

Oversight Issues in Mobile Payments



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Background

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- Mobile payments have gained wider acceptance as an emerging payment method in both advanced and emerging economies.
- Financial authorities have been faced with oversight challenges in protecting consumers and the payment system.
- Many central banks have made mobile payment regulations more explicit.
- Development of effective oversight frameworks can help maintain public confidence and payment systems stability, particularly in low income countries where mobile payments are seen as a major tool of financial inclusion.

Note: See Khiaonarong (2014) Oversight Issues in Mobile Payments, IMF Working Paper WP/14/123, July. (Available at: <https://www.imf.org/external/pubs/cat/longres.aspx?sk=41747.0>)

Legal Regime

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- Legal uncertainty exists if new payment methods are unlicensed, and multiple laws and authorities are involved.
- Legal reforms to strengthen safeguards for consumers and the payment system are under review in some advanced economies.
- A sound legal basis helps establish an effective oversight framework to monitor and mitigate potential risks.

Financial Integrity

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- New payment methods may be considered a good tool for reducing reliance on the use of anonymous cash, especially in countries that are predominantly cash-based.
- AML/CFT risks must be adequately addressed.
- The effective and proportionate application of the AML/CFT framework would help mitigate the risks associated with new payment methods.

Fund Safeguarding

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- Customer funds held by nonbanks may be at risk if unprotected; many low to moderate income households are vulnerable to financial losses if risk controls for new payment methods are weak.
- Some new payment methods are store-valued facilities and are different from deposits.
- Deposit insurance laws differ or may be less common across jurisdictions (eg. U.S. “pass through” deposit insurance).

Operational Resiliency

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- Operational risks can undermine public confidence.
- Cyber risk, which is a potential source of systemic risk that has wide economic impact, is an emerging issue faced by financial authorities.
- Roaming risks also exist for international remittances through mobile phones.
- Cloud computing infrastructure; outsourcing of critical operations

Payment System

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- Aggregate value of mobile payment flows can be significant relative to regulated payment systems in some countries where activity has heightened.
- Adequacy of default arrangements to cope with faster payments and settlement speeds; impact on credit and liquidity risks management.
- Access criteria for nonbanks.

Role of the Fund

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- Technical assistance in strengthening the oversight framework for payments and financial market infrastructures, focusing on risks and stability issues
- FMI assessments through the Financial Sector Assessment Program
- Policy development through in-house research and participation in various international forums

THANK YOU

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