



SUPERINTENDENCIA
DE BANCA, SEGUROS Y AFP



PERÚ



An enabling legal environment for mobile payments. The Peruvian Experience

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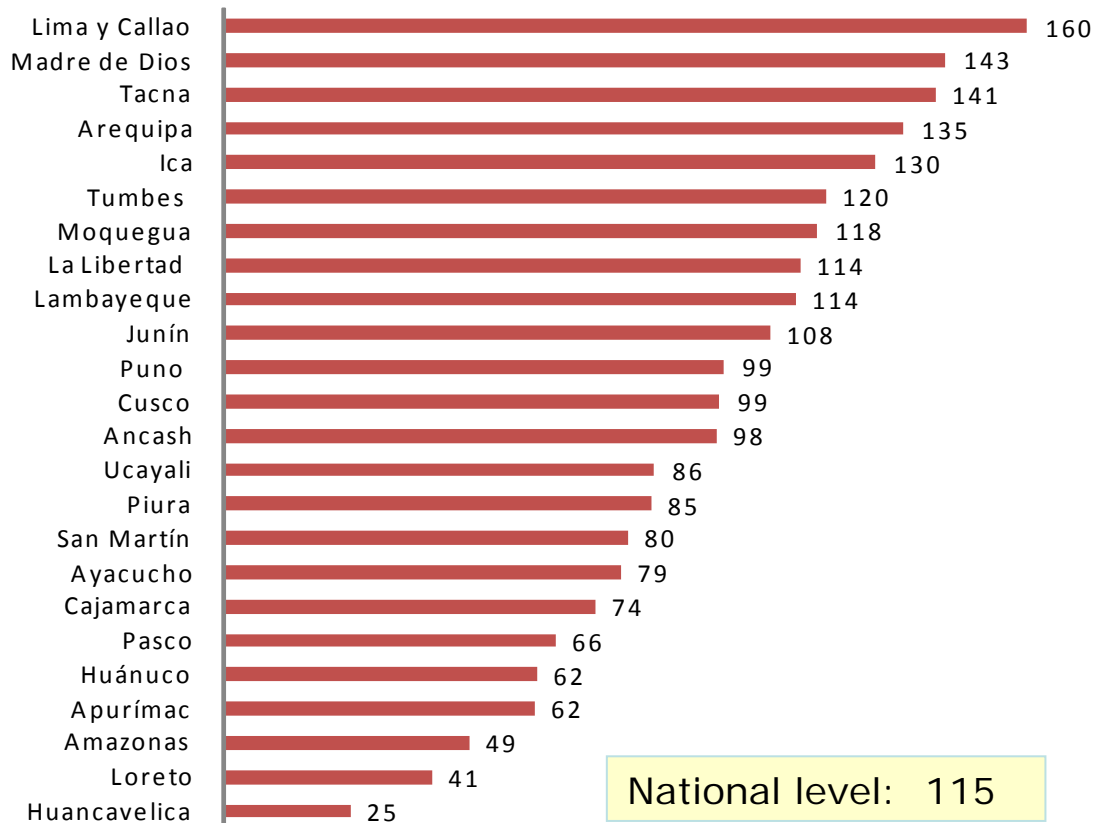
Superintendencia de Banca, Seguros y AFPs -SBS

UNCITRAL, January 17th 2013



Expansion of mobile services nation-wide

Mobile services lines per 100 inhabitants, as of March 2012



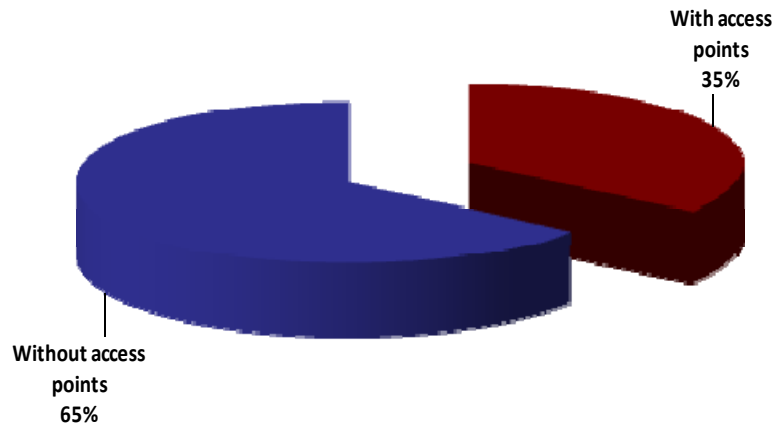
Mobile Service:

There are:
33 177 948
active service lines,
more than the
estimated
population.

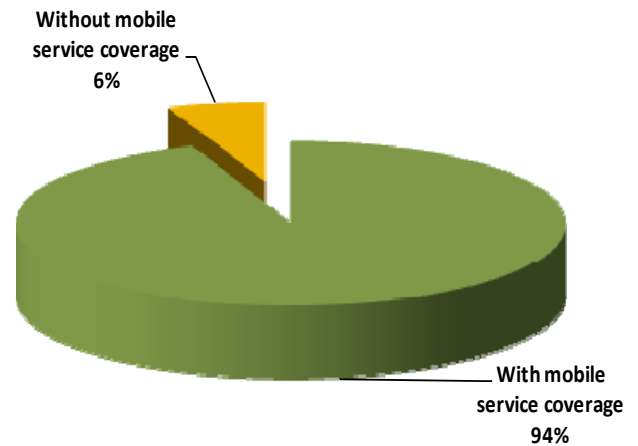


The opportunity of using mobile phones to boost financial inclusion

Districts with access points: branches, ATMs and retail agents (In percentage)



Districts with mobile service coverage (In percentage)





Use of mobile phones and other electronic devices to boost financial inclusion

- High mobile penetration in Peru, as compared to that of the financial system, creates an opportunity for using mobile phones to deliver financial services, particularly payment and transfer services to the poor living in remote areas with low population density.
- As a result, real income gains can be expected, because:
 - Lower transaction costs for all participants. More efficient payment solutions for Government and others with large and disperse payrolls
 - Inclusion in the financial system of the poor, with no access to financial services, reducing “barriers of access”
 - Time savings, which can be reoriented to productive activities.
 - Lower losses due the reduction of risks as a result of less cash use



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*The Peruvian legal framework for using
electronic devices to boost financial inclusion*



Deposits and e-money according to the Peruvian Legal Framework



- ▶ Money collected is a deposit only if it is used for intermediation.
- ▶ Thus, e-money is not a deposit



Characteristics of electronic money

Electronic money

- Value stored in an electronic device
- Issued for a value equal to the amount of money received
- Accepted for payments by others (companies, persons) than the issuer
- Convertible to cash
- Not deposit, does not generate interest

What is not e- money

In advance payment arrangements:

- *Gift cards for consumption in a warehouse store*
- *Transportation tickets*

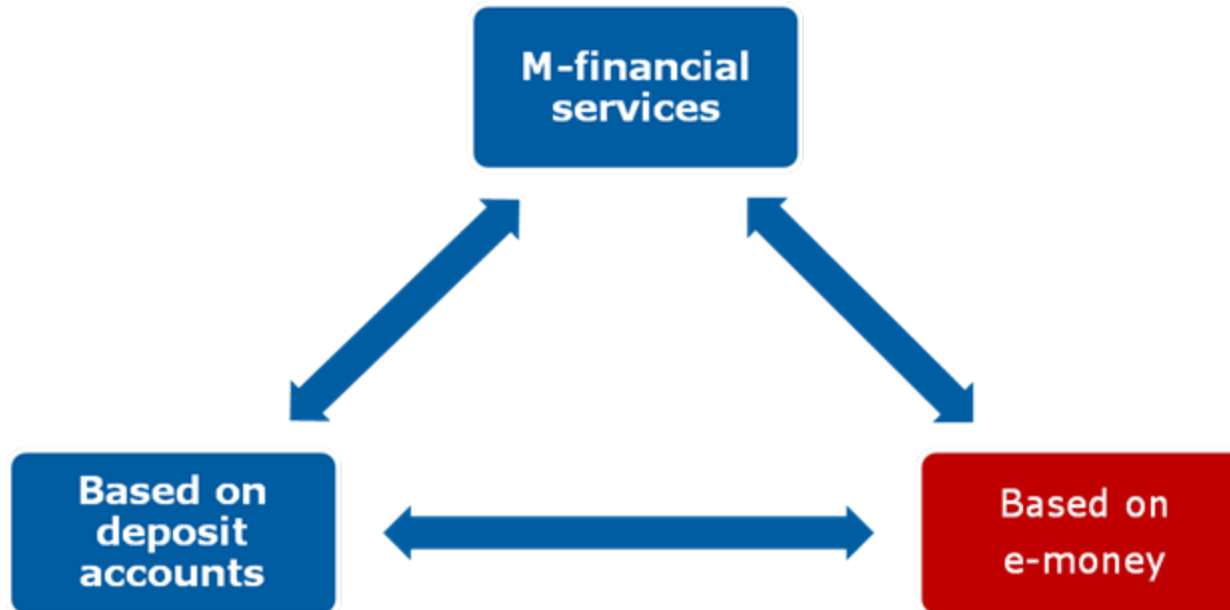
Prepaid card



Electronic money
account



The Peruvian regulation allows all type of MFS, a variety of providers, and interactions



Possible providers:

- Prudentially regulated intermediaries:
 - . Banks
 - . Saving and loans non-bank FI

Possible providers:

- Full intermediaries
- Specialized e-money issuers:
 - . Independent institutions,
 - . Bank or MFI subsidiaries
 - . Telecom subsidiaries,
 - . Alliances (bank- telecom. for example)



The Peruvian regulatory incentivizes the use of e-money to boost financial inclusion

- The Law that regulates e-money as an instrument to promote financial inclusion was approved by Congress last December 2012. It defines e-money and establishes the list of participants who will be allowed in the market.
- The new law aims at promoting market contestability, efficiency, safe transactions and transparency in payment services. It restricts the activity of issuing e-money to supervised entities only: Banks, non-bank intermediaries and specialized firms (**EEDE**: *Empresas Emisoras de Dinero Electrónico*)
- EEDE may be subsidiaries of telecom companies, subject to regulations to control operational, liquidity and ML risks.
- Over time, payment systems users may increasingly become customers of full intermediaries to access traditional and value added services.

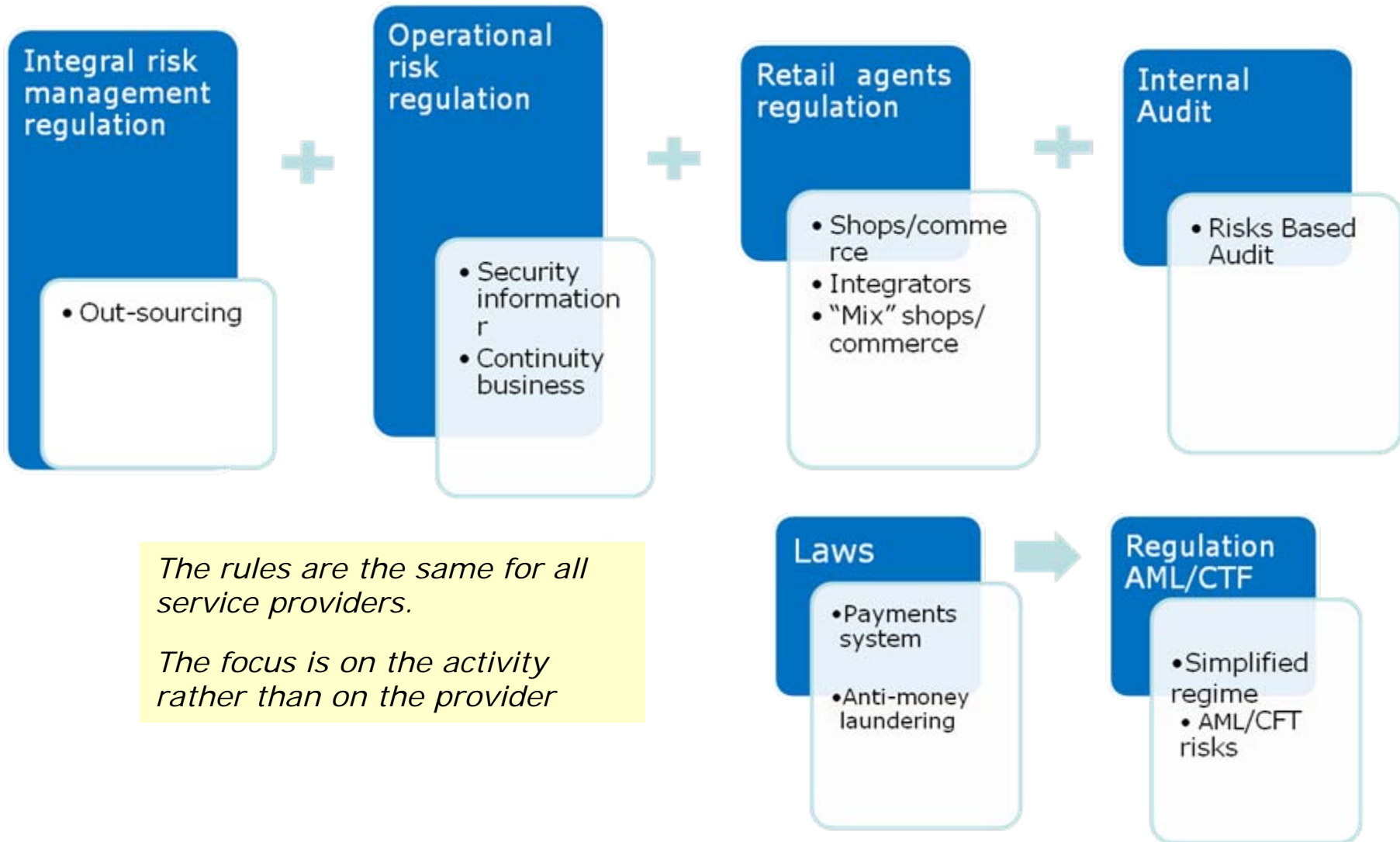


Some specific issues in the new Law

- Issuers are also subject to the payment systems law.
- Entry conditions: Licensing and dissolution procedures, limits by client and transaction, operations allowed, etc. are defined by the SBS.
- Safety of funds: EEDE are required to maintain the consolidated balances of their transactions in trust accounts.
- Access to channel: Telecoms should make it available the channels to provide financial services on equal basis to all service providers. OSIPTEL is responsible to regulate and settle disputes.
- Level playing field: conditions are the same for all providers.
- Interoperability: can be regulated by the SBS in the future.
- Consumer Protection: E-money users' information is subject to the Law on Protection of Personal Data (Law 29733). Contracts will be regulated by SBS.



E-money Law is complemented by a comprehensive legal framework already in place



The rules are the same for all service providers.

The focus is on the activity rather than on the provider



Proportionality to risks as a principle to harmonize the objectives of financial inclusion, stability and integrity

- ❖ AML/CTF standards are proportionate and risk-based. Defines three regimes on due diligence of KYC: simplified, regular and reinforced, recognizing the existence of varying risk levels associated to the services and products provided.
- ❖ Simplified regime: Include exemptions from traditional customer due diligence aimed at preventing money laundering when the customer shows low risk to undertake ML and TF activities. Low risk may occur when the product design, services and distribution channels with which the customers interacts mitigates ML risks through limits in transaction amounts and type of transactions allowed, among other measures defined by financial services provider.



Proportionality to risks as a principle to harmonize the objectives of financial inclusion, stability and integrity

- Basic deposit account: a low risk product, defined by regulation and included in the simplified regime. A basic deposit account has balance and transaction limits, per month and per day. The only pre-requisite for contracting is a valid Peruvian national identification, and the account can be open at a retail agent.
- From basic deposit account to e-money “accounts”: A similar regulatory concept will be defined for e-money based products.
- Transparency rules and proportionality: A simplified scheme is also in place for transparency rules, maintaining the requirement to provide basic information to customers in a simplified manner.



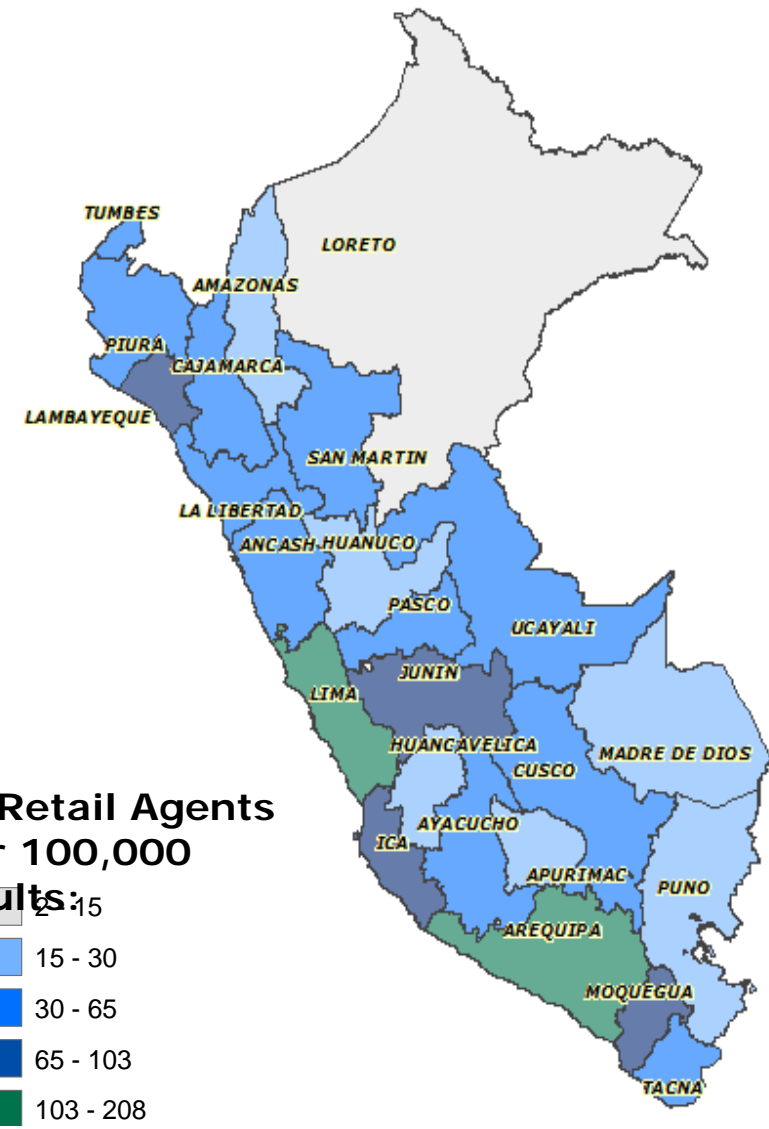
The role of retail agents

- A large retail agent network is a precondition for the development of MFS, to facilitate the cash in/out transactions.
- Retail agents are regulated in Peru since 2005. Key elements of the regulations are:
 - The responsibility about the services provider through retail agents, lies on the provider.
 - Provider needs SBS authorization when contracting with its first retail agent, after showing adequate controls and procedures are in place.
 - Establishment of limits (per person per operation) consistent with the agent's cash balance related to the commercial activity and with the risk factors identified.
 - Training to agents (client identification, provision of allowed financial services, confidentiality of information, among others)
 - Exclusiveness of the agent is not required.



Sep-2007

Sep-2012



N° Retail Agents per 100,000 adults

- 0 - 15
- 15 - 30
- 30 - 65
- 65 - 103
- 103 - 208



Conclusions

- Clear rules reduce the uncertainty, promotes innovations and adoptions of technological mechanisms.
- The Peruvian e-money law aims to ensure:
 - Market contestability
 - Security and transparency: prevent frauds, abuses and money laundering and protect consumer rights.
 - Reliability: the systems which support electronic money must not present failures (operational risk).
 - Capacity to grow according to the demand
 - Competition and level playing field: Conditions are the same to all the suppliers



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Thank you

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