



Enabling Growth with Quality

Emerging Client Protection Risks in Digital Financial Services

November, 14th 2014

European Microfinance Week

[AUTHORS](#)

Smart Campaign & Accion Channels and Technology Team



EUROPEAN
MICROFINANCE WEEK 2014
DEVELOPING BETTER MARKETS

Stantbarb Bank partners with a local retailer to provide customers reliable access to cash in/ cash out services in additional areas around the country where the bank does not have a branch. This saves Stantbarb on the cost of building and maintaining additional brick and mortar locations.



However, when new customer James goes to a designated retailer for a withdrawal, the agent realizes:

- There is just enough cash on hand to fulfill James' request but the agent know that another client will come later to perform cash-out transactions.

Aligned with the Smart Campaign's Seven Principles



EUROPEAN
MICROFINANCE WEEK 2014
DEVELOPING BETTER MARKETS

Given the conditions of providing DFS,
what might be **potential risks** to James?



Clients do not
make informed
decisions due to
inadequate
information from
providers

Agent Misconduct
against clients

Data privacy

Aligned with the Smart Campaign's Seven Principles



EUROPEAN
MICROFINANCE WEEK 2014
DEVELOPING BETTER MARKETS

In “Lanxania”, “Vocadom” MNO has successfully launched its mobile money platform and expects to continue scaling throughout the country. The MNO contracts a research company to monitor customer’s experience. The research co. finds out that contrary to expectation:

- Users of the service (1 in 5) are sharing their pin numbers with one another to streamline access to their accounts, and
- Some individuals (1 in 7) are even sharing pins with agents to receive assistance with transactions.



Aligned with the Smart Campaign’s Seven Principles



EUROPEAN
MICROFINANCE WEEK 2014
DEVELOPING BETTER MARKETS

Given the conditions of providing DFS, what might be potential risks to consumers?



Clients are defrauded and lose their funds

Inadequate or lack of client care channel/recourse mechanism

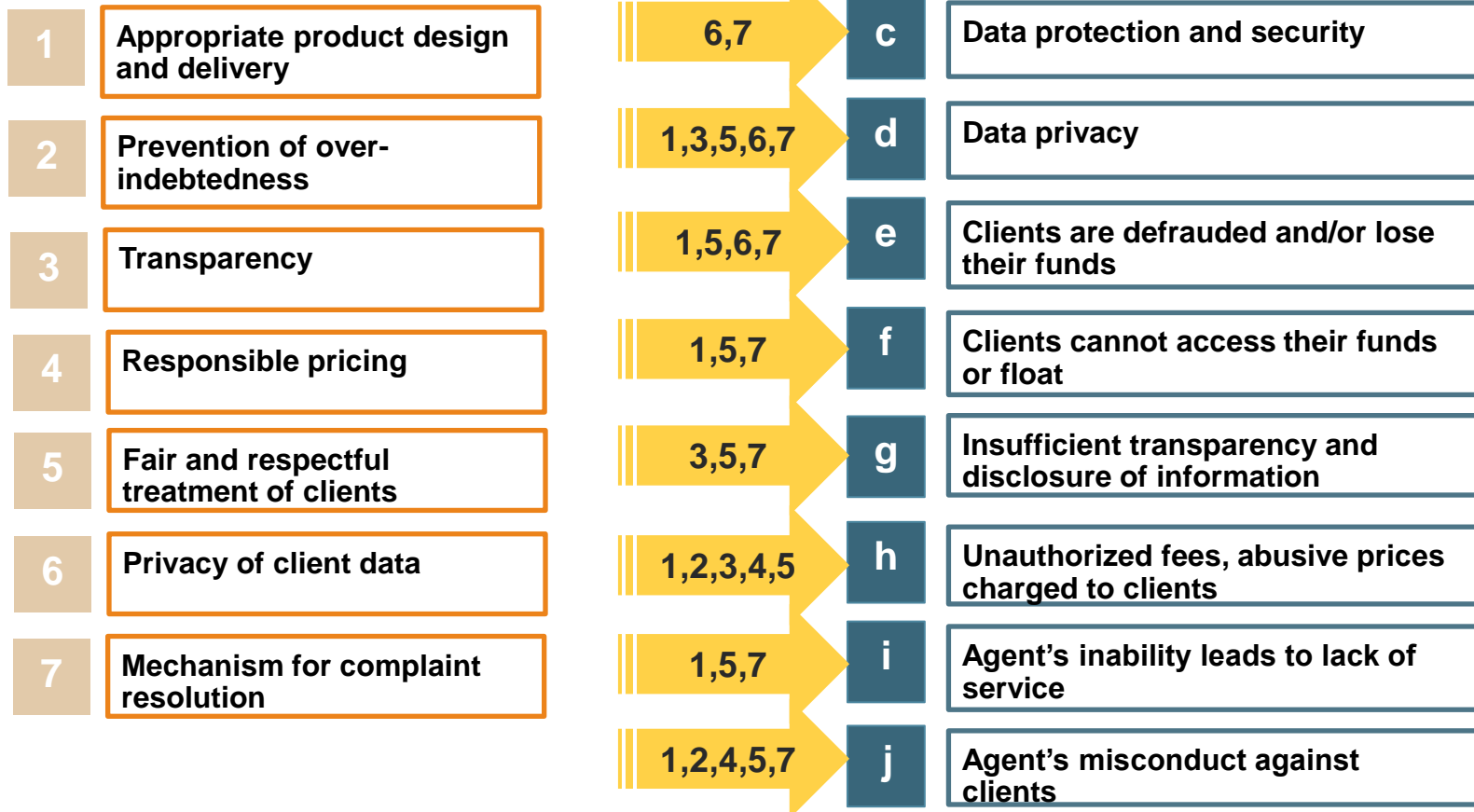
Agent's inability leads to lack of service

Aligned with the Smart Campaign's Seven Principles



**EUROPEAN
MICROFINANCE WEEK 2014**
DEVELOPING BETTER MARKETS

Potential risks and Smart Campaign CPPs





**EUROPEAN
MICROFINANCE WEEK 2014**
DEVELOPING BETTER MARKETS

Emerging Evidence

■ Clients do not make informed decisions due to inadequate information from providers

- In Papua New Guinea, 47% of women and 35% of men who want an MFS account identified lack of understanding of how to use it as their chief reason for not opening an account. (Source: GSMA and Visa, 2013)
- Implementations lack adequate client education, communication, and marketing. (Source: Accion's fieldwork experience)

■ Clients are defrauded and/or lose their funds

- A common fraud risk is vishing, smishing scams tricking clients to use their PINs (Source: GSMA).
- In Tanzania, one in five registered users share their mobile money PIN with another person, one in seven carried out mobile money transactions with the help of an agent, and might have had to share their PINs with the agent. (Source: Intermedia, 2013).



EUROPEAN MICROFINANCE WEEK 2014

DEVELOPING BETTER MARKETS



1

The Smart Campaign **Client Protection Principles** are robust **umbrellas** that cover the risks identified.



2

There is a need for **more evidence** of harm to BoP clients in using DFS.



3

Most common **consequences** are: clients lose trust in the system; client loses funds and stops using the service.



4

There is no clarity on who is **responsible** for protecting the client –is it the bank, financial institution, MNO, third party provider?



5

The involvement of many players along the value chain makes DFS **complex**; in addition the regulatory framework varies country to country.



6

While mobile money and branchless banking are services provided by different actors, **agents play a key role in client protection**.



EUROPEAN
MICROFINANCE WEEK 2014
DEVELOPING BETTER MARKETS

Client Protection: 3-Legged Stool

**Regulation for
client protection
and supervision**



**Financial
education and
capability**

**Standards and
codes of conduct
for the industry**