



Policy Implications and Future Challenges

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Imagine a world....

...where technology creates the preconditions for universal access to financial services

... and not just in developed economies, but in developing and transition countries as well

Three interlocking questions determine frontier

Business case



- Can each necessary party make money and still price services affordably?

Client adoption



- Will customers choose the services over other options?

Regulation



- Regulatory space to get started
- Preventing the preventable accident
- Preconditions for scale



Models, terms, concepts and evidence

What is “branchless banking”?

Innovative use of information and communications technologies (ICTs) to deliver financial services through retail channels that reach beyond traditional bank branches and ATMs

- Mobile phones
- Plastic cards and point-of-sale devices
- Hybrid technologies

Examples:

G-Cash, Philippines

Banco Bradesco, Brazil



Models, terms, concepts and evidence (cont.)

What is “transformational” branchless banking?

- “additive” branchless banking
- “transformational” branchless banking

Models of branchless banking

- Bank-based
- Nonbank-based
- Hybrids

Models of branchless banking

Bank-based



- Customer has bank relationship
- Agents used for cash in/cash out

Nonbank-based



- Customer has e-money account
- Agents used for cash in/cash out

Hybrids



- Customer has both bank relationship & e-money account
- Agents used for cash in/cash out



Models, terms, concepts and evidence (cont.)

Payment services

- How far beyond can branchless banking go?

What else can technology do?

- Shared IS platforms and other efficiency enhancing applications
- Credit and payment information services and credit scoring



Models, terms, concepts and evidence (cont.)

Regulatory domains

- Risk of coordination failure

What is a proportionate regulatory response?

- Credit and payment reporting and credit scoring
- Transformational branchless banking

What is the evidence?

Regulatory status quo

Over-protective?

Examples:

- Cash in/cash out only at branch/ATM of licensed bank?
- Customer ID for money-laundering/terrorist financing (AML/CFT) only by personnel of licensed bank?

Under-protective?

Examples:

- Consumers left without realistic means to redress claims?
- Lack of prudential supervision of parties accepting repayable funds from public?

“Make or break” policy & regulatory issues

- Use of nonbank retail agents
- AML/CFT compliance
- Nonbank issuance of e-money and other stored value instruments
- Country-specific idiosyncratic obstacles



“Next generation” policy and regulatory issues to think about now

- Payment systems regulation
- Competition
- Consumer protection
- Possible macroeconomic implications



Panelists' experience in global perspective

- *Regina Penha Fadel Riolino* – Brazil's experience regulating financial services through nonbank agent networks
- *Pia Roman* – Philippines experience regulating mobile phone network operator as alternative payments platform
- *Nataliya Mylenko* – IFC's worldwide experience promoting sound legal and regulatory frameworks for credit reporting



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