

QUARTERLY
Branchless
Banking
NEWSLETTER

Apr-Jun 2017

Issue 24



Leveraging Technologies and Partnerships
to Promote Financial Inclusion

- Analysis 01
- Player-wise market share 07
- Snapshot 09
- Domestic News 11
- International News 12
- Appendix 15



STATE BANK OF PAKISTAN

Agricultural Credit and Microfinance Department

Branchless Banking Newsletter Team

Team Leader

Noor Ahmed

Team Members

Riaz Afzal

Ahmed Sumair

Acknowledgement:

State Bank of Pakistan wishes to acknowledge valuable contributions and data support from Telenor Microfinance Bank Limited (Easypaisa), United Bank Limited (Omni), Mobilink Microfinance Bank Limited (Jazzcash), Askari Bank Limited (PayMax), Habib Bank Limited (HBL Express), U-Microfinance Bank (U-Paisa), Bank Alfalah (Mobile Paisa), MCB Bank (MCB Lite), Meezan Bank Limited (Meezan Upaisa), FINCA MFB and JS Bank.

Contact us:

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

Phone: 021-3245-3970

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.

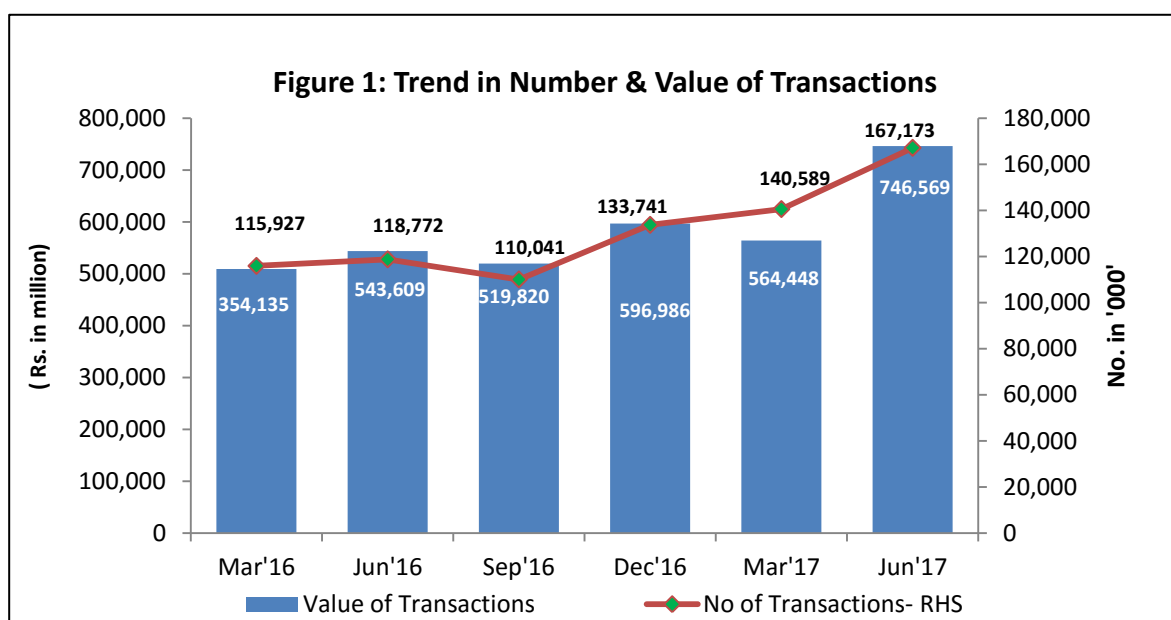
Branchless Banking Analysis

Executive Summary

The quarter Apr-Jun 2017 brought significant growth in almost all indicators of Branchless Banking (BB) i.e. accounts, deposits and number & value of transactions.

It is encouraging to note that the BB accounts have shown an impressive growth by adding 3.6 million accounts in a single quarter; a 15.3% increase from the preceding quarter. Likewise, the number and value of transactions witnessed a substantial increase of 26 million and Rs. 185 billion respectively, owing to the rise in social welfare payments and customer oriented transactions. It is pertinent to mention that this quarter has witnessed two tranches of Benazir Income Support Program (BISP) payments.

The BB deposits witnessed a sizeable rise of 95% over the preceding quarter by rising from Rs. 7.9 billion to Rs. 15.4 billion. Similarly, the average deposit per account increased from Rs. 334 to Rs. 565, exhibiting a 69% growth.



The share of m-wallet transactions in overall customer oriented transactions remained 58%, exhibiting 1% rise from the previous quarter. This share was only 14% in Dec-2014, and has shown continuous rise since then, confirming the fact that m-wallet channel is slowly and steadily gaining momentum vis a vis' Over the Counter channel.

The agent network showed 9.2% growth during the quarter under review and surpassed the 400,000 landmark by rising to 402,710. The deposits in BB accounts grew to Rs. 15.4 billion from Rs. 7.9 billion; similarly the average deposits in accounts increased from Rs. 334 to Rs. 565 per account.

A total of Rs. 56.8 billion was disbursed to 8.8 million beneficiaries of social welfare payments through the Branchless Banking Channel. These social welfare programs include BISP, World Food Program, Internally Displaced Person (IDP) payments and others.

Gender wise BB Accounts represent 20.8% female accounts and 79.2% male accounts. The total number of female accounts at the end of Apr-Jun 2017 remained 5.7 million, out of the total 27.3 million BB accounts.

Branchless Banking Analysis

Table 1: BB Key Indicators

Indicators	Jan-Mar 2017	Apr-Jun 2017	Quarterly Growth
Number of Agents	368,738	402,710	9.21%
Number of Active BB Agents	213,068	185,297	-13.03%
Number of Accounts	23,685,630	27,312,964	15.31%
Active Accounts	11,287,857	13,158,310	16.57%
Deposits as of date (Rs. in millions)	7,906	15,423	95.08%
Number of transactions during the quarter (No. in '000')	140,589	167,173	18.91%
Value of transactions during the quarter (Rs. in millions)	564,448	746,569	32.27%
Average Size of transaction (in Rupees)	4,015	4,466	11.23%
Average number of transaction per day	1,562,096	1,857,476	18.91%
Average deposit per Account (in Rupees)	334	565	69.17%

No. of BB transactions continue to grow

The BB transactions increased 19% and 32% in volume and value respectively over the preceding quarter. A total of 5.4 million transactions worth Rs. 272 billion were conducted by agents for liquidity management purposes. These agent-related transactions constitute 3.2% and 36.5% in total BB transactions in terms of volume and value respectively.

As depicted in Table 1-A, the customer-oriented transactions, which comprise of total BB transactions excluding agent related transactions, witnessed 19% increase in number and 35% in value from the preceding quarter, to reach at 161.8 million and Rs. 473.9 billion respectively.

Figure 2 exhibits the relationship and break-up of Value and Volume of transactions with their corresponding figures and percentages.

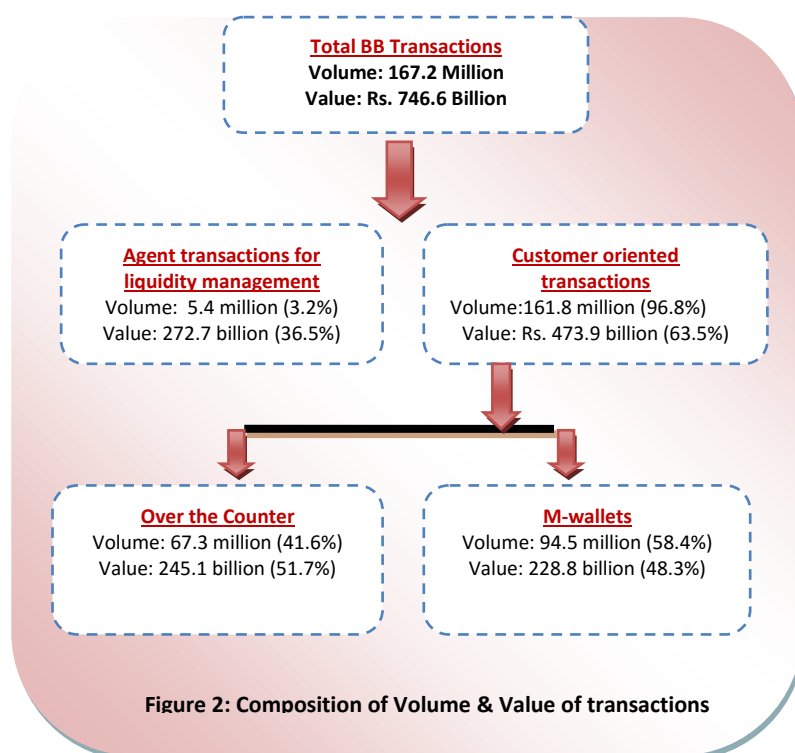


Figure 2: Composition of Volume & Value of transactions

Table 1-A: Break-up of BB transactions

Type of Transactions	Volume (No. in Million)		Change in %	Value (PKR in Billion)		Change in %
	Jan-Mar 2017	Apr-Jun 2017		Jan-Mar 2017	Apr-Jun 2017	
Customer Oriented	135.7	161.8	19.2%	351.2	473.9	34.9%
Agent Transactions (for liquidity purpose)	4.9	5.4	10.2%	213.2	272.7	27.9%
Total BB Transactions	140.6	167.2	18.9%	564.4	746.6	32.3%

Branchless Banking Analysis

Customer Oriented transactions mainly comprise of fund transfers and payments

The customer oriented transactions (which are comprised of OTC & m-wallet transactions and exclude agent transactions for liquidity purpose), witnessed a sizeable increase of 26.1 million in volume and Rs. 122.7 billion in value during Apr-Jun 2017 as compared to previous quarter.

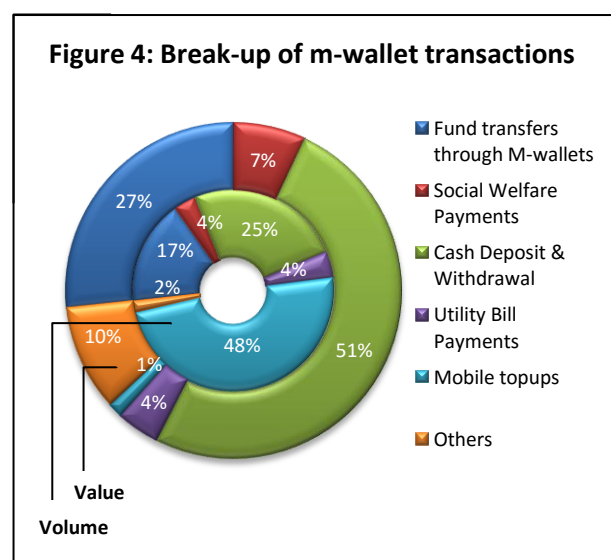
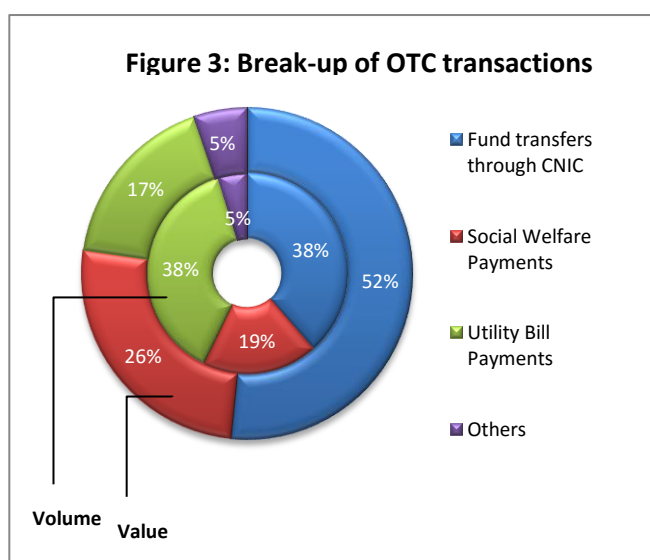
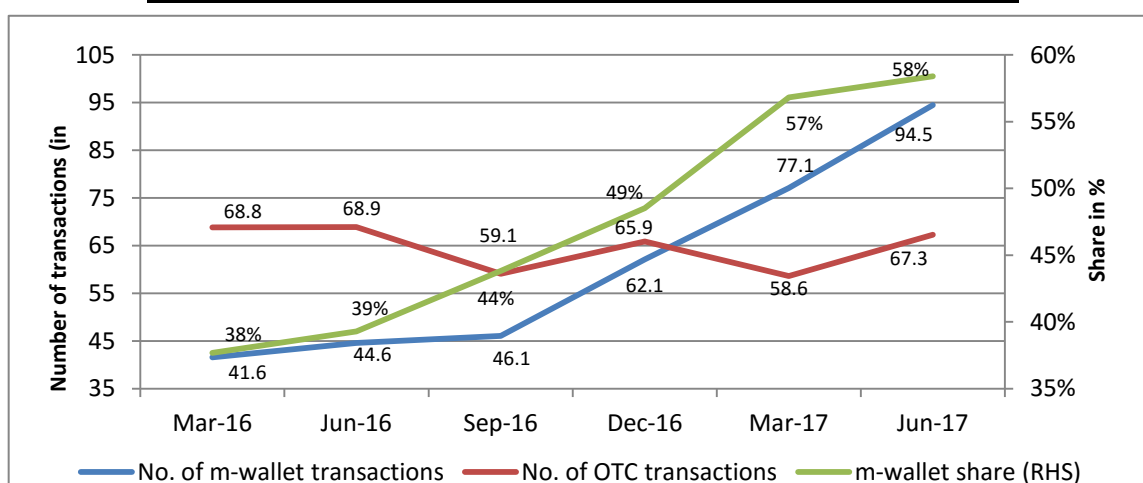


Figure 3 illustrates the break-up of OTC transactions which comprise of Funds transfers through CNIC, Social welfare payments and utility bills payments. Figure 4 shows the break-up of m-wallet transactions which comprise of Funds transfers through m-wallets, Cash deposits and withdrawals, mobile top-ups and utility bills payments. These two figures present the self explanatory composition of volume and value of OTC and m-wallet transactions.

Encouraging trend in usage of m-wallet continues

During Apr-Jun 2017, the m-wallet account holders carried out 94.5 million transactions as compared to 67.3 million conducted through OTC channel. This has resulted in 1% increase in share of m-wallet transactions in total customer oriented transactions from the preceding quarter, reaching to 58%. This means that out of every 100 customer oriented transactions, 58 are performed through the m-wallet channel, and 42 through OTC channel.

Figure 5: Periodic trend of M-wallet to OTC transaction relative share

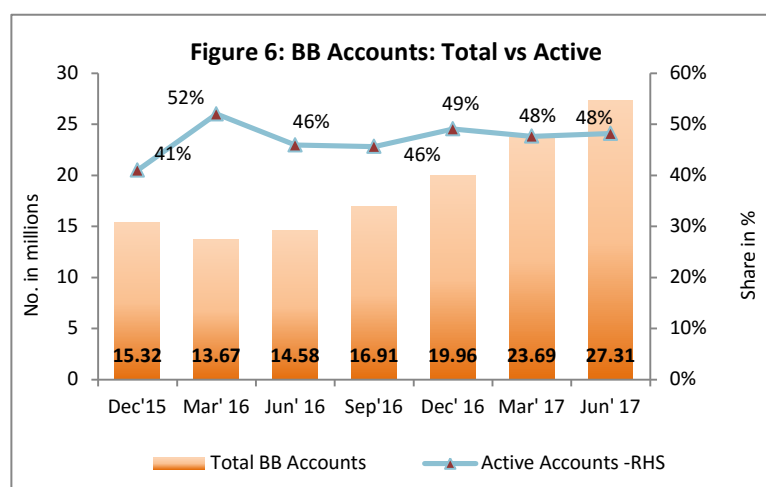


Branchless Banking Analysis

The continuous rising trend of m-wallet to OTC relative share in figure 5 depicts that the consumer habits are positively shifting from agent-assisted to self-assisted mode, which is an encouraging signal in the sustainable usage of BB channel.

Number of BB accounts continue their momentum with upward trajectory

A total of 3.6 million accounts were opened during the quarter, which raised the number of accounts to 27.31 million. As depicted in Fig. 6, the rise in BB accounts is exhibiting a steeper trend since Jun-16 onwards, owing to the permission to the banks to open accounts through biometric verification devices present at agent locations, as well as through remote mode (which enables the customers to open their accounts from their biometrically verified sim) under the revised BB Regulations-2016. Furthermore, the cost reduction in customer verification process from NADRA has also provided enough encouragement to the BB providers to open accounts of their customers.



However, the activity in the accounts remained stagnant at 48%, same as in previous quarter. This means that out of every 100 BB accounts, only 48% have undergone a transaction in past 180 days. This behavior of accounts re-iterates the fact that the BB channel is confined to limited product offerings, and the banks need to diversify their product mix for more and more people to become active users of mobile financial services.

Table 2: Player-wise Comparison - Total vs Active Accounts

	BB Player	% in Total BB Accounts	% in Active BB Accounts
1	Jazzcash	46%	49%
2	Easypaisa	43%	34%
3	UBL Omni	9%	15%
4	Others	2%	2%

BB deposits witness a sizeable increase

The BB deposits witnessed a sizeable rise of 95% over the preceding quarter by rising from Rs. 7.9 billion to Rs. 15.4 billion. Similarly, the average deposit per account increased from Rs. 334 to Rs. 565, exhibiting a 69% growth; mainly due to the rise in deposit base of Easypaisa, JazzCash and Omni.

3 out of 11 players actively pursue BB business

Competition in the industry shows positive results both for the consumer and BB providers. The competition between Easypaisa and JazzCash, being the biggest players continued during the quarter under review. JazzCash for the first time has surpassed Easypaisa both in total as well as active BB accounts. UBL Omni remained the third biggest player; however the other players did not pour much effort to enhance their presence in the business and the aggregate figures of other 9 players remained same as of previous quarter i.e. 2%.

Branchless Banking Analysis

Geographic concentration needs to be diversified

Punjab, being the most populous province, remained the usual top contributor in BB Accounts, number of transactions and agents, followed by Sindh and Khyber Pukhtunkhwa. Table 3 represents the comparison of province-wise indicators with their respective share.

Table 3: Province-Wise BB Position

	Name of Region/Province	No. of BB Accounts	% Share Accounts	No. of BB Transactions	% share in Transactions	No. of BB Agents	%Share in Agents
1	Punjab	17,346,360	63.51%	102,013,163	61.02%	255,439	63.43%
2	Sindh	4,509,815	16.51%	31,012,025	18.55%	87,488	21.72%
3	KPK	4,113,340	15.06%	25,009,887	14.96%	42,884	10.65%
4	GB	32,078	0.12%	717,628	0.43%	956	0.24%
5	AJK	528,805	1.94%	4,502,124	2.69%	5,200	1.29%
6	Balochistan	782,566	2.87%	3,918,046	2.34%	10,743	2.67%
	Total	27,312,964	100%	167,172,873	100.00%	402,710	100%

Social welfare payments witness a wide surge due to BISPs release of previous quarter tranche

A total of Rs. 56.8 billion were disbursed among 8.7 million beneficiaries during the quarter, showing a gigantic rise of 320% in value, corresponding to the previous quarter. Table 4 shows the break-up of social welfare payments disbursed through the BB channel; the other major programs include World Food Program, IDP Payments and EOBI pensioners. The number of social welfare payment beneficiaries witnessed an increase of 138% as compared to preceding quarter.

Table 4: Break-up of Social Welfare Disbursements

	Program	Beneficiaries	Amount disbursed during the Quarter
1	BISP	6,638,511	47,416,980,181
2	EOBI Pensioners	371,084	4,367,053,894
3	World Food Program	349,774	88,555,750
4	Zakat & Usher	154,098	583,409,877
5	IDP Payments	23,949	405,271,350
6	Others	1,262,157	397,146,814
	Total	8,799,573	56,832,739,196

Number of active agents decline, amid increase in total agents

The reported figures show that around 33,972 agents were added during the quarter, mainly contributed by the addition of JS Bank's 30,644 agents. However, it is likely that these may be shared agents who were already providing services to other BB providers.

The active agents, however declined in number, owing to the fact that Easypaisa is in process of technological upgradation of their agents and hence thousands of their agents were not able to perform BB transactions.

Table 5 exhibits that the account opening capability of the BB agents declined from 31.9% to 28.6%. This decline is mainly due to the addition of JS Bank's agents in the reported figures which don't have account opening capability. However, it is expected that the bank will enable its agents for account opening in future, thus increasing this ratio. During the quarter Apr-Jun 2017, 115,265 out of 402,710 agents had the capability to open customer's accounts as opposed to previous quarter's figures which were 117,796 out of 368,738 agents.

However, it is pertinent to mention that the BB regulations allow account opening through remote mode, thus facilitating the customer to open his account without needing to visit the bank branch or an agent.

Branchless Banking Analysis

Table 5: Agent locations with account opening capability

	Jan-Mar 2017	Apr-Jun 2017
Easypaisa	25.0%	25.7%
Omni	100.0%	100.0%
Timepey	1.3%	1.1%
JazzCash	47.0%	48.3%
HBL Express	89.6%	100.0%
Upaisa	3.0%	3.0%
Mobilepaisa	1.5%	1.5%
Meezan Upaisa	0%	0.0%
JS Bank	-	0.0%
Total	31.9%	28.6%

Gender-wise segregation of accounts shows male dominance

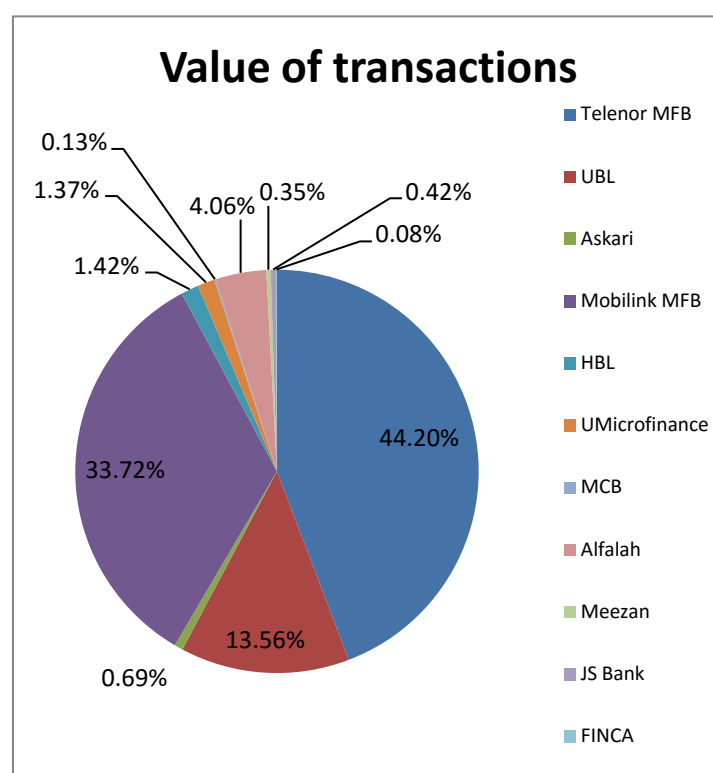
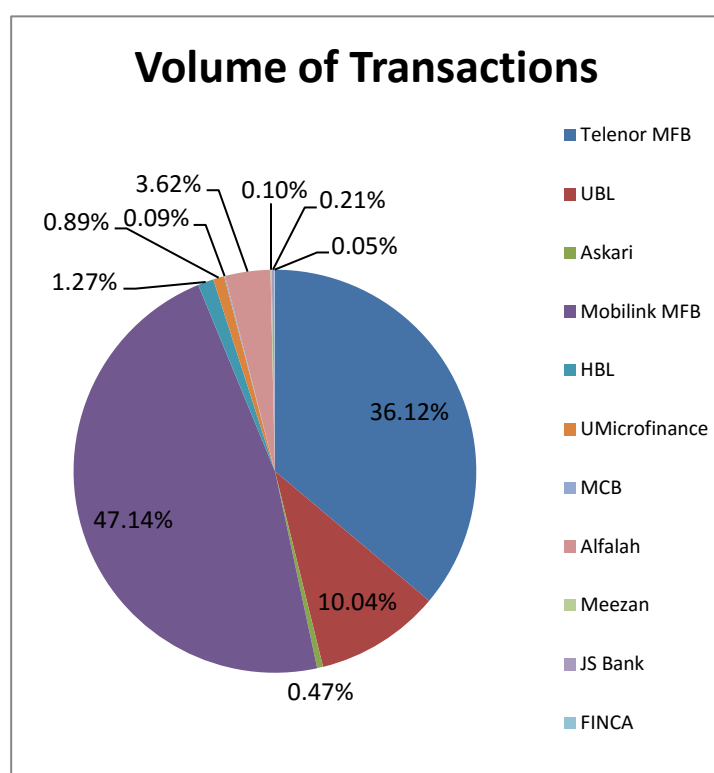
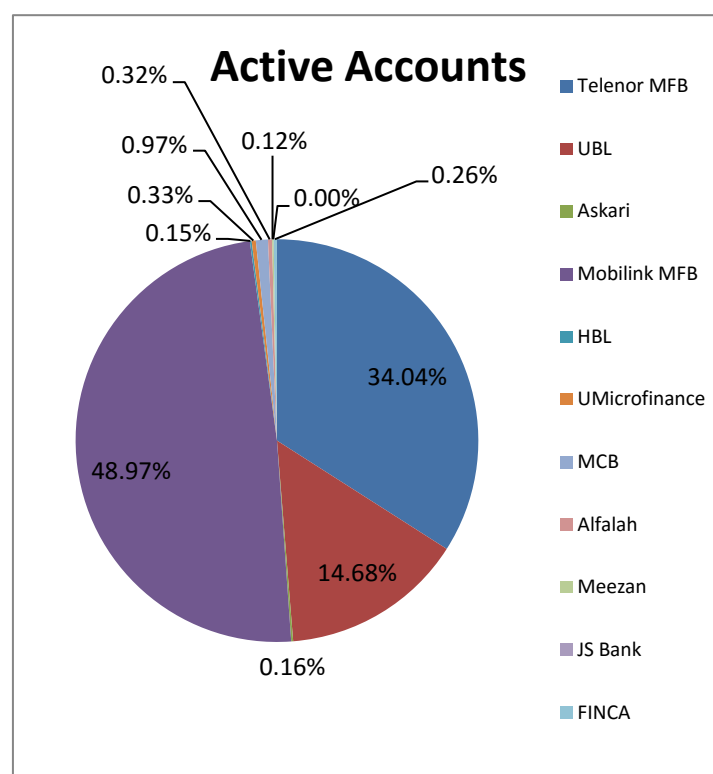
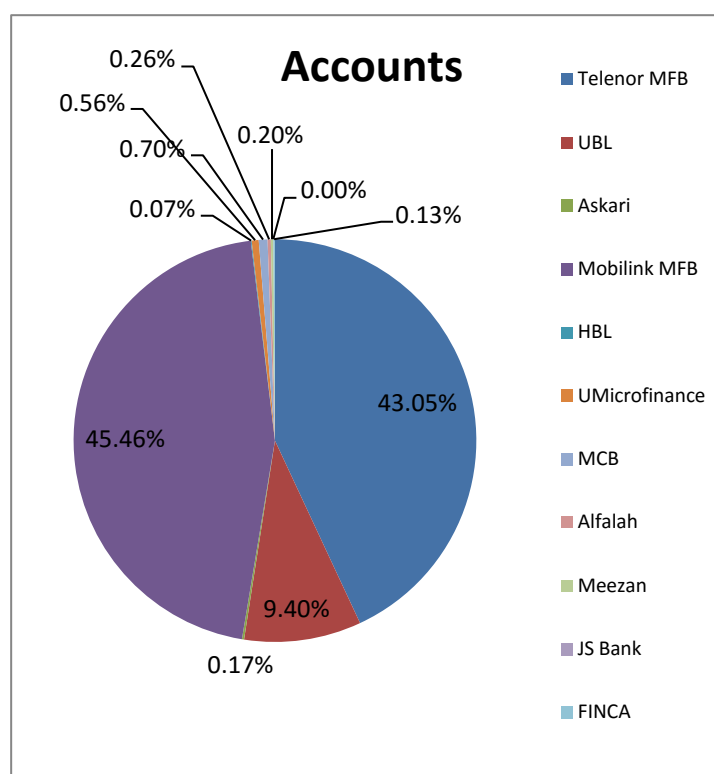
As on quarter end, the BB accounts comprised of 21.5 million male and 5.7 million female accounts. Table 6 depicts that BB accounts witnessed 17% and 10% growth in male and female accounts respectively, during the quarter under review.

Table 6: Gender-wise segregation of BB accounts

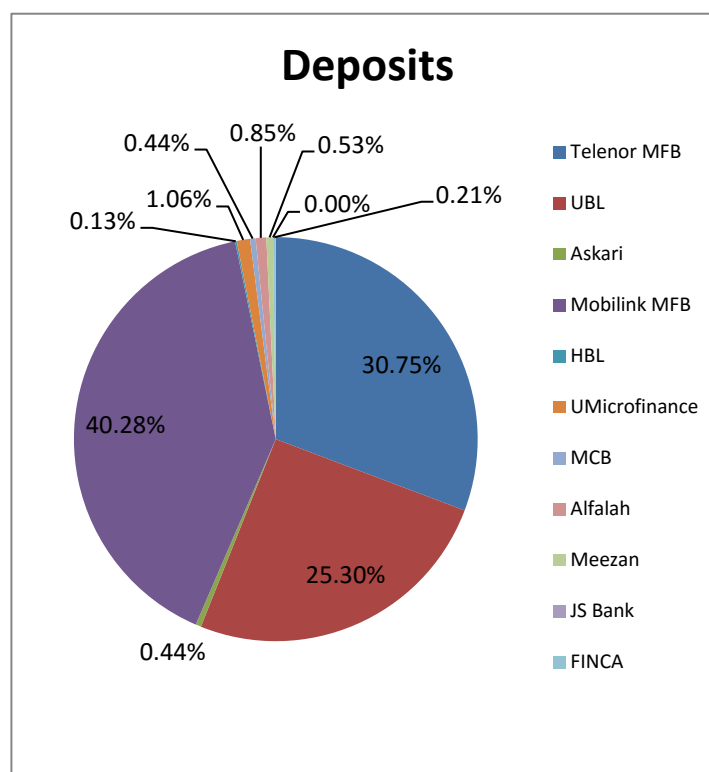
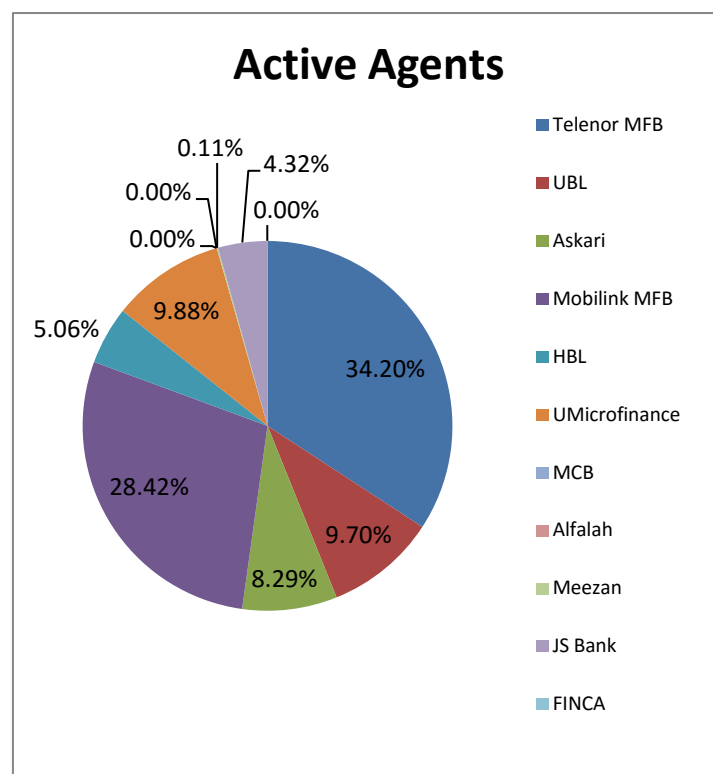
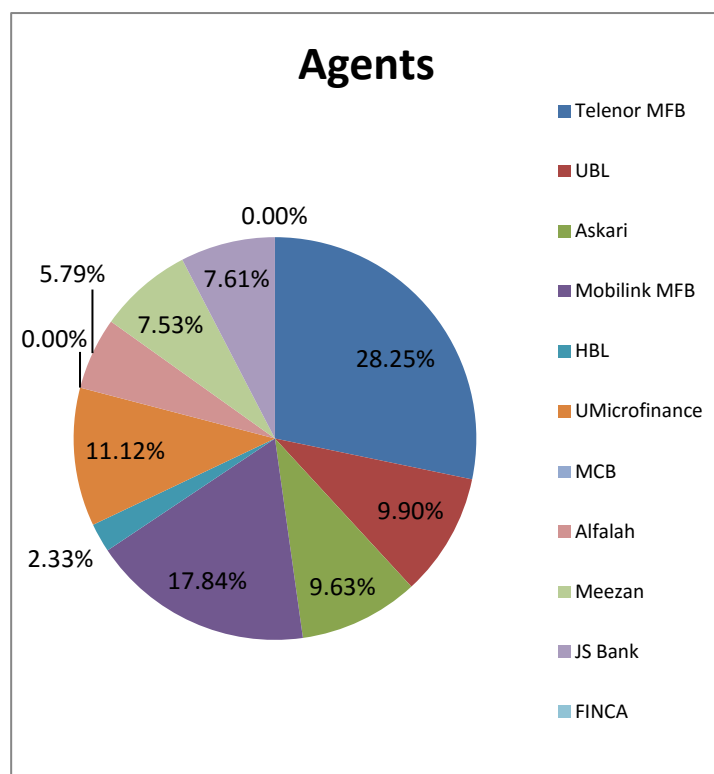
Province	Male	Female	Quarterly Growth	
			Male	Female
Azad Kashmir	412,862	115,939	8%	30%
Balochistan	648,750	133,817	7%	17%
Gilgit Baltistan	23,944	8,116	3%	20%
Khyber Pakhtunkhwa	3,292,973	820,321	13%	4%
Punjab (Including ISB)	13,868,710	3,477,683	25%	5%
Sindh	3,327,536	1,182,313	-3%	28%
Total	21,574,775	5,738,189	17%	10%

Player-wise market share

This section represents the market share of each player in the categories mentioned below:



Player-wise market share



Branchless Banking Snapshot

Table 7: Volume and Value of different types of transactions

S.#	Type of Transactions	Jan-Mar 2017		Apr-Jun 2017	
		Volume of Transactions (Numbers)	Value of Transaction	Volume of Transactions (Numbers)	Value of Transactions
1	Agent transfers for liquidity				
	Agent account to agent account	4,063,254	117,212,969,967	4,173,646	138,245,463,657
	Agent account to bank account	161,503	6,939,878,527	134,947	11,132,867,665
	Bank account to agent account	436,033	79,191,330,436	864,727	108,703,260,391
	Cash Deposit in L3 by agents ¹	202,768	9,861,085,870	240,915	14,588,797,171
2	Fund Transfers				
	<i>a. Fund transfers through M-wallets</i>				
	MW to MW transfers	11,437,466	40,864,095,578	13,731,664	49,955,261,324
	MW to bank account transfers	228,142	1,835,946,105	290,405	2,807,384,976
	Bank account to MW transfers	91,137	112,2453,960	112,563	1,461,956,555
	MW-to-person fund transfers	1,681,511	6,066,912,162	1,873,428	6,902,530,058
	<i>b. Fund transfers through CNIC</i>	-	-		
	Person to person sending	13,493,735	623,88,891,317	12,527,518	62,096,245,776
	Person to person receiving	14,256,325	64,862,270,585	13,348,448	64,403,644,809
3	Bulk Payments				
	<i>a. Government to Person Payments</i>				
	G2P through MW	1,781,935	3,099,183,620	3,415,904	15,827,398,705
	G2P through card	368,506	1,354,547,767	7,159,319	35,239,164,209
	<i>b. EOBI Pensioners</i>				
	Pension payment through MW	1,259,222	7,672,508,782	709,291	4,367,053,894
	Pension payment through OTC			-	-
	Salaries payments and Others	145,202	1,870,667,043	249,473	3,071,496,170
4	Cash deposit & withdrawal				
	Cash Deposited in MW (including person to MW transfers)	11,733,690	49,154,521,625	15,058,312	65,196,126,870
	Cash Withdraw from MW	5,992,349	34,820,013,223	8,431,291	50,536,114,970
	Cash withdraw through card (G2P)	3,173,246	16,841,044,324	5,419,384	27,671,842,760
5	Bill payments & Top-ups				
	Utility Bills Payment	27,507,795	34,221,339,975	29,741,689	52,396,309,026
	Internet Bill Payments	237,337	435,935,705	256,679	529,681,377
	Mobile Top-ups	39,524,712	2,828,185,276	46,279,776	3,450,752,381
6	Loan				
	Disbursement	818	22,523,665	21,096	513,641,445
	Repayment	1,314,968	6,197,768,382	1,588,891	7,971,286,124
7	Others				
	Donations	9,321	953,495	15,794	3,089,965
	Retail Payments	341,728	569,969,620	335,781	717,113,469
	International Home remittance	16,114	482,415,251	19,089	617,871,768
	Account Opening Transactions	125,718	1,873,2952	91,428	15,257,918
	Cash collection/payment services	475,779	3,567,188,063	645,250	3,825,918,347
	IBFT	528,352	1,0944,329,283	436,165	14,321,854,675
	Total	140,588,666	564,447,662,558	167,172,873	746,569,386,455

¹ The accounts of L3 have been merged in L2 in the Revised BB Regulations-2016

Branchless Banking Snapshot

Table 8: 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			13,731,664	49,955,261,324
MW to bank account transfers			290,405	2,807,384,976
Bank account to MW transfers			112,563	1,461,956,555
MW-to-person fund transfers			1,873,428	6,902,530,058
Person to MW fund transfer	11,862	53,332,369		
Fund transfers through CNIC				
Person to person sending	12,527,518	62,096,245,776		
Person to person receiving	13,348,448	64,403,644,809		
Bulk Payments				
Government to Person Payments				
G2P through MW			3,415,904	15,827,398,705
G2P through card	7,159,319	35,239,164,209		
EOBI Pensioners				
Pension payment through MW			709,291	4,367,053,894
Pension payment through OTC	-	-		
Salary payment and Others			249,473	3,071,496,170
Cash deposit & withdrawal				
Cash Deposited in MW (excluding person to MW transfers)			15,046,450	65,142,794,501
Cash Withdrawal from MW			8,431,291	50,536,114,970
Cash withdrawal through card (G2P)	5,419,384	27,671,842,760		
Bill Payments & Top ups				
Utility Bills Payment	25,726,932	42,890,108,790	4,014,757	9,506,200,236
Internet Bill Payments	193,301	460,767,190	63,378	68,914,187
Mobile Top-ups	494,104	87,921,122	45,785,672	3,362,831,259
Loan				
Disbursement	20,992	511,189,180	104	2,452,265
Repayment	1,406,140	6,719,916,618	182,751	1,251,369,506
Others				
Donations	861	796,768	14,933	2,293,197
Retail Payments	242,361	542,959,586	93,420	174,153,883
International Home remittance	18,642	609,585,913	447	8,285,855
Account Opening Transactions	91,428	15,257,918	-	-
Cash collection/payment services	632,942	3,785,378,504	12,308	40,539,843
IBFT			436,165	14,321,854,675
Total	67,294,234	245,088,111,512	94,464,404	228,810,886,059

Domestic News

Jazz Services will soon be available at CSD Super Malls

Jazz has announced its partnership with the Canteen Stores Department (CSD) at an MoU signing ceremony. This partnership will enable Jazz to utilize CSD's platforms to introduce where shoppers will get a one-window solution for all of the company's services. CSD shoppers would now be able to purchase Jazz SIMs & devices at the retail stores. In addition, shoppers will be able to top up their phone balance and utilize other JazzCash related mobile financial services. In the pilot phase, Jazz is going to establish the one-window solutions in five CSD Super Malls.

Subsequently, the Telco intends to set up the solution at 40 additional CSD outlets nationwide. This move will also facilitate army personnel to send out nationwide cash remittances to their loved ones through JazzCash. The partnership between the telecom operator and one of the most trusted retail stores is in line with Jazz's commitment to make sure its subscribers are facilitated at various touch points – ensuring convenience and increase in accessibility.

<https://propakistani.pk/2017/11/13/jazz-services-available-csd-super-malls/>

Survey report on mobile money agent networks released

An event to disseminate the findings from the second wave of the Agent Network Accelerator - Pakistan Country study, hosted by Karandaz Pakistan, took place in Islamabad. The event was attended by all stakeholders of the mobile money industry including EasyPaisa, JazzCash, UBL Omni etc. and regulators such as the State Bank of Pakistan and the Pakistan Telecommunication Authority. The survey report is based on over 2,000 mobile money agent interviews that were conducted across Pakistan and highlights findings on the mobile money agent landscape in Pakistan, covering the agent network structure, agent viability, quality of provider support, compliance and risk as well as other important strategic considerations. The survey is designed to provide valuable insights for the digital financial sector in Pakistan and provide recommendations for developing sustainable networks of mobile money agents.

The Agent Network Accelerator project is managed and conducted by the Helix Institute of Digital Finance and is the largest research initiative in the world on mobile money agent networks , designed to determine their success and scale. Pakistan is among 11 African and Asian countries participating in this research project, selected for their contribution to the development of digital financial services globally. A panel discussion on the increasing need and the ingredients required to develop a supportive mobile money agent network was also part of event.

The study finds that Pakistan remains the world leader in shared networks , with the highest rates of non-exclusivity and non-dedication in 2017. Large providers partnered with mobile network operators, increasingly dominating the digital financial services landscape, accounting for over half of the market presence. The market is still largely focused on over the counter, people-to-people transfers. Large scale e-wallet adoption could unleash new wave of product and service innovation. Currently, however, only one third of agents offer wallet registration and agents cite low customer awareness as hindrance to registering customers. Many agents have yet to secure BVS machines, as providers fail to provide the required investment. Despite gaps in compliance, Pakistan has one of the lowest rates of agent-reported robbery and fraud among the countries where similar research has been carried out.

<http://nation.com.pk/26-Sep-2017/survey-report-on-mobile-money-agent-networks-released>

Mastercard and Oxford University unveil framework for mobile biometric banking

Despite a strong consensus among consumers and banks that biometrics should replace passwords for access to financial accounts, knowledge gaps are slowing the transition, according to the report "Mobile Biometrics in Financial Services: A Five Factor Framework," released by researchers from Oxford University and Mastercard.

Since 93 percent of consumers prefer biometrics to passwords, according to researchers, and 92 percent of banks want to adopt biometric technology, its adoption should be advancing rapidly. Only 13 percent have deployed biometrics, and only 36 percent of the involved decision-makers say they have adequate experience to tackle the situation, however, and this shortfall motivated Oxford and Mastercard to release a "Five Factor Framework" for mobile biometrics.

The five factors are performance, usability, interoperability, security, and privacy. The criteria for performance is that the technology be frictionless, yet secured by a biometric with low algorithmic error rates and device ID as a second factor, and the usability criteria includes the security and lack of friction be understandable to "technophobes." The interoperability criteria refer to future-proofing across devices, use cases and biometric methods, including face, iris, and voice. Mobile biometric systems must include defenses against specific threats, such as zero-effort attacks in which the attacker attempts to use their own biometrics to claim the victim's identity, presentation attacks or spoofing, scalable malware attacks, and false enrollments, according to the security criteria. Privacy must be assured by means such as template protection, as outlined in ISO standards, or on-device keys, as in FIDO UAF and BOPS.

Reputational damage is the primary concern among banks (75 percent) adopting biometric verification, followed by data leaks (72 percent). Opus Research notes the increased attractiveness of end devices and client applications to attackers from mobile banking apps and distributed biometric processing, and suggests malware and rooting detection capabilities are essential to any such system. Mobile app development which includes "code obfuscation, runtime measures, white-box crypto, and attack-aware security" is also important, according to Opus' whitepaper on the Five Factor Framework, "Guidelines for Deploying Mobile Biometrics in Financial Services."

The research from Oxford and Mastercard also reveals significant differences in perception between financial industry professionals with different levels of experience with biometrics, and from the technical and business sides of companies. Almost all inexperienced individuals (96 percent) believe biometrics will make mobile banking and payments more secure, compared to only 61 percent of those with biometrics experience. Those on the business side are much less likely to view a second factor as necessary, 35 to 67 percent, and to view phone theft as a serious threat, 37 to 76 percent.

Reany notes that mobile banking apps with biometric verification are already out there. "However," he says, "deployments across the world have conflicting experiences and designs. What we set out to do with Oxford is give decision-makers the confidence to start moving forward by equipping them with knowledge and a common set of guidelines to successfully bring mobile biometrics to life."

<http://www.biometricupdate.com/201706/mastercard-and-oxford-university-unveil-framework-for-mobile-biometric-banking>

EU markets agency warns new crypto coins could prove worthless

Europe's top markets regulator has warned investors about the pitfalls of buying newly issued crypto coins, an experimental and unregulated form of online crowd funding particularly used by start-up businesses. The European Securities and Markets Watchdog (ESMA) said on Monday such Initial Coin Offerings (ICOs) were unregulated, volatile, not transparent and technologically untested.

"ICOs are extremely risky and highly speculative investments," the agency said warning coin issuers they may be subject to existing regulations,, adding there was a risk of the total loss of your investment. Many of the coins or tokens have no intrinsic value other than to use them to access or use a service/product.

International News

After Swiss and Wall Street regulators, ESMA is the latest to demand tighter scrutiny of cryptocurrencies. China has banned ICOs. By creating and issuing digital tokens, entrepreneurs can sometimes raise tens of millions of dollars within hours - with little regulatory oversight. Token holders are generally not given a share in a project or security. ICOs have fueled a rapid rise in the value of all cryptocurrencies, from about \$17 billion at the start of the year to a record high of close to \$180 billion in early September.

<http://www.reuters.com/article/us-investment-summit-fink-bitcoin/blackrocks-fink-says-bitcoin-thrives-on-its-anonymity-idUSKBN1DD268>

eCurrency Announces Collaboration with ITU on Standardization Guidelines

eCurrency Mint Limited (eCurrency) announced today that it is contributing its seven layer security architecture to an International Telecommunication Union (ITU) working group's development of a reference architecture for digital fiat currency (DFC) . This working group is tasked with outlining the framework for DFC, showing interoperability scenarios and integration into current payments systems.

The working group was established at the first meeting of the ITU Focus Group on Digital Currency including Digital Fiat Currency (FG DFC) held at the Chinese Academy of Social Sciences in Beijing, 12-13 October 2017. The meeting was jointly hosted by ITU, the People's Bank of China (PBOC), the Information and Communication Ministry, and the Digital Fiat Currency Institute.

"The first meeting of the Focus Group welcomed broad, enthusiastic support from both the public and private sectors," said Bilel Jamoussi, chief of the ITU-T Study Groups Department. "We are in a strong position to encourage digital currency innovation with the support of all stakeholders, stakeholders that will come together in this Focus Group to build a common understanding of their respective roles in managing ICT-driven transformations of the financial system."

The work of the FG DFC leverages the collaboration of all players in the ecosystem including Central Banks and financial standards bodies. The group has been created to establish guidelines for policy and regulation, study the impact on business and technology, and propose a reference architecture to ensure security.

In his keynote speech, Yao Qian, director of the PBOC's Institute of Digital Money, defined DFC by four fundamental properties as follows (paraphrased and translated): "DFC is defined by (1) its value, which is anchored by the trust of the nation as the unit of account, (2) its cryptography, forming its technology base, (3) its algorithms, which are based on big data and artificial intelligence, and (4) its applications, which allow user experience and economic policies to be smarter."

DFC is authorized and issued by a country's Central Bank as legal tender, designed to offer the same security status and interoperable function as physical currency. It uses high-security cryptographic protocols to ensure that it cannot be counterfeited, while remaining fully transparent. This secure instrument can be held in all e-money wallets and transacted seamlessly within existing network infrastructure.

"eCurrency is honored to contribute our seven-layer architecture to the work of the ITU. Our digital fiat currency technology provides a secured and trusted electronic instrument for issuance by central banks," said eCurrency Founder and CEO, Jonathan Dharmapalan. "The experience eCurrency has as a pioneer in this security technology is a valuable contribution to ITU's mission to set standards and create an environment of technological innovation and preservation of trust in a digital form of fiat currency. It is important to safeguard financial integrity by creating a reference architecture as the shift to a digital economy is inevitable."

<http://www.cellular-news.com/story/Operators/75093.php>

Vodacom faces battle for Africa money lead

Calendar Q2 figures for many of Africa's most prevalent operator groups show excellent results across the board for mobile money, placing the size of Vodacom's goal to become the continent's dominant mobile money player into sharp focus.

Since Vodafone Group announced the company intended to sell its stake in Safaricom to affiliate Vodacom in May, both Safaricom and Vodacom have talked-up their abilities to export Kenya's wildly successful m-Pesa model across the continent.

In July, Vodacom's CEO Shameel Joosub said it aimed to be formidable in financial services in Africa. To achieve this, the company is reportedly assessing entry into countries where it currently doesn't have a presence. It will also have to scale-up operations in the five markets it already operates in.

Although m-Pesa has taken on all-comers in Kenya, the brand enjoys a less dominant status in other countries, where competition is much stiffer and demand may not be as high. In South Africa, where Vodacom abandoned the service in May 2016, Joosub himself said the market conditions were simply not there to support it.

M-Pesa's market share of mobile money subscriptions in Kenya is around 80 per cent, according to official statistics for the first three months of 2017. In Tanzania, Vodacom's version has around a 42 per cent share, according to 2016 GSMA Intelligence figures. Although still market leader, rival services from Airtel and Tigo were not far behind with shares of 24 per cent and 31 per cent respectively at end-December 2016.

In many African markets Vodacom's rivals have a significant footprint and are pumping resources into mobile money services. Although independent comparative market data is hard to come by, according to their own figures Vodacom's potential rivals are showing significant growth.

<https://www.mobileworldlive.com/money/blogs-money/blog-vodacom-faces-battle-for-africa-money-lead/>

Definition of Terminologies

Appendix 1: Definitions of Terminologies

BB Terminology	Definition
Level 0 account (L0)	Basic MW account for individuals only with low KYC requirements and low transaction limits.
Level 1 account (L1)	Entry level MW account for individuals only with adequate KYC requirements commensurate with transaction limits.
Level 2 account (L2)	Top level MW account opened by banks subject to full KYC requirements. L2 accounts can be open for individuals, firms, entities, trusts, BB agents, corporation, technology service providers & merchants etc.
M-wallets (MW)	All Level 0, Level 1, and Level 2 BB accounts.
BB Accounts	All Level 0, Level 1, and Level 2 BB 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.

Definition of Terminologies

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.