

Review of Mobile Financial Service Guideline

Purposes/Objectives: Mobile phone based Financial Service (MFS) platforms in Bangladesh have been introduced to **provide formal financial services at affordable cost especially for the poor and unbanked population segments**. Bangladesh Bank (BB) has prescribed regulatory guidelines for MFS platforms in Bangladesh with a view to ensuring an orderly, enabling and competitive environment for MFS platforms.

Target group: MFS platforms have targeted to deliver off-branch financial service to the **underserved population segments** through innovative and cost efficient mobile phone based solutions.

Services: Basic services delivered by MFS platforms are as follows:

- I. Disbursement of inward foreign remittances
- II. Cash in/cash out into Mobile Accounts through agents/bank branches/ATMs/Mobile Network Operator (MNO) outlets
- III. Person to Business payments
- IV. Business to Person payments
- V. Government to Person payments
- VI. Person to Government payments
- VII. Person-to-Person payments

MFS platforms have the legal endorsement to **get engaged in secondary engagements** like deposit taking, loan disbursement and recovery, insurance premium collection etc. as duly authorized agents of banks, NBFIs, MFIs, insurance companies etc. concerned.

Business model: MFS platforms in Bangladesh will be **sponsored and led only by the payments system member scheduled commercial banks**. Transactions in MFS platforms will be conducted only through non-chequing limited purpose accounts termed 'Mobile Accounts' in names of customers, accessible with their mobile phone devices. Mobile Accounts no being intended to be deposit accounts. **Multi-bank option** has been allowed in the MFS platforms to operate.

Delivery channel: Channel mode – 1: Through service delivery intermediaries at wholesale and retail levels ('distributors', 'super agents', 'agents' etc.)

Channel mode – 2: Through extensive networks of service delivery outlets like NGO, MFIs, MNOs, and Government's Postal Department etc.

Channel mode – 3: Through bank branches/ATMs/Mobile Network Operator (MNO) outlets

Supervision method: MFS platforms will be under two levels of BB's offsite and onsite supervision; **firstly as PSP (Payment Services Providers)** and **secondly as agents of**

banks, NBFIs, MFIs, insurance companies and other licensed financial intermediaries.

Ownership structure: The scheduled commercial bank-led MFS platforms may have **banks, non-bank entities, Mobile Network Operators (MNOs) as equity holders,** subject to:

- i) Banks holding majority beneficial ownership in total equity,
- ii) No non-bank entity holding more than fifteen percent beneficial ownership in equity
- iii) Beneficial ownership of MNOs in an MFS platform not exceeding thirty percent of its total equity.

Capital structure: Each MFS platform will require **a minimum paid up equity capital of Taka one billion.** A further cushion of capital reserve will have to be built up from retained earnings at rate not below ten percent of annual post tax profits to cover operational and other risks.

MFS technology infrastructure: The following properties of financial transactions need to be addressed for ensuring a secure MFS technology infrastructure.

- a) **Confidentiality:** unauthorized persons cannot view Transaction information.
- b) **Integrity:** Transaction information remains intact during transmission and cannot be altered.
- c) **Authorization:** Authentic user has proper permission to perform particular transaction. It ensures how the system decides what the users can do.
- d) **Non-repudiation:** A user cannot subsequently deny particular transaction initiated by him.

All transactions must be authenticated by the account holders using their respective **Personal Identification Numbers (PINs)** or similar other secured mechanism. Besides the PIN, a suitably chosen **second authentication factor** should be built in for additional security.

Compliances:

- ✓ AML/CFT compliance – Responsibility of MFS platform authority
- ✓ Risk management and internal controls - Responsibility of MFS platform authority
- ✓ Complaint and grievance redressal - Responsibility of MFS platform authority
- ✓ Annual reporting - Responsibility of MFS platform authority