

QUARTERLY
**Branchless
Banking**
NEWSLETTER

Jul-Sep 2015

Issue 17



Leveraging Technologies and Partnerships
to Promote Financial Inclusion

- Analysis 01
- Snapshot 07
- Local News 09
- International News 14
- Appendix 19



STATE BANK OF PAKISTAN

Agricultural Credit and Microfinance Department

Branchless Banking Newsletter Team

Team Leader

Noor Ahmed

Team Members

Muhammad Imaduddin

Ahmed Sumair

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), Habib Bank Limited (HBL Express), U-Microfinance Bank (U-Paisa), Bank Alfalah (Mobile Paisa) and MCB Bank (MCB Lite).

The Branchless Banking Newsletter team also acknowledges the invaluable contribution from officials of relevant departments of SBP

Contact us:

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

Phone: 021-3245-3943

Fax: 021-99221789

E-mail: branchlessbanking@sbp.org.pk

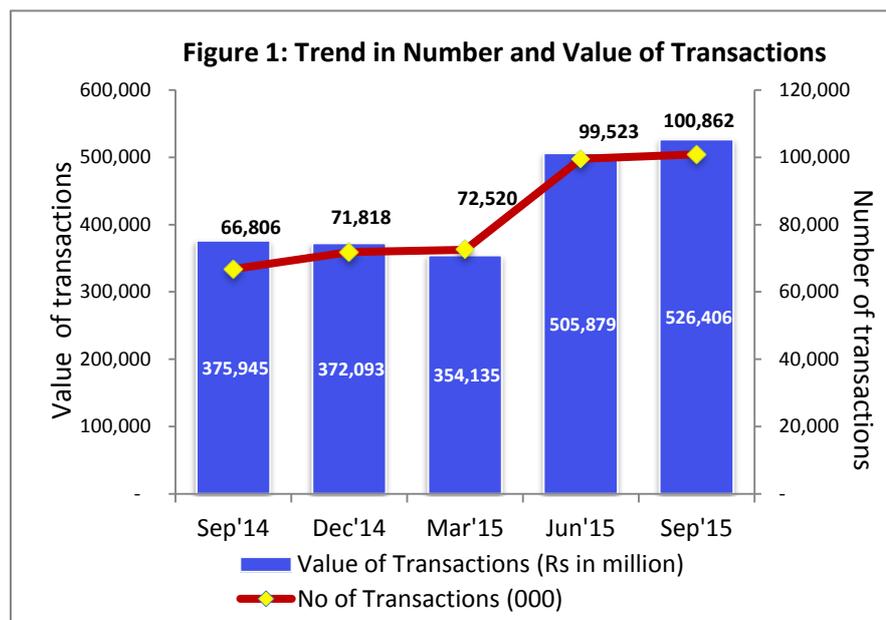
URL: <http://www.sbp.org.pk/publications/acd/branchless.htm>

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.

Executive Summary

During the quarter Jul-Sep 2015, the branchless banking industry surpassed its own m-wallet projections¹, by reaching 13.2 million accounts, due to an impressive 21.2% growth in a single quarter. A total of 2.3 million accounts were opened during Jul-Sep 2015, out of which 2.2 million were level-0 accounts.

The number of biometric devices, installed nationwide for realtime account opening, grew to 51,148 in total. Around 1.5 million accounts were opened through NADRA's Biometric verification system which contributed to 68% of the total BB accounts opened during the quarter under review.



The number and value of transactions conducted during the quarter set historic records by reaching 100.9 million and Rs. 526.4 billion, respectively. The customer oriented transactions enjoyed a share of 95.3% and 60.5% in volume and value, respectively, whereas the remaining were agent transactions for liquidity purpose. In customer oriented transactions, Over The Counter transactions totaled 66.1 million in number and Rs. 225.9 billion in value whereas m-wallet transactions amounted to 30 million in number and Rs. 92.6 billion in value.

The m-wallet to OTC transactions ratio, continued showing positive trend in the growth of m-wallet transactions over the previous quarter. The OTC transactions are showing signs of saturation as they have increased only 20% during the last four quarters. On the other hand m-wallet transactions have shown 278% growth during the same period which shows an encouraging behaviour in the usage of digital financial channel by the customers.

The number of BB agents increased by 6.4% to reach a total of 267,914. Agent locations allowing account opening facility slightly increased to 37%, as compared to 36.3% in the last quarter.

The average size of transaction grew to Rs. 5,219 from Rs 5,083 as in the previous quarter. The average number of transactions amounted to 1,120,687 per day, showing an increase of 1.3% from the previous quarter.

An amount of Rs. 21.64 billion was disbursed to 4.5 million beneficiaries during the quarter under review. BISP remained the major player in the value of G2P portfolio with a share of 72%, followed by IDP and EOBI payments with a share of 25% and 2% respectively.

¹ In the 4th meeting of Branchless Banking Consultative Group, the BB industry projected to register 10.4 million BB accounts till Dec-15

Table 1: BB Key Indicators

Indicators	Apr-Jun 2015	Jul-Sep 2015	Quarterly Growth
Number of Agents	251,865	267,914	6.4%
Number of Active BB Agents	193,816	211,249	9.0%
Number of Accounts	10,881,378	13,192,396	21.2%
Deposits as of date (Rs. in millions)	8,553	6,890	-19.4%
Number of transactions during the quarter (No. in '000')	99,523	100,862	1.3%
Value of transactions during the quarter (Rs. in millions)	505,879	526,406	4.1%
Average Size of transaction (in Rs.)	5,083	5,219	2.7%
Average number of transaction per day	1,105,815	1,120,687	1.3%

The Number of branchless banking transactions surpass 100 million mark

The number of branchless banking transactions, for the first time, crossed 100 million mark resting at 100.9 million during the quarter Jul-Sep 2015.

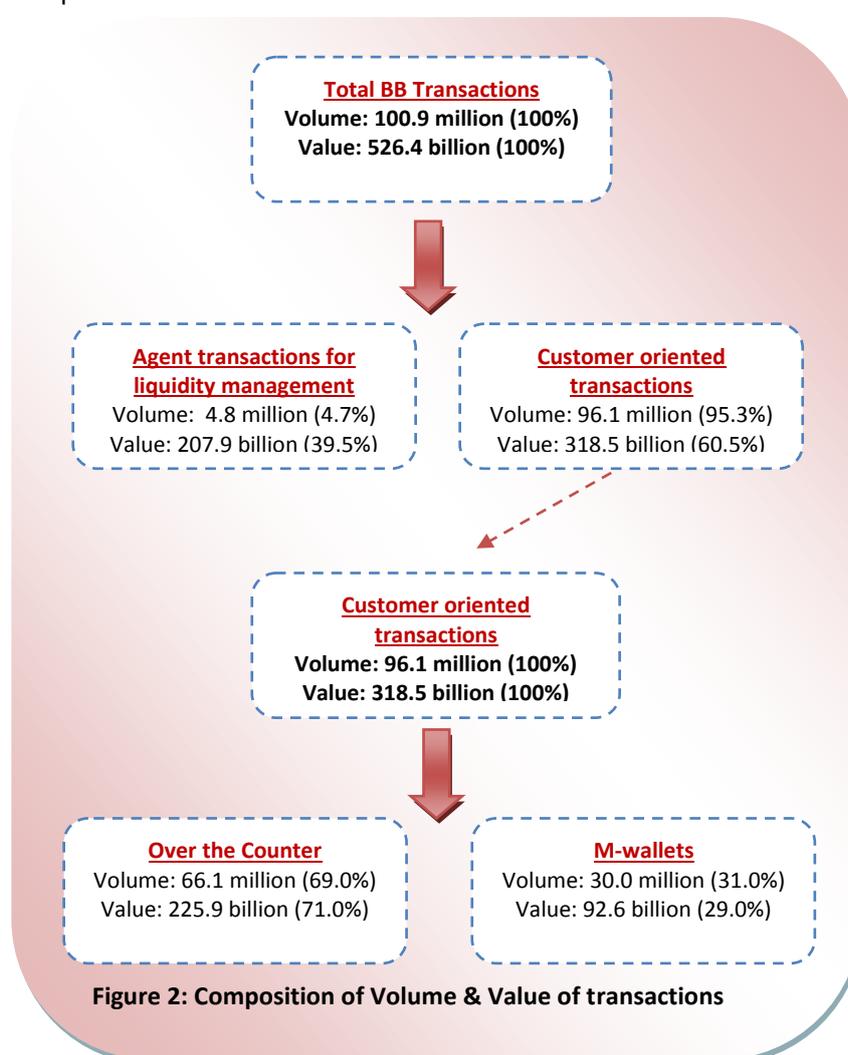
Figure 2 illustrates their break-up showing agent transactions for liquidity purpose and customer oriented transactions which stood at 4.8 million and 96.1 million respectively. The customer oriented transactions are further segregated into Over-the-Counter and m-wallet transactions which totaled to 66.1 million and 30 million respectively.

Fund transfers through CNIC remained the top contributor in the volume of transactions with a share of 31%; followed by 28% share of bill payments (utility and internet) and 14% share of and mobile top-ups respectively.

The value of transactions rises to record high

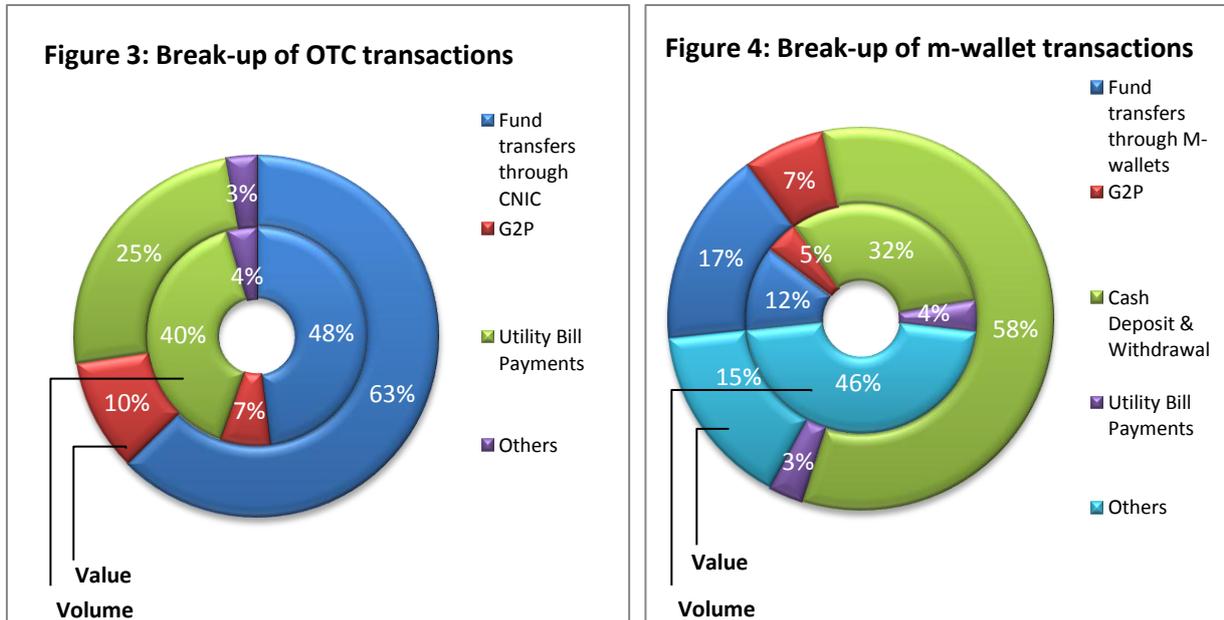
An encouraging trend in number of transactions was also depicted through the value of BB transactions which rose to a record high of Rs. 526.4 billion. Agent transactions for liquidity purpose contributed 39.5% in total value of transactions with an amount of Rs. 207.9 billion whereas customer oriented transactions seized a share of 60.5%, amounting to Rs. 318.5 billion.

Agent transactions for liquidity purpose achieved maximum share in total value of BB transactions with 39%, followed by 27% share of Fund transfer through CNIC and 13% share of cash deposit and withdrawal.



Customer oriented transactions show sizeable rise

OTC and m-wallet transactions, which mutually comprise customer oriented transactions, witnessed a sizeable increase, both in volume (1.8 million) and value (Rs. 10.1 billion) as compared to the previous quarter.



In OTC transactions, the major chunk of both value & volume was comprised by funds transfer through CNIC, followed by utility bills payments and G2P transactions. The m-wallet channel was used mainly for Cash deposit and withdrawals, followed by Funds transfers and G2P.

M-wallet to OTC transactions ratio remains stable

The contribution of m-wallet transactions in total customer oriented transactions grew marginally, from 30% in the previous quarter to 31% in the quarter under review which made the m-wallet:OTC ratio rest at 31:69 from 30:70 in the previous quarter.

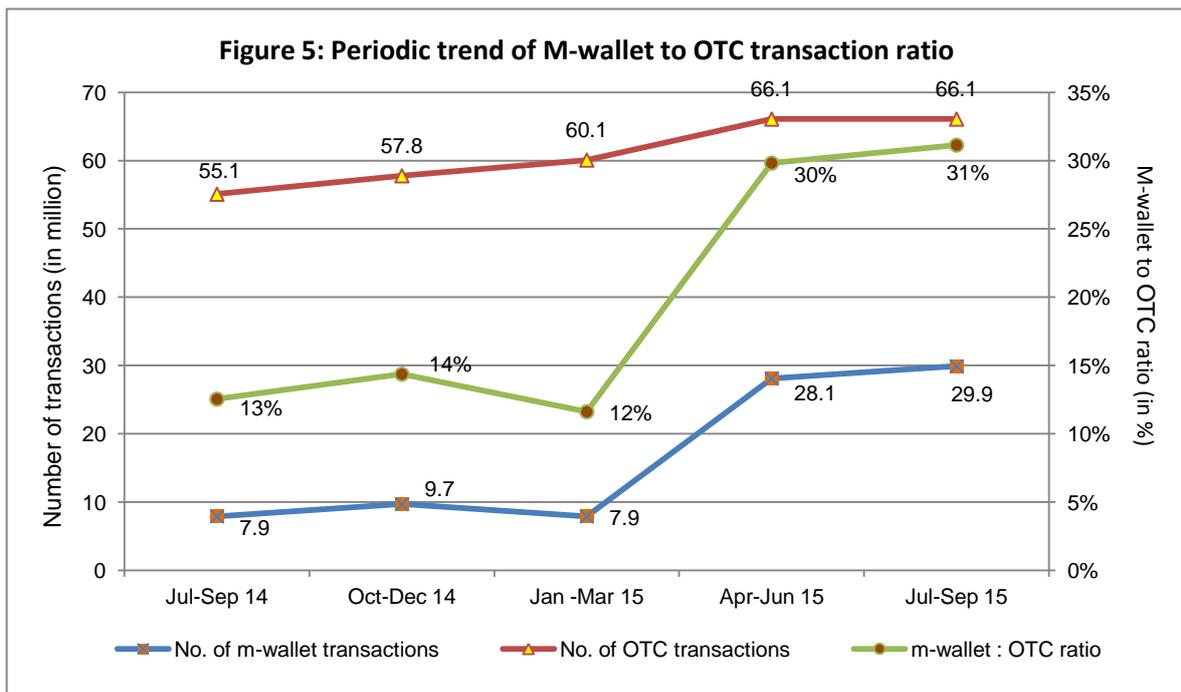
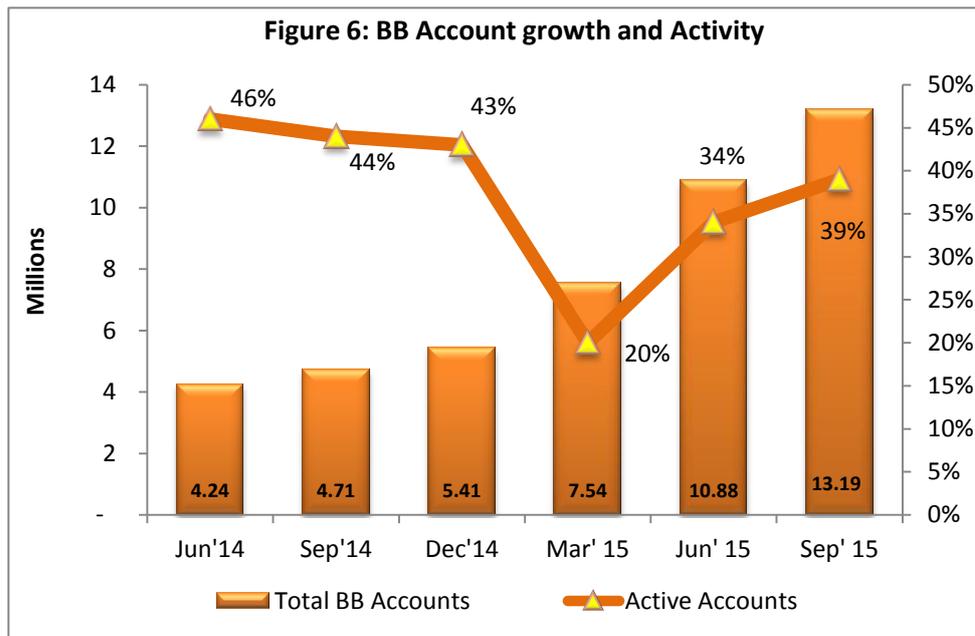


Figure 5 illustrates the periodic development of this ratio which is generally showing upward trend for the last 4 quarters despite a minor fall in Jan-Mar 15 quarter. The shrinking gap between the number of OTC transactions (red line) and the number of m-wallet transactions (blue line) shows positive signals for the usage of m-wallets.

Further analysis reveals that usage of OTC channel, which involves agent-assisted transactions, is getting saturated as it has undergone a growth of only 20% in the last four quarters whereas the m-wallet channel, still having lesser share than OTC, has undergone 278% growth during the same period. This trend can be attributed to increasing number of accounts, rising trend of transactions for funds transfers in m-wallets and cash deposit & withdrawal.

BB industry sets a new record of account opening, surpassing its own projections

The BB accounts took a giant leap to reach 13.2 million accounts, exhibiting a historic registration of 2.3 million accounts in a single quarter. Though Easypaisa has been a dominant player in registration of m-wallets, Mobicash is also emerging as a key competitor with an aggressive account opening strategy to register the masses with its BB platform. Easypaisa and Mobicash remained active contributors by registering 1.1 and 1 million accounts respectively.

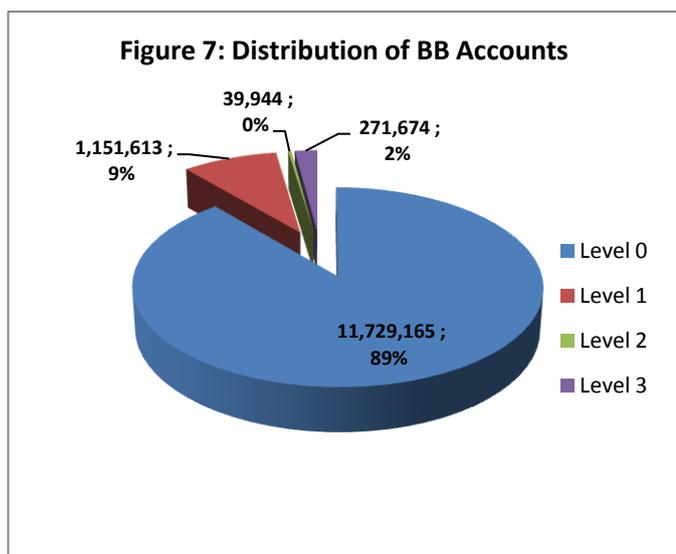


It may be recalled

that the industry projected to open 10.4 million accounts till Dec-15 in the 4th meeting of Branchless Banking Consultative Group; however this target has been comfortably achieved well before time.

Figure 7 illustrates the distribution of different levels of BB accounts.

In player-wise number of accounts, Easypaisa led with 8.8 million accounts whereas Mobicash has secured second position, replacing Omni, with 2.2 million accounts while Omni has dropped at third place with 1.9 million accounts.



The positive trend in account activity continues

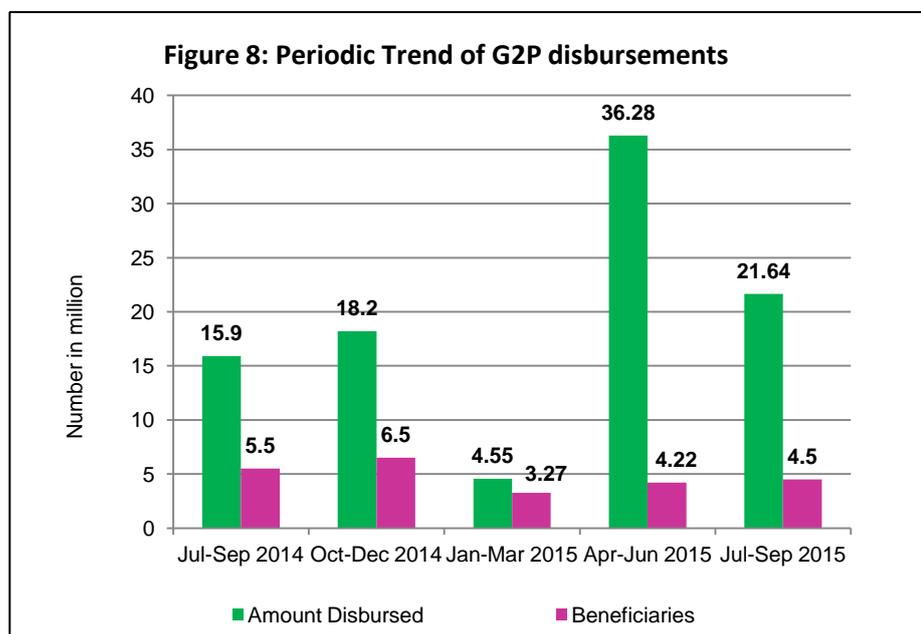
BB account activity, as a ratio of active accounts over the total accounts, has remained a challenge for the industry. After having touched a historic low of 20% during Jan-Mar 15 and subsequent reversal to 34% in Apr-Jun 15, BB account activity continued to rise during the quarter under review reaching 39%. The reason for the increased activity in account was increased transactions in bill payments & topups, cash deposits, loan repayments and Inter Bank Fund Transfers-IBFT. The IBFT service is serving as a convenient facility to enable interoperability between customers of Core-banking and branchless banking. This is introducing more value and activity in m-wallets thus making them a preferable choice for the OTC customers.

There is wide variation in terms of account activity amongst the BB players having more than 1 million m-wallets. Mobicash and Omni maintained an active to total account ratio of 93% and 73% respectively. However Easypaisa, having the largest clientele, maintained only 17% active accounts in its overall BB account portfolio.

Government to Person payments experience periodic adjustment

An amount of Rs. 21.64 billion was disbursed to 4.5 million beneficiaries during the quarter under review as compared to Rs. 36.28 billion to 4.22 million beneficiaries in the previous quarter.

Figure 8 shows the growth of G2P disbursements which reveals that the trend of the payments is steadily increasing since Jul-Sep 14 quarter with the exception of interim disruption during the Jan-Mar 15 and Apr-Jun 15 quarters due to the periodic management of cash flows in the BISP program. Seeing this continuously rising trend, the



transformation of digital financial services is expected to unleash the true potential of the G2P market which will subsequently help leverage the lives of the unprivileged segment of the society.

During the quarter under review, Omni led the G2P portfolio with Rs. 6.4 billion disbursed to 1.7 million beneficiaries, followed by Easypaisa, Timepey and Mobilepaisa which disbursed Rs. 5.8, Rs. 4.4 and Rs.4.1 billion to 1.7 million to 81,786 and 951,097 beneficiaries respectively. The G2P disbursements comprised of BISP (Rs.15.5 billion to 3.5 million beneficiaries), IDP (Rs. 5.4 billion to 141,080 beneficiaries), EOBI (Rs. 388 million to 68,369 beneficiaries) and Others (Rs. 256.9 million to 720,804 beneficiaries).

Steady increase in agent network and activity

The agent network grew by 6.4% to reach 267,914 agents while the activity ratio of agents rose to reach 79% in the quarter under review, from 77% in the previous quarter.

BB average deposits decline due to limited product offerings and lack of incentivization

The average deposits in BB accounts reached to Rs. 521 from Rs. 786 in the previous quarter. This was attributed to the fact that there was a historic opening of 2.3 million m-wallets during the quarter, but the corresponding deposits in accounts did not accelerate with the same pace. The reason was that some BB players used to incentivize their customers through daily free voice minutes / sms if they maintained certain balance in their m-wallets. However, this incentive was withdrawn during the quarter under review which resulted in their lack of interest to maintain deposits in their BB accounts. There is a need to add value to m-wallets by increasing the range of offered products as well as attract the marginal socio economic class towards digital financial services through incentivization

Table 2: Average Deposits in BB Accounts

Account type	Apr-Jun 15 Rs.	Jul-Sep 15 Rs.
BB Level 0	430	305
BB Level 1	443	383
BB Level 2	3,100	1,729
BB Level 3 (Agents)	15,207	10,251
Average BB Deposits	786	521

Biometric infrastructure continues to enhance

The biometric devices installed at agent locations experienced an encouraging growth of 7%, reaching 51,148 devices from 47,902 in the previous quarter.

A total of 1,562,089 accounts were opened through Bioverisys during the quarter which escalated the aggregate figure of biometrically opened accounts to 3.76 million. Mobicash and Easypaisa still remain the only players having biometric infrastructure, registering 978,734 and 583,355 accounts respectively during the quarter.

Table 3: Agent locations with account opening facility

	Apr-Jun 2015	Jul-Sep 2015
Easypaisa	26.4%	26.8%
Omni	100.0%	100.0%
Timepey	4.5%	4.5%
Mobicash	54.7%	56%
HBL Express	84.2%	84.1%
Upaisa	3.8%	3.7%
Mobilepaisa	1.7%	1.5%
Total	36.3%	37.0%

The capacity of account opening at agent locations increased marginally from 36.3% to 37%. Mobicash remained the prominent player for the second consecutive quarter to increase its capacity on this front.

Branchless Banking Snapshot

Table 4: Volume & Value of different types of transactions

S.#	Type of Transactions	Apr-Jun 2015		Jul-Sep 2015	
		Volume of Transactions (Numbers)	Value of Transaction	Volume of Transactions (Numbers)	Value of Transactions
1	Agent transfers for liquidity				
	Agent account to agent account	4,117,967	101,425,021,409	3,874,444	109,899,222,268
	Agent account to bank account	198,838	15,625,813,330	154,253	12,058,587,029
	Bank account to agent account	549,520	66,542,762,276	428,334	71,531,959,144
	Cash Deposit in L3 by agents	335,593	13,851,569,610	299,968	14,404,524,596
2	Fund Transfers				
	<i>a. Fund transfers through M-wallets</i>				
	MW to MW transfers	1,594,831	5,731,221,997	2,700,897	11,739,374,555
	MW to bank account transfers	12,381	198,184,511	13,819	164,995,842
	Bank account to MW transfers	24,763	336,228,256	24,965	300,940,456
	MW-to-person fund transfers	647,553	2,436,167,676	885,141	3,180,666,441
	<i>b. Fund transfers through CNIC</i>	-	-	-	-
	Person to person sending	15,834,730	73,315,401,891	15,338,728	68,939,803,756
	Person to person receiving	16,766,769	76,697,908,461	16,429,107	72,481,856,658
3	Bulk Payments				
	<i>a. Government to Person Payments</i>				
	G2P through MW	4,595,105	20,376,684,038	1,412,896	6,311,893,742
	G2P through card	2,532,201	11,330,668,340	2,253,405	10,083,685,905
	<i>b. EOBI Pensioners</i>	-	-	-	-
	Pension payment through MW	101,513	485,678,598	50,961	268,488,847
	Pension payment through OTC	34,584	239,739,050	17,408	120,061,262
	Salaries payments and Others	17,323	293,396,747	42,635	537,483,987
4	Cash deposit & withdrawal				
	Cash Deposited in MW (including person to MW transfers)	4,205,773	19,288,673,976	5,418,634	29,401,351,889
	Cash Withdraw from MW	5,826,536	29,785,355,649	4,273,061	24,471,102,215
	Cash withdraw through card (G2P)	4,141,716	17,580,638,422	2,602,349	12,460,878,358
5	Bill payments & Top-ups				
	Utility Bills Payment	25,887,563	35,238,505,614	27,918,239	58,597,764,421
	Internet Bill Payments	252,384	307,121,984	376,133	649,267,750
	Mobile Top-ups	10,036,117	550,475,924	14,039,313	798,193,434
6	Loan				
	Disbursement	2,929	36,045,070	1,606	12,117,138
	Repayment	853,822	3,049,253,336	1,126,018	3,879,611,064
7	Others				
	Donations	9,326	1,144,680	37,282	2,672,899
	Retail Payments	180,964	218,984,560	224,574	212,115,959
	PIA ticketing	-	-	-	-
	International Home remittance	20,294	569,519,981	22,593	646,990,814
	Account Opening Transactions	60,752	11,978,390	89,861	13,290,036
	Cash collection/payment services	427,023	2,831,554,259	398,395	5,428,733,082
	IBFT	254,471	7,523,596,941	406,794	7,808,494,615
	Total	99,523,341	505,879,294,976	100,861,813	526,406,128,162

Branchless Banking Snapshot

Table 5: Customer Transaction 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			2,700,897	11,739,374,555
MW to bank account transfers			13,819	164,995,842
Bank account to MW transfers			24,965	300,940,456
MW-to-person fund transfers			885,141	3,180,666,441
Person to MW fund transfer	12,521	50,834,209		
Fund transfers through CNIC				
Person to person sending	15,338,728	68,939,803,756		
Person to person receiving	16,429,107	72,481,856,658		
Bulk Payments				
Government to Person Payments				
G2P through MW			1,412,896	6,311,893,742
G2P through card	2,253,405	10,083,685,905		
EOBI Pensioners				
Pension payment through MW			50,961	268,488,847
Pension payment through OTC	17,408	120,061,262		
Salary payment and Others			42,635	537,483,987
Cash deposit & withdrawal				
Cash Deposited in MW (excluding person to MW transfers)			5,406,113	29,350,517,680
Cash Withdraw from MW			4,273,061	24,471,102,215
Cash withdraw through card (G2P)	2,602,349	12,460,878,358		
Bill Payments & Top ups				
Utility Bills Payment	26,592,982	55,898,620,968	1,325,257	2,699,143,453
Internet Bill Payments	342,266	603,484,290	33,867	45,783,460
Mobile Top-ups	984,537	131,190,338	13,054,776	667,003,096
Loan				
Disbursement	1,606	12,117,138		-
Repayment	1,085,590	3,816,370,850	40,428	63,240,214
Others				
Donations	13,343	794,095	23,939	1,878,804
Retail Payments	197,706	140,946,716	26,868	71,169,243
PIA ticketing				
International Home remittance	22,347	643,207,463	246	3,783,351
Account Opening Transactions	89,861	13,290,036		
Cash collection/payment services	146,171	555,655,699	252,224	4,873,077,383
IBFT			406,794	7,808,494,615
Total	66,129,927	225,952,797,741	29,974,887	92,559,037,385

Local News

Bank Alfalah Partners with 1-Link for Local POS Switch

Bank Alfalah, one of Pakistan's leading banks, has recently signed an agreement with 1Link



Guarantee Limited (1Link) for Local POS (point of sale) Switch in Pakistan. Under this agreement, over six million proprietary cards issued by 1Link Member Banks and JCB Cards will be accepted on Bank Alfalah's POS terminals to conduct retail transactions.

This arrangement would also allow local banks to issue proprietary debit cards for domestic use only. In addition, loyalty redemption transactions would also be conducted on the Bank Alfalah POS for card based loyalty programs hosted by 1Link. On this occasion, Mr. Khurram Hussain, Group Head Retail Central and North & Consumer Banking, Bank Alfalah said "We are immensely pleased to be entering into an alliance with 1Link to facilitate the acceptance of their cards on Bank Alfalah's POS terminals in Pakistan. At Bank Alfalah, we remain committed to promoting digitization in Pakistan and our arrangement with 1Link will enhance the digital payments ecosystem by encouraging electronic POS transactions in the country."

Faisal Ejaz Khan, CEO, 1Link said "This partnership holds great potential and this start is just the tip of the iceberg, as it will go a long way in exploring the full potential of digitization in this country of more than 180 million people. Time and again, Bank Al Falah has shown "the way forward" by creating value for the people of Pakistan. We at 1Link are very excited at the prospects of the range of services that we can offer through the strength of the Bank Alfalah POS terminals in Pakistan."

<http://propakistani.pk/2016/01/26/bank-alfalah-partners-with-1link-for-local-pos-switch/>

Easypaisa nominated for Global Mobile Award for the fourth consecutive time

Easypaisa has been nominated for the prestigious GSMA Global Mobile Awards – 2016 in the "Best Mobile Product or Service for Women in Emerging Markets" category. This is the fourth consecutive time that Easypaisa has been nominated for a GSMA award, commonly dubbed as the "Oscars" of the Mobile and Telecommunication industry. In 2014, Easypaisa won two GSMA awards for "Best Mobile Money Product or Service" and "Best Mobile Product or Service for Women in Emerging Markets". In 2013 and 2015 Easypaisa was also nominated at the awards.

The project that got this attention for Easypaisa is the work done with SERP (Sindh Education Reform Program). The Sindh Education Reform Program (SERP) program operates in 23 remote districts of the Sindh province with 430,000 students. With SERP, we are providing educational stipends to female students of grades 6 through 10. This World Bank sponsored program seeks to improve gender equity in education for girls belonging to the bottom-of-pyramid families in rural areas of Sindh.

SERP's stipend disbursements are directly tied to enrollment and attendance, and students must ensure a certain level of attendance to be eligible for this financial support: at least 80% attendance of classes. Easypaisa solved the cash access problem by giving out ATM cards in areas where ATM machines are accessible, and enabling Easypaisa retailers to process the payments for areas where ATM machines are not present. These initiatives have greatly improved access to cash for women in

Agricultural Credit & Microfinance Department

such remote areas, with Easypaisa bringing instant, safe and convenient access to funds within their own communities which previously had no banking access



Eradication of poverty and universal primary education are two of the primary goals of the Millennium Development Goals set forth by the UN, with a specific emphasis on women education in 2015. Easypaisa's collaboration with SERP is actively addressing both of these goals for the women of Sindh.

Other Easypaisa projects on women empowerment include: Merlin in Sindh with 41,000 beneficiaries, the Benazir Income Support Program (BISP) with over 1 million women in approximately 79 of the most inaccessible and rural districts, and the Maternity Newborn Child Health (MNCH) program with 100,000 beneficiaries in the KPK province.

"In merely six years of its operations, Easypaisa has become a source of pride for Pakistan by not only making formal financial services a reality for the people but also by earning praise and great name for the country worldwide" said Nadeem Hussain, Founder, President and CEO Tameer Microfinance Bank.

Expressing his delight at the nomination, Yahya Khan, Chief Financial Services Officer, Telenor Pakistan said, "It is an honor for us to be recognized by GSMA on the international level but our true achievement is the empowerment and sense of financial security we are bringing to the marginalized societies of Pakistan in general and women in particular." "Easypaisa is progressing by leaps and we will work harder to maintain our stature with the nation's pride and integrity," he added.

This year, the Global Mobile Awards will be held at the GSMA Mobile World Congress in Barcelona, Spain.

newsletter@easypaisa.com.pk

Monet Achieves PCI DSS Version 3.1 Certification

Monet (Private) Limited, Pakistan's first independent and neutral mobile financial services hub, announced today that it has successfully secured the PCI DSS 3.1 accreditation. Certified by the leading, globally recognized QSA Company, Risk Associates, Monet is now amongst the few, handful of companies worldwide that have achieved this latest security certification.

The PCI DSS certification is a set of comprehensive requirements for enhancing payment account data security developed by the PCI Security Standards Council. The certification focuses on data security measures on payment transaction routing, storing and processing to protect cardholder's data. Leveraging upon the PCI DSS certification, Monet has the ability to offer its customers – banks and merchants – with the highest level of security available in the market. Monet's compliance with global certifications provides an opportunity to offer payment services along with value-added features on a global scale and in a secured environment.

Speaking on the occasion Dr. Aftab Rizvi, CEO of Risk Associates said that compliance with latest security standards and certification demonstrates the commitment of a company to keep the customers information and data secure at the highest level. Achieving PCI DSS v3.1 certification is a major milestone for Monet and is a critical component of its comprehensive and transparent leadership effort to protect the businesses.



Ali Abbas Sikander, CEO of Monet added that securing the PCI DSS certification further strengthens Monet's position as a payment services provider. This certification gives us the opportunity of providing our customers with cost-effective payment solutions, ranging from terminals to managed payment services, addressing PCI DSS standards with the highest level of security requirements.

Monet is one of the fastest growing payment facilitator and mobile financial services provider in Pakistan with solutions ranging from Card / Mobile Wallet Issuance, Mobile Point of Sale Acceptance, Payment Gateway, Utility Bill Payments, Merchant Payments and Mobile Banking. We have a highly capable team of payment technology experts servicing the electronic and mobile commerce ready segments as well as the unbanked and underserved population in Pakistan by introducing new and innovative product offerings in various industry verticals, such as Banking, Telecommunication, Insurance, Cash-on-Delivery (COD), Transport, Courier services, Health Services and Government Payments (P2G & G2P).

<http://monet-online.com/monets-achieves-pci-dss-version-3-1-certification/>

BOP, Karandaz to support digitisation of govt payments

Karandaz Pakistan and The Bank of Punjab (BOP) signed a memorandum of understanding (MoU) in a strategic step towards achieving greater digitisation of the government transactions to facilitate the citizens of Pakistan.

The agreement identifies areas of collaboration between the two institutions whereby Karandaz Pakistan would provide technical support for BOP's G2P and P2G projects. The ultimate goal of the partnership is to develop a suite of digital financial services that can be accessed quickly and at the convenience of the users, thus facilitating both government and the individuals. Such transactions include timely and auditable disbursement of beneficiary funds, pensions and salaries as well as



collection of taxes, traffic challans and other P2G payments. The signing took place at BOP's office in

Karachi and was attended by senior management from both organisations including BOP President Naeemuddin Khan and Karandaaz Pakistan Interim CEO Imdad Aslam.

Naemuddin Khan on the occasion said, "The Bank of Punjab is one of the fastest growing commercial banks of the country and is offering services in all segments of the financial sector. The bank is available at the grassroots level in Punjab and therefore has direct access to the underprivileged segment of the society. The bank has been aware of the opportunity and has attuned its products to provide unmatched services to the masses. This partnership with Karandaaz Pakistan will greatly accelerate and enhance the digitization of transactions and seamless delivery of services to the financially vulnerable segment of the society."

Speaking at the event, Karandaaz Pakistan Interim CEO Imdad Aslam stated, "Given BOP's current reach and volume of government payments to some of the most financially vulnerable and marginalised populations in Pakistan, the partnership is a tremendous opportunity for Karandaaz Pakistan to collaborate in order to drive the country towards greater financial inclusion. We will utilize our technical expertise to facilitate BOP in the deployment of easy-to-use digital financial services for its underprivileged beneficiaries, as part of our overall effort to digitize a bulk of government transactions."

<http://www.dailytimes.com.pk/business/08-Jan-2016/bop-karandaaz-to-support-digitisation-of-govt-payments>

Passport Fee Collection starts through Mobicash

National Bank of Pakistan and Directorate General of Immigration & Passports, in collaboration with Mobicash, have launched a unique service for 'Passport Fee Collection'. By utilizing this service, citizens of Pakistan will be able to pay passport fee at any Mobicash outlet across the country. Further Mobicash users will be able to pay their passport fees, for renewal or new passports, from the comfort of their homes through their Mobicash Mobile Wallets.

Speaking about the ceremony, Usman Bajwa, Director General Immigration & Passports said that the initiative was in line with Ministry of Interior's vision of facilitating general public through continuous improvements in service delivery. This service will be initially rolled out from Rawalpindi & Islamabad at 4,200 Mobicash outlets and subsequently will be expanded to rest of the country by March 2016 through mobile payment platforms of U-Paisa & Mobile Paisa in addition to Mobicash.

Speaking about this exclusive initiative, Aniqah Afzal Sandhu, Head of Mobile Financial Services – Mobilink stated "This first of its kind addition to our service portfolio has been made keeping in mind the hassle citizens have to go through to get their passport fees deposited. This is yet another step in utilizing our biggest branchless banking network in the country in a bid to provide innovative solutions to the growing and varying needs of our Mobile Account users."

After the signing the agreement, Azfar Jamal, EVP/Head – Payment Services & E-Banking of National Bank of Pakistan said "National Bank has now started a new journey to bring every possible payment channel to the people of Pakistan, using the latest technologies particularly leveraging on more than 120 million mobile subscriptions across Pakistan. This service will soon be available on other Mobile Operators & Money Schemes as well."

This is just the first step and roadmap is to digitize all services related to P2G and G2P under the mandate of NBP, with an open access to all Alternate Payment Channels of Financial Industry in Pakistan. To utilize this service, Mobicash mobile account users can simply dial *786# or visit the nearest Mobicash Agents. The agents will enter the required information provided by the customers into their system to automatically calculate and display complete passport fee amount. The customer will receive a confirmation SMS as a receipt of payment. Following fee deposit, customers can visit the regional passport office along with their CNIC for further processing. Service charges of PKR 100 per passport are applicable.

As of now, the 'Passport Fee Collection' service has been introduced in Islamabad and Rawalpindi only, however, by March 2016 it will be expanded to other cities as well.

<http://propakistani.pk/2016/01/28/passport-fee-collection-through-mobicash-ivr-helpline-launched/>

Meezan Bank and Karandaaz Team Up for Improving Financial Inclusion

Meezan Bank and Karandaaz Pakistan have recently signed an MoU for conducting a first of its kind study aimed at improving financial inclusion for the unbanked population of the country. The MoU forms the foundation for the parties' long term goal to improve the socio-economic status of the low-income strata population. Under the agreement, Karandaaz Pakistan and Meezan Bank will join hands to conduct a study for a pilot program aimed at using technology to make banking facilities

Agricultural Credit & Microfinance Department

available to the underprivileged members of the society. The study will evaluate the proposition from various perspectives encompassing financial inclusion, segment-based beneficiary identification; creation of a digital credit scoring algorithm and conducting awareness programs about this initiative for the masses. Karandaz Pakistan will provide technical and financial assistance for conducting the study and developing the program. The signing ceremony of this MoU took place at Meezan Bank's Head Office at Karachi, and was attended by senior management from both organizations including, from Meezan Bank, Irfan Siddiqui, President & CEO, Arshad Majeed, Group Head Payment Services, Khurram Shaikh, Head Branchless Banking and Danish Ahmed, Head Branchless Banking Operations; and from Karandaz Pakistan – Imdad Aslam, Interim CEO, Director Digital Financial Services, Bilal Ali Qureshi, Associate Digital Financial Services and Ms. Samar Hasan, Senior Manager Knowledge Management and Communications.

<http://www.mobilemoney.com.pk/press-release/meezan-bank-and-karandaz-team-up-for-improving-financial-inclusion/>

International News

Tanzania in mobile money 'first' for Africa

Vodacom joined Tigo, Airtel and Zantel in a pioneering interoperability scheme for mobile money in Tanzania. In 2014, Tigo, Airtel and Zantel agreed to enable their customers to send and receive money across their networks. After announcing it would join last year, Vodacom has now implemented the scheme.



Tanzania becomes Africa's first country with full interoperability for P2P money transfers, according to a statement issued by three of the operators.

Interoperability means more traffic and hence revenue, at least that's the argument of Tigo, Airtel and Zantel, which have seen off-network transactions grow 3.5 times since 2014.

Tanzania, like neighbouring Kenya, is a case study for mobile money with high usage levels. There are more than 16 million mobile financial users in Tanzania.

<http://www.mobileworldlive.com/money/news-money/tanzania-in-mobile-money-first-for-africa/>

Apple Pay launches in China

Apple Pay officially launched in China today, its fifth market after the US, UK, Canada and Australia, after sealing a deal with the country's dominant card-payment processor.

Apple confirmed on its website that it has expanded into China and that its alliance with state-owned UnionPay allows the association's credit and debit cardholders to use Apple Pay. Nearly 20 banks, including the country's largest lender, the Industrial and Commercial Bank of China, reportedly will support Apple Pay in the initial phase.

The news is not a surprise since Apple previously said a launch was planned for early 2016. But the company appears to have gained an edge over rival Samsung Pay, which announced an intention to launch in China at the same time but has yet to follow through.

Both Apple and Samsung are partnering with China Unionpay, the country's largest card payment network, which gives them exposure to hundreds of millions of potential customers, or about 80 per cent of the country's cardholders.

By comparison, Apple Pay in Canada and Australia is only available to American Express cardholders, a more limiting demographic. As always, a force to consider in China is Alibaba. The giant conglomerate, with more than 400 million Chinese consumers so far, has invested largely on QR codes and more recently on selfie-payments. Rather than a battle between Apple and its competitors in NFC payments, such as Google Wallet, it seems to me that the battle in China might be between Apple and local competitors like Alibaba and Tencent over the actual payment technology.

E-commerce giant Alibaba's Alipay dominates the country's e-payments market. In the US Apple Pay's fingerprint-identification system and the storage of consumers' secure payment details on the phone itself, rather than the cloud, give Apple Pay a big advantage, at least in terms of security as perceived by consumers.

A survey by Deloitte found about 70 per cent of Chinese expressed a willingness to use mobile payments. However, Ozcan said that this and other surveys reveal that a large proportion of Chinese consumers have concerns about the security of mobile payment services. This is a clear advantage

for Apple as the company is known for its meticulous attention to security, also proven in other industries before like in the case of the mp4 technology that revolutionised the music industry.

<http://www.mobileworldlive.com/asia/asia-news/apple-pay-launches-in-china/>

Android banking apps face trojan app threat

Researchers at security company FireEye found Android trojan apps designed to “imitate the legitimate apps of 33 financial management institutions and service providers” in North America, Europe and Asia Pacific.

The trojan apps, dubbed “SlemBunk” by the company, copy the legitimate offerings from some of the biggest banks in the world as well as two popular mobile payment providers.

They masquerade as popular apps and can “phish for and harvest authentication credentials when specified banking and other similar apps are launched.”

These apps do not exist on Google Play, so users will only get infected if the malware is “sideloaded” or downloaded from a malicious website. For instance, certain websites may ask users to download an Adobe Flash update, which actually downloads malware.

While FireEye believes financial gain by stealing user data such as credit card or bank account details is the primary goal, it added that SlemBunk is also interested in other user data. This includes the login credentials of high profile apps, including popular social media apps, utility apps and instant messaging apps.

Since its debut, SlemBunk has gone through several iterations, with each one raising the bar of sophistication by adding more advanced capabilities, FireEye added.

“The rise and evolution of the SlemBunk trojan indicates that mobile malware has become more sophisticated and targeted, and involves more organised efforts. We have already seen crackdowns on malware campaigns targeting mobile banking users, but we do not expect this type of activity to go away anytime soon,” the report observed.

Users can protect themselves by only downloading apps from official app stores and keeping their devices updated.

<http://www.mobileworldlive.com/money/news-money/android-banking-apps-face-trojan-apps/>

New Card-Free ATMs Will Let You Withdraw Money With Your Mobile

Soon, losing your ATM card won't be the financial life-stopping event it used to be. Just don't also lose your phone. JPMorgan Chase customers will soon be able to withdraw cash or initiate other



Image: AP Photo/ Mark Lennihan

transactions using their cellphone at Chase ATMs being upgraded later this year. The move will include new cash machines that don't require a card and upgrades to existing machines that will allow customers to withdraw more money and in different denominations, said Chase spokesman Michael

Fusco. The withdrawal limit will also be substantially higher, up to \$3,000 (roughly Rs. 2,04,000) during branch hours.

The first generation of these new ATMs will allow customers to access the machine by inputting a code found on their Chase mobile app, Fusco said. Future upgrades of machines will allow customers to use their cell phone's near-field wireless communication feature to access their accounts, using the technology that enables shopping checkout features such as Apple Pay and Samsung Pay.

Customers will still be able to use their ATM cards if they want to, Fusco said. The cell phone technology will just be an option. The bank's plans were first reported by the New York Post on Monday. Chase and other banks have been rolling out new and upgraded ATMs in a continuing effort to replace the fleets of bank tellers at each branch once needed to handle routine customer transactions. Fusco said Chase now does more transactions each month via ATMs than with tellers. Tellers will still be in branches, however, to help with specialized customer transactions, Fusco said. Chase is also moving tellers from behind the counter to the branch floor to help customers navigate the new machines. Other features being rolled out with the new machines eventually, the company said, will allow customers to cash checks, and pay Chase credit card bills and mortgages at the ATM. Those features will arrive within the next two years.

<http://gadgets.ndtv.com/mobiles/news/new-card-free-atms-will-let-you-withdraw-money-with-your-mobile-794915>

Where Even Banks Don't Accept Cash Anymore

Parishioners text tithes to their churches. Homeless street vendors carry mobile credit-card readers.



Even the Abba Museum, despite being a shrine to the 1970s pop group that wrote "Money, Money, Money," considers cash so last-century that it does not accept bills and coins. Few places are tilting toward a cashless future as quickly as Sweden, which has become hooked on the convenience of paying by app and plastic.

This tech-forward country, home to the music streaming service Spotify and the maker of the Candy Crush mobile games, has been lured by the innovations that make digital payments easier. It is also a practical matter, as many of the country's banks no longer accept or dispense cash. At the Abba Museum, "we don't want to be behind the times by taking cash while cash is dying out," said Bjorn Ulvaeus, a former Abba member who has leveraged the band's legacy into a sprawling business empire, including the museum. The Abba Museum, which is completely cashless, in Stockholm, Nov 6, 2015. Few places are tilting toward a cashless future as quickly as Sweden, which has become hooked on the convenience of paying by app and plastic.

Not everyone is cheering. Sweden's embrace of electronic payments has alarmed consumer organizations and critics who warn of a rising threat to privacy and increased vulnerability to sophisticated Internet crimes. Last year, the number of electronic fraud cases surged to 140,000, more than double the amount a decade ago, according to Sweden's Ministry of Justice.

Bills and coins now represent just 2 percent of Sweden's economy, compared with 7.7 percent in the United States and 10 percent in the euro area. This year, only a fifth of all consumer payments in Sweden have been made in cash, compared with an average of 75 percent in the rest of the world,

according to Euromonitor International. Cards are still king in Sweden - with nearly 2.4 billion credit and debit transactions in 2013, compared with 213 million 15 years earlier. But even plastic is facing competition, as a rising number of Swedes use apps for everyday commerce.

At more than half of the branches of the country's biggest banks, including SEB, Swedbank, Nordea Bank and others, no cash is kept on hand, nor are cash deposits accepted. They say they are saving a significant amount on security by removing the incentive for bank robberies. Last year, Swedish bank vaults held around 3.6 billion kronor in notes and coins, down from 8.7 billion in 2010, according to the Bank for International Settlements. Cash machines, which are controlled by a Swedish bank consortium, are being dismantled by the hundreds, especially in rural areas.

The government has not sought to stem the cashless tide. If anything, it has benefited from more efficient tax collection, because electronic transactions leave a trail; in countries like Greece and Italy, where cash is still heavily used, tax evasion remains a big problem. Leif Trogen, an official at the Swedish Bankers' Association, acknowledged that banks were earning substantial fee income from the cashless revolution. But because it costs money for banks and businesses to conduct commerce in cash, reducing its use makes financial sense, Trogen said.

<http://profit.ndtv.com/news/industries/article-where-even-banks-dont-accept-cash-anymore-1259403>

Top Predictions for FinTech, Mobile Money & Financial Inclusion in 2016

Alix Murphy, Senior Mobile Analyst at global money transfer app WorldRemit, has put together her top 3 predictions for Mobile Money, FinTech and financial inclusion in 2016. The predictions can be found below:

Predictions for 2016

1. Financial inclusion will mean big business:

Making serious money and reaching the unbanked have not always gone hand-in-hand. We're now witnessing a major shift in thinking as big name players in payments and other industries are talking openly about the huge opportunity in reaching unbanked customers – and not just as a corporate social responsibility gimmick. PayPal, Walmart and Coca Cola are just a few companies to pursue innovative financing for small businesses and products targeted towards underserved consumers, while a swathe of new payments start-ups have taken on financial inclusion as a goal. What's more, digital payments are now being actively promoted by global policymakers as critical to economic stability and financial inclusion for the world's poorest.

2. 2016's biggest fintech innovations will come from the developing world:

Forget about contactless payments apps and challenger banks: The real life-changing innovation is not happening in the developed world but in emerging market economies. FinTech heavyweights in areas like m-Insurance, microloans and Mobile Money – a financial service for unbanked people using just a basic mobile phone – are transforming lives, businesses and whole economies across Africa, Asia and Latin America. Mobile Money in particular has become the foundation for a range of other innovative financial products like life and health insurance coverage paid for by topping up prepaid airtime, interest-bearing savings accounts for non-banked customers, instant personal and small-business micro-loans, and even investment bonds bought through a mobile phone. 2016 will bring wider acknowledgement among fintech companies in Europe and North America of the lessons and experience to be gleaned from their peers in the developing world.

3. Mobile-to-mobile will be the benchmark for international money transfers:

In 2016, international remittances are expected to rise to over \$600 billion, but most are still sent in cash informally or via risky high-street agents. As Mobile Money continues to gain popularity in the developing world, instant mobile-to-mobile transfers will become the global standard for sending money from person to person across distances. 2015 saw a series of ground-breaking partnerships between Africa's largest telcos, banks and global money transfer apps like WorldRemit. This trend will continue through 2016 as consumer expectations settle on instant mobile-to-mobile transfers as the benchmark for international remittance.

<http://www.itnewsafrica.com/2016/01/top-predictions-for-fintech-mobile-money-financial-inclusion-in-2016/>

Safaricom opens up M-PESA API to other fintech applications

Safaricom, the mobile network operator behind M-PESA has released an Application Programming Interface (API) for all developers who want to create solutions tied directly into their payment systems.

M-PESA is Kenya's largest mobile money service and world's most successful to date. About 43 percent of Kenya's GDP flows through the service and close to 70% of Kenya's adult population has an account for the service.

Safaricom's website reads: "The new M-PESA platform dubbed G2 (for M-PESA 2nd generation platform) offers versatile integration capabilities that our development partners can take advantage to create excellent M-PESA journeys across the different industries they serve."

<http://www.africanbusinesscentral.com/2015/09/08/safaricom-opens-up-m-pesa-api-to-other-fintech-applications/>

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 transferred 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.