at that point to cover this product, SBP’s role as an active and supportive partner in this initiative was extremely critical for our success
- Branchless Banking regulations were introduced by SBP in 2008
- UBL started developing the solution to deliver a comprehensive Branchless banking service in line with the regulations.
- License for Pilot launch was received in Sep 2009
- License for Commercial launch received in Feb 2010



## Announcing the arrival of UBL Omni Branchless Banking!

UBL Omni branchless banking is now available in more than 100 cities and towns across Pakistan. Open your account at a UBL Omni *Dukaan* in your neighborhood and have access to a host of everyday banking services.

| Open Account | Deposit / Withdraw Cash | Pay Utility Bills | Transfer Money | Purchase Mobile Vouchers | Online Shopping |

UBL  
**Omni**  
هرپل آپکے ساتھ

| Branchless Banking |

# Why develop in house solution?

- “Branchless / Mobile” banking is a very new business and there are no “mature” business models around the world that can be replicated
- At the same time we also believe that there are tremendous opportunities that exist out there
- Typical off the shelf solutions are developed based on the vendors vision around this business and that is primarily based on the needs in their own market
- Having our own solution allows us to introduce new features and products almost on the go without having to go to any third party
- The **flexibility** and **nimbleness** that an in house solution offers us is absolutely priceless at this stage of business maturity.

# What services can be offered?

- A/c opening
- Cash deposit & withdrawals
- Bills payments – Utilities and credit cards and Loans, school fees, government dues etc. Bill payments can be for a/c holders as well as for cash customers
- Fund transfers – domestic and International remittances
- Loan disbursements
- Air time vending – a/c holders and cash customers
- And many more services
- P2P ( domestic & international remittances)
- P2B (over the counter payments, bill payments, school fees, tickets, home delivery etc)
- B2B (electronic cash management)
- B2P ( Salary disbursements)
- G2P (Government disbursements like WFP, BISP etc)

# Channels for Customers / Agents

- Agent system ( PC and Mobile Front End)
- SMS
- WAP
- Internet on PC
- Call Centre (IVR & Agent based)
- ATM ( associated Visa Debit Card)
- Branch Network (integrated with Core banking)
- USSD (in progress)

# Security

- All web / WAP transactions are secured through verisign
- SMS transactions have dual security i.e. of SMS channel itself along with a callback PIN mechanism
- ATM transaction security is as per standard ATM security protocol
- The Java front end for agents is digitally signed by VeriSign certificate to ensure:
  - that the application cannot be tempered
  - The end user can check the digital signature to ensure that s/he is using application from a valid source.
- All the passwords and pins are saved in encrypted format in database.



# Agent Network and Challenges

- A typical retail agent for us is someone who is running a small shop and is looking to earn additional income by capitalizing on the existing foot traffic into his outlet as well as generating additional foot traffic. A typical agent includes:
  - Bakeries and General stores
  - Medical and general stores
  - Computer and mobile services shops
  - Electronics shops
  - Boutiques and PCOs
  - Super stores and travel agents
- Building a “retail agent” network is not a typical strength of a large commercial bank. However, we have accepted this challenge and so far things look good.
  - We have established a sizeable network across more than 100 cities and towns
- Managing the agent network from controls and compliance perspective will be a challenge.
  - We have set up a dedicated team for acquiring and managing the agents on a daily basis
  - We can mitigate certain challenges through systems
  - Others will have to be dealt with as we learn and evolve
- Another major challenge that will need to be managed very carefully is the Liquidity at the retailer location.
- Interoperability o maximize the benefits of multiple agent networks established by various banks

A few Examples of G2P applications

## WFP - Pilot

- WFP approached us for a solution to disburse Cash in lieu of physical food items to the Internally Displaced People (IDPs)
- UBL had last year distributed cash aid using “Visa Debit” cards to the same set of population ( approx 400,000 families)
- Since the branch network is not large enough to handle this kind of influx, hence we proposed “ Branchless Banking” solution using a combination of Mobile / web based PC front end and retailers as cash distributing agents
- The concept needed to be proved at multiple levels including:
  - Does the system work i.e. can mobile act as ATM
  - Does the system ensure transparency, security and integrity in the process
  - Will the retailers be willing and able to handle these payments
  - Will the retailers be willing and able to learn the technology and effectively use it.
  - How will the liquidity challenge be managed at agent locations
  - Will the beneficiaries have faith in the system to walk up to a retail location and transact at their location

# Pilot Details

- Targeted population approx 12,000
- Number of agents : starting with 4 ramped to 17
- Start Date : Jan 10, 2010
- Duration : 2 months
- Successfully distributed approx **US\$ 1 million**

# Benazir Income Support Fund (BISP)

- BISP floated an RFP for solution to disburse funds to the BISP beneficiaries
- We were declared successful and awarded the contract last week
- Plan to start the disbursements from last week of April
- Essentially a 3 way collaboration between UBL, BISP and NADRA