ITU-T Focus Group Digital Financial Services: Main Outcomes

by

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ITU-T Focus Group Digital Financial Services: Main Outcomes

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Digital Financial Inclusion

2 billion unbanked

=> 1.6 billion mobile

DFS

G20 pillars

Financial inclusion

Accelerated economic opportunity

Innovation
DFS Critical Success Factors

- Value Proposition
- DFS Uptake
- Safety & Trust
- Convenience
- Affordability
Focus Group Digital Financial Services (FG DFS)

- **Established**: TSAG Meeting 17-20 June 2014
- **7 f2f meetings**: 1st meeting Geneva, 5 December 2014, Last meeting: 6 December 2016
- **Objectives**:

  FG DFS aimed to facilitate effective consultation and collaboration on key DFS issues. For the first time, the Focus Group brought together financial and telecommunications regulators at the global level to address DFS regulation and supervision with the objective to

  - **Increase and formalize** the collaboration between financial and telecommunications regulators with respect to digital financial services;
  - **Identify** key issues limiting the development of safe, enabling DFS ecosystems;
  - **Analyze** how these issues have been addressed in practice and exchange information on best practices; and
  - **Develop** policy recommendations for regulators and other stakeholders.
Challenges

- Reliability of network and security
- Account Functionality
- Consumer Protection
- Consumer Education/Literacy
- Interoperability
- Merchant payments acceptance
- Gender issues
Main Themes

- DFS Ecosystem
- Interoperability
- Consumer Protection
- Technology, Innovation and Competition
DFS Ecosystem

- High Volumes
- Usage
- Low Cost
- Multiple DFS Providers
- Increased Competition
Digital Liquidity

Transaction Account or "Digital Wallet"

- Transfers In
- Benefits
- Salary
- Cash-In
- Loan Proceeds
- Withdraw from Savings

- Transfers Out
- Purchases
- Bill Payments
- Cash-Out
- Loan Repayment
- Deposit to Savings
DFS Glossary

- 150 Terms
- 7 Categories
- 9 Source Glossaries
- To stay online as a “living document”
DFS Ecosystem Recommendations

- Enable Multiple DFS Providers
- Service Based Regulation
- Open Access
- Proactive Involvement by Regulators and Government
- Monitor Consumer Pricing
- Link to National Identity Systems
- Enable Shared Services
- Encourage Merchant Acceptance
Interoperability

Interoperability should enable users to make electronic payment transactions with any other user in a convenient, affordable, fast, seamless and secure way, even with a single transaction account.
Main Elements
Recommendations

- Vision & National Strategy
- Role of Authorities
- Legal Aspects
- Oversight aspects
- Stakeholder Coordination
- Risk Management
- Business and Economic Aspects
- Access to Telecom Infra.
- Access to Payment System
- Access point interoperability
- Scheme Provisions
- Governance
Consumer Experience and Protection

- Protection of trust accounts
- Fraud
- Dispute Resolution
- Alternative Recourse
- Transparency
- Network Downtime
- User Errors
- Agent behaviour
- Security of the network
- Data Privacy
- Disclosure of Information

Consumer Risks
Consumer Protection

- DFS Consumer Protection Themes
- Review of DFS Consumer Protection Regulations
- QoS/QoE for DFS
- Review of DFS Contracts
Consumer Protection

- Interest on Consumer Funds
- Fraud prevention
- Dispute Resolution
- Revocability
- Recourse
- Quality of Service
- Digital Credit
- Agents
- Protection of funds
- Data Privacy
- Disclosure of Information

Recommendations
Technology, Innovation and Competition

- Security
- Blockchain and Financial Inclusion
- Vendor Platform Features
- DFS Competition
- Digital Identity and Authentication
- Mobile Handsets Features
- Technology Evolution and Innovation in DFS
Recommendations

• Six main areas
  – Security Aspects of DFS
  – Digital Identity and Authentication
  – Vendor Platform Features
  – Mobile Handset Features
  – Distributed Ledger Technologies
  – Competition
Focus Group Digital Financial Services (FG DFS)

- **Deliverables**: 28 Technical Reports and 85 policy recommendations
- **FG DFS recommendations**
- **DFS Ecosystem Technical Reports**
  - The Digital Financial Services Ecosystem
  - Regulation in the Digital Financial Services Ecosystem
  - Review of National Identity Programs
  - Enabling Merchant Payments Acceptance in the Digital Financial Ecosystems
  - Merchant Data and Lending
  - Impact of Agricultural Value Chains on Digital Liquidity
  - Impact of social networks on digital liquidity
  - The Role of Postal Networks in Digital Financial Services
  - B2B and the DFS Ecosystem
  - Bulk Payments and the DFS Ecosystem
  - Over the counter transactions: A threat to or a facilitator for digital finance ecosystems?
  - DFS Glossary
- **Consumer Experience and Protection Technical Reports**
  - Commonly identified Consumer Protection themes for Digital Financial Services
  - QoS and QoE Aspects of Digital Financial Services
  - Review of DFS User Agreements in Africa: A Consumer Protection Perspective
Focus Group Digital Financial Services (FG DFS)

- Technology, Innovation and Competition Technical Reports
  - Mobile Handset Use in DFS
  - Security Aspects of Digital Financial Services (DFS)
  - Identity and Authentication
  - DFS Vendor Platform Features
  - Distributed Ledger Technologies and Financial Inclusion
  - Technology evolution and innovation in DFS
  - Mobile Handset Use in DFS
  - Distributed Ledger Technologies and Financial Inclusion

- Interoperability Technical Reports
  - Cooperation frameworks between Authorities, Users and Providers for the development of the National Payments System
  - Payment System Oversight and Interoperability
  - Payment System Interoperability and Oversight: The International Dimension
  - Access to payment infrastructures
  - The Regulator's Perspective on the Right Timing for Inducing Interoperability
Financial Inclusion Global Initiative (FIGI)

- 3-year programme
- Collaboration between ITU, World Bank, Gates Foundation and CPMI on digital financial inclusion
- Multistakeholder collaboration on implementation of
  - Payment Aspects of Financial Inclusion (PAFI) Report of World Bank
  - ITU FG DFS recommendations
  - Level 1 Project of Gates Foundation

- Main Components
  - Annual Symposia
  - Country implementations
  - 3 thematic Working Groups
    - Security, Infrastructure and Trust
    - Identity
    - Electronic Payments Acceptance
Security, Infrastructure and Trust

Security Workstream
- Application Security
- Telecom infrastructure security
- Authentication

Trust Workstream

Quality of Service Workstream

Distributed Ledger Technologies Workstream
Security, Infrastructure and Trust

- Objectives
  - Confidence and trust in using DFS
  - Collaboration between telecom and financial services regulators on security
  - Guidance on securing infrastructure for DFS
  - Impact of new technologies on security and consumer protection
Terms of Reference

- Investigate security of USSD, STK toolkit and biometrics use in DFS to develop best practices for developers and security measures and controls for mitigating such risks
- Establish lab/sandbox in ITU for security testing of DFS applications
- Develop security measures to mitigate the risk of SS7 vulnerabilities and other cybersecurity related threats
- Develop tools to assess DFS provider security compliance
- Develop regulatory and policy guidelines to address digital fraud and protect privacy of consumer data in Digital Financial Services
Terms of Reference

- Investigate interoperable authentication technologies for securing DFS
- Investigate distributed ledger technology security in DFS
- Undertake research to investigate KPIs for QoS monitoring based on FG DFS report on QoS,
- Develop technical and regulatory toolkit on QoS measurement for telecom regulators
- Organize workshops on topics of interest to the Security, Infrastructure and Trust Working group
Security Infrastructure and Trust WG

More information

Join our mailing list: figisit@lists.itu.int
Thank You