Digital Identity: Accelerating Financial Inclusion During a Crisis

The impacts and opportunities of Know Your Customer (KYC) regulatory policy changes during the COVID-19 pandemic

March 2021

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The GSMA Digital Identity Programme is uniquely positioned to play a key role in advocating and raising awareness of the opportunity of mobile- enabled digital identity and life-enhancing services. Our programme works with mobile operators, governments and the development community to demonstrate the opportunities, address the barriers and highlight the value of mobile as an enabler of digital identification.

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Executive summary

Since the onset of the COVID-19 pandemic, people around the world have been unable to conduct their affairs in person due to restrictions on movement. In response, governments and the mobile industry have come together to implement policy and regulatory changes that facilitate wider access to digital financial services and minimise the need for face-to-face interaction, such as during customer on-boarding.

One of these changes was relaxed Know Your Customer (KYC) requirements for mobile money, which normally require proof of identity and face-to-face verification of identity documents (ID). Several research studies[1] have found that KYC (and SIM registration) requirements often act as a barrier for vulnerable populations who lack the required official ID. For millions of people in low- and middle-income countries (LMICs), having a mobile money wallet is their only path to financial inclusion and option to receive life-saving social protection benefits.[2]

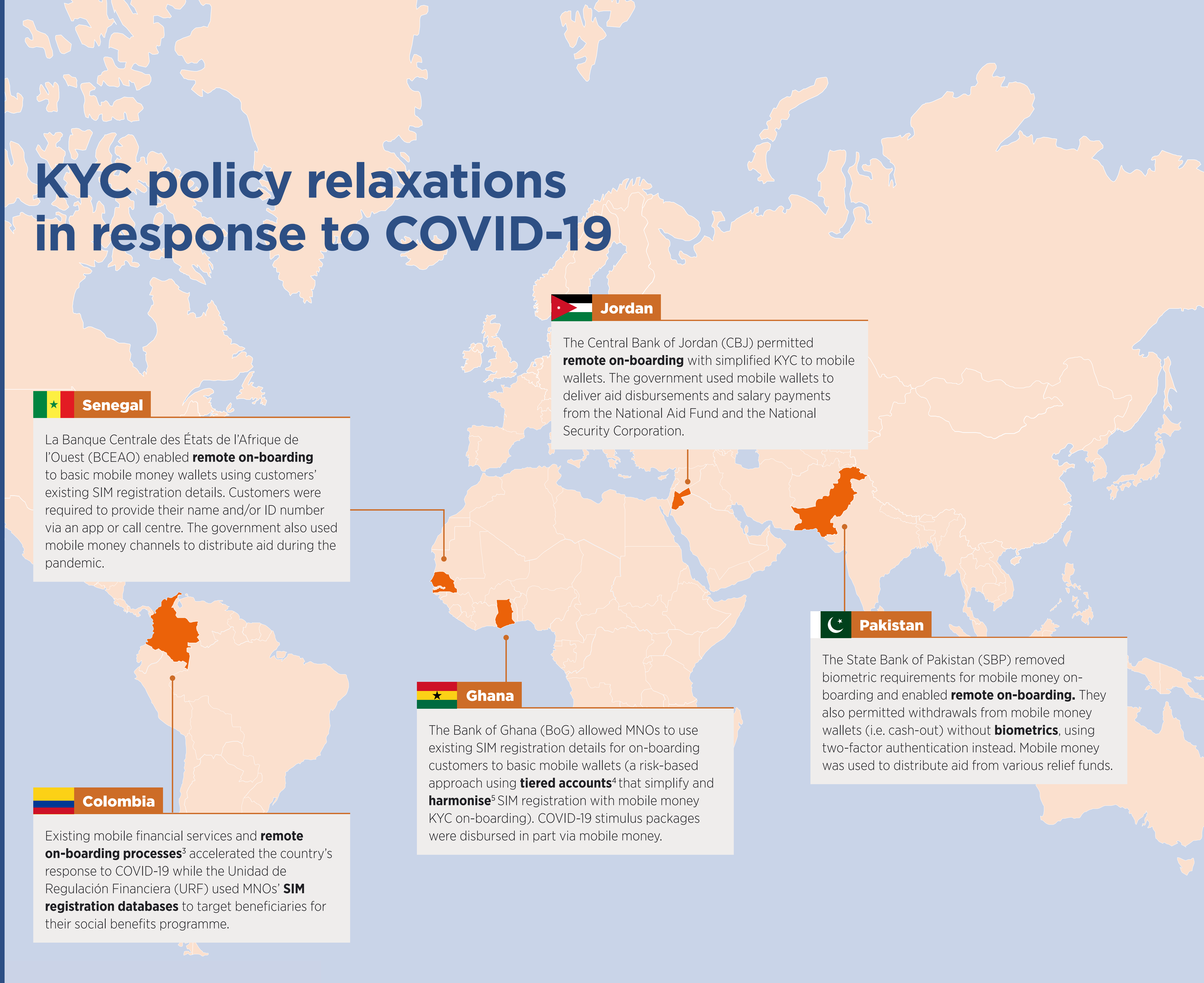
To better understand these ID-linked policy changes and their impact on financial inclusion during the COVID-19 pandemic, research was conducted with 56 stakeholders and subject matter experts from 31 organisations in five countries: Colombia, Ghana, Jordan, Pakistan and Senegal.

Research by the GSMA Digital Identity team found that these countries introduced the following policy relaxations for KYC and proof of identity to drive financial inclusion during the COVID-19 pandemic.

1 Theodorou, Y. and Yongo, E. (2020). **Access to Mobile Services and Proof of Identity 2020: The Undisputed Linkages**. GSMA Digital Identity.

2 GSMA. (2020). **State of the Industry Report on Mobile Money 2019**.

KYC policy relaxations in response to COVID-19



Jordan

The Central Bank of Jordan (CBJ) permitted **remote on-boarding** with simplified KYC to mobile wallets. The government used mobile wallets to deliver aid disbursements and salary payments from the National Aid Fund and the National Security Corporation.

Senegal

La Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) enabled **remote on-boarding** to basic mobile money wallets using customers' existing SIM registration details. Customers were required to provide their name and/or ID number via an app or call centre. The government also used mobile money channels to distribute aid during the pandemic.

Pakistan

The State Bank of Pakistan (SBP) removed biometric requirements for mobile money on-boarding and enabled **remote on-boarding.** They also permitted withdrawals from mobile money wallets (i.e. cash-out) without **biometrics**, using two-factor authentication instead. Mobile money was used to distribute aid from various relief funds.

Ghana

The Bank of Ghana (BoG) allowed MNOs to use existing SIM registration details for on-boarding customers to basic mobile wallets (a risk-based approach using **tiered accounts**[4] that simplify and **harmonise**[5] SIM registration with mobile money KYC on-boarding). COVID-19 stimulus packages were disbursed in part via mobile money.

Colombia

Existing mobile financial services and **remote on-boarding processes**[3] accelerated the country's response to COVID-19 while the Unidad de Regulación Financiera (URF) used MNOs' **SIM registration databases** to target beneficiaries for their social benefits programme.

3 For example, being able to on-board oneself via one's own mobile phone at home.

4 A risk-based approach, for example, lowers ID and on-boarding requirements for basic (limited) mobile wallets.

5 Harmonisation merges mobile money KYC and SIM registration processes into a one-step process.

Impacts of KYC policy relaxations on individuals

Restrictions on movement and face-to-face interactions during the pandemic made it difficult for individuals to conduct their daily business and personal affairs. Policy relaxations that aimed to rapidly improve access to digital and financial services appear to have had an overall positive impact on individuals. Key findings:

- **Simplified on-boarding** processes and less stringent requirements for (basic) mobile money accounts and SIM cards were introduced due to new policy relaxations in several countries;
- **Increased uptake of mobile money boosted financial inclusion** as a result of relaxed KYC on-boarding requirements and subsequent technology changes;
- **More digital government and social benefit payments** were paid into recipients' mobile wallets;
- **Awareness, acceptance, motivation for and use of** mobile money-related services increased;
- **Restrictions on movement reduced the use of cash and mobile money agents** (for cash-in and cash-out); and
- **New mobile services** were developed in response to changing customer needs and demands.

Impacts of KYC policy relaxations on public and private sector organisations

A number of public sector organisations introduced policy relaxations during the COVID-19 pandemic. Along with the private sector, they have had to make various process and technology-related changes. Despite some initial adverse impacts, these changes have been generally positive. Key findings:

- **Customers, float balance, transactions, ATM withdrawals and revenue** all generally increased for mobile money providers (MMPs) and banks;
- **Operational costs** for MMPs and banks were reduced due to new digital on-boarding processes;
- **New mobile financial services** were launched by MMPs and banks to meet new customer demands;
- **Transfer and transaction fee waivers** required by regulation had an impact on MMP and bank revenue;
- **Restrictions on movement and the use of cash** had an impact on agent and merchant revenue and liquidity; and
- **KYC policy relaxations accelerated digital transformation** and KYC-related projects in both the public and private sector.

DIGITAL IDENTITY: ACCELERATING FINANCIAL INCLUSION DURING A CRISIS

Looking ahead: opportunities offered by KYC policy relaxations for MNOs, governments and the underserved

Given the rapid relaxation of KYC and related policies, public and private sector collaboration and digital transformation during the COVID-19 pandemic, there was a sense of optimism among interviewees that future opportunities might open up if the relaxed measures were implemented long term. The opportunities being considered include:

- **Digitisation** – to accelerate digital initiatives, such as remote/self on-boarding;
- **E-commerce** – to design new mobile-enabled ID-linked services for all customer segments;
- **Harmonisation** – of SIM registration with mobile money KYC to simplify on-boarding processes;
- **Campaigns** – to build trust and digital literacy and increase awareness of mobile services'
- **Regulation** – long-term KYC relaxations (e.g. risk-based) and data sharing/protection policies; and
- **Interoperability** – to build a resilient and scalable data-sharing infrastructure.

Access to digital ID and the provision of remote ID verification are vital to digital transformation and, therefore, to the digital and financial inclusion of underserved populations. This report provides recommendations for public and private sector stakeholders on the importance of collaboration in promoting digital and financial inclusion in a crisis, the value of making risk-based, digital ID-enabled financial inclusion policies permanent[6] and the need for digital identity and interoperable databases and services.

6 FATF. (2020). Guidance on Digital Identity.

Introduction

DIGITAL IDENTITY: ACCELERATING FINANCIAL INCLUSION DURING A CRISIS

Mobile connectivity has never been more important than during a global pandemic. In 2020, as COVID-19 spread quickly across borders, governments and the mobile industry came together to enact policy and regulatory changes that would facilitate wider access to digital services for populations who need them most. This collaborative effort and rapid response enabled people worldwide to remain connected in the face of necessary measures to control the spread of COVID-19.

Research published in 2020 by the GSMA Mobile Money programme[7] highlighted the effects of policy and regulatory measures on the mobile industry during the pandemic. This study complements and adds to this research. The GSMA Digital Identity team has identified 93[8] mobile money regulatory changes introduced by governments in 37 countries in response to the COVID-19 pandemic (as shown in the map on the following page). Measures vary from higher transaction and wallet balance limits to total or partial fee waivers for person-to-person (P2P) transactions.

One common measure was the relaxation of KYC requirements to acquire new subscribers, often leveraging SIM registration processes. Creating an easier on-boarding process not only intended to expand access to simple financial services, but also to increase the use of digital payments and reduce the use of cash to mitigate the risk of COVID-19 transmission through physical interactions and cash handling.

To better understand the measures put in place during the pandemic, research was conducted in five countries where ID-related requirements for KYC have been relaxed: Colombia, Ghana, Jordan, Pakistan and Senegal. By increasing uptake of mobile financial services, these policy changes have helped to accelerate digital transformation and national financial inclusion strategies. In-depth interviews with public and private sector stakeholders, as well as several detailed surveys, delved into what had transpired in these countries to enable these changes.

The findings of this research are based on an exhaustive literature review and first-hand accounts of stakeholders and subject matter experts. This report captures the views of 56 stakeholders from 31 public and private sector organisations, including central banks, financial institutions, mobile money providers (MMPs), mobile network operators (MNOs), government ID authorities, government departments and regulators. Since official data on the results and impacts of the changes may not have yet been released, we have exercised caution. Any connections drawn between actions and outcomes (apart from where it has been reported) tend to be observations and based on opinion from the interviews.

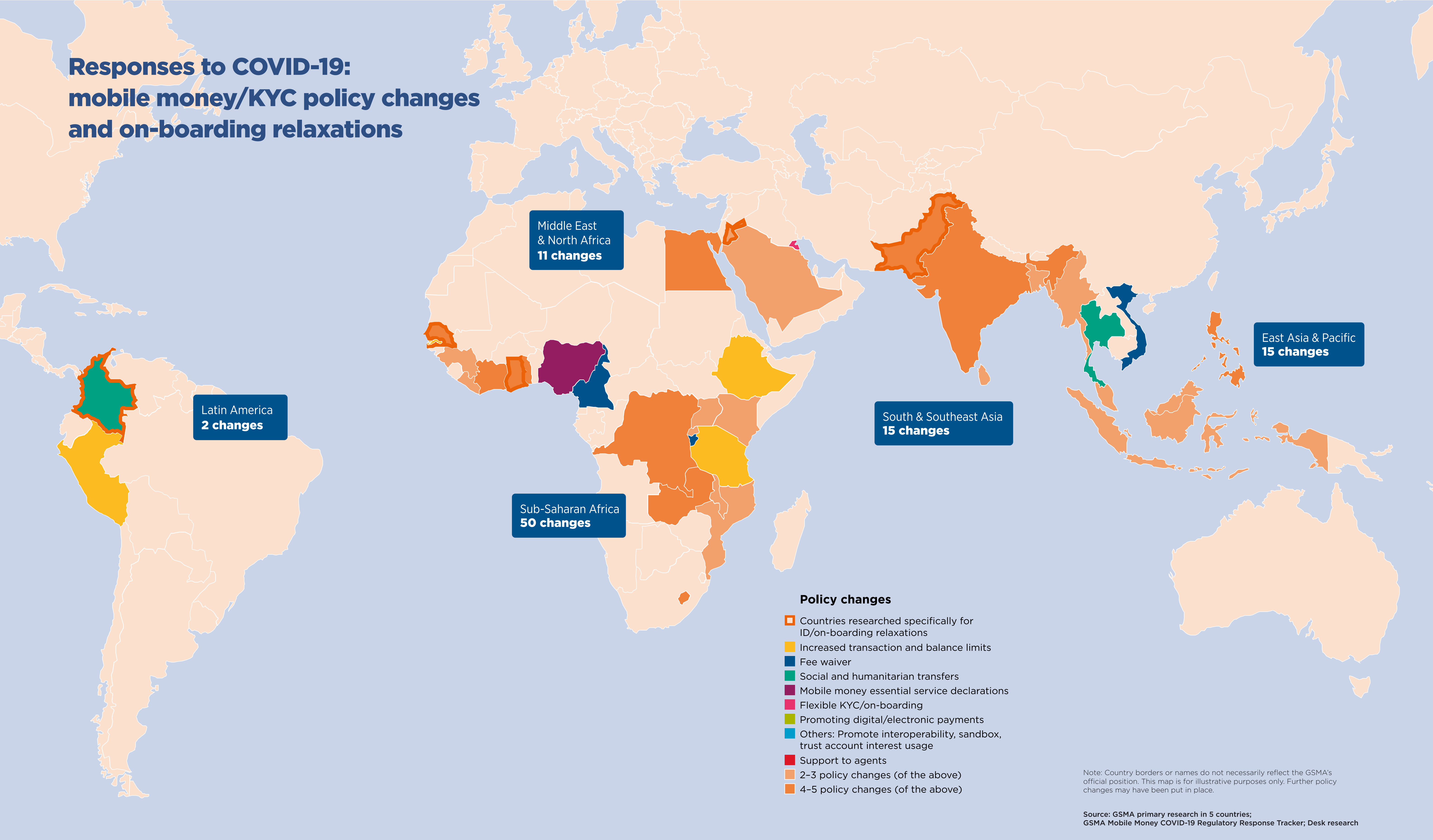
The five countries featured in this study have taken various approaches to achieve a common goal: enabling access to safe, contact-free digital payments, especially for the most vulnerable segments of society. These approaches, along with the impact of policy and process changes on individuals and private and public sector actors, are explored in the following sections.

7 Chadha, S., Kipkemboi, K. and Muthiora, B. (16 July 2020). "Tracking mobile money regulatory responses to COVID-19", GSMA Mobile for Development Blog.

8 The GSMA Mobile Money tracker identified 85 regulatory changes. The GSMA Digital Identity programme identified additional changes, including five other countries.

DIGITAL IDENTITY: ACCELERATING FINANCIAL INCLUSION DURING A CRISIS

Responses to COVID-19: mobile money/KYC policy changes and on-boarding relaxations



Note: Country borders or names do not necessarily reflect the GSMA's official position. This map is for illustrative purposes only. Further policy changes may have been put in place.

Source: GSMA primary research in 5 countries; GSMA Mobile Money COVID-19 Regulatory Response Tracker; Desk research

KYC policy relaxations in response to COVID-19

DIGITAL IDENTITY: ACCELERATING FINANCIAL INCLUSION DURING A CRISIS

Colombia

Existing mobile financial services and remote on-boarding processes accelerated Colombia's response to COVID-19.

The Unidad de Regulación Financiera (URF) used financial sector and MNO SIM registration databases for their targeted social transfer programme, Ingreso Solidario.

Ghana

The Bank of Ghana (BoG) enabled:

- Existing SIM registration details to be used for on-boarding to basic mobile wallets;
- Increased transaction and account limits; and
- Fee waivers on mobile money transfers and transactions.

A COVID-19 stimulus package was disbursed in part via mobile money.

Jordan

The Central Bank of Jordan (CBJ) permitted:

- Remote on-boarding with simplified KYC to mobile wallets; and
- Removed fees for using other banks' ATMs.

The government used mobile wallets to deliver aid disbursements and salary payments for the National Aid Fund and the National Security Corporation

Pakistan

The State Bank of Pakistan (SBP) enabled:

- Tax waivers to incentivise branchless banking agents to serve customers;
- Removal of interbank and intrabank transfer fees;
- Suspension of biometrics for on-boarding and withdrawals (i.e. cash-out) (two-factor authentication was used instead);
- Extended biometric reverification deadline for mobile money accounts to the end of 2020; and
- No transaction limit for trusted merchants (e.g. schools, hospitals, utilities, merchants).

Senegal

La Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) enabled:

- Existing SIM registration details to be used for simplified on-boarding to basic mobile wallets (app/call centre with name/ID number);
- Free mobile money transfers (<=CFA 5,000);
- Free mobile money water and electricity bill payments (<=CFA 50,000); and
- Increased balance limits on mobile money accounts.

The government used mobile money channels to distribute aid during the pandemic.

Note: The information presented here captures the interview responses, including observations and opinions, of subject matter experts from 31 public and private organisations.

In 2020, facilitating remote on-boarding and convenient mobile money use was a high priority for regulators seeking to enable citizens to access digital financial services and social protection benefits as an alternative to physical cash. Necessary measures to control the spread of COVID-19 meant that many people were forced to stop working, and many more were unable to conduct essential business or personal transactions face-to-face.

The most vulnerable segments of society are often excluded from digital financial services due to a lack of formal ID.[9] Opening a financial account that requires one's identity to be verified in person puts those living outside urban centres at even greater risk of financial exclusion if MNOs or MMPs do not have a physical presence or agents in the area. To serve these individuals during the COVID-19 pandemic, regulators allowed simplified mobile money accounts to be opened remotely, unlocking the potential for greater financial inclusion.

9 Theodorou, Y. and Yongo, E. (2020). Access to Mobile Services and Proof of Identity 2020: The Undisputed Linkages. GSMA Digital Identity.

DIGITAL IDENTITY: ACCELERATING FINANCIAL INCLUSION DURING A CRISIS

Colombia

REGULATORY BODY FOR MOBILE MONEY

Unidad de Regulación Financiera (URF)

ACTIONS

- Existing mobile financial services and remote on-boarding processes accelerated the country's response to COVID-19; and
- URF used financial sector and mobile operator SIM registration databases for their targeted social transfer programme, Ingreso Solidario.

In Colombia, the 2014 Financial Inclusion Law allows for financial service providers known as SEDPES[10] (Sociedades Especializadas en Depósitos y Pagos Electrónicos) to offer basic mobile wallets with simple remote on-boarding. An ID card number is required to open an account with capped transaction and balance limits. This regulation provided the ecosystem for the national social cash transfer scheme, Ingreso Solidario, which was launched in response to COVID-19.

The Unidad de Regulación Financiera (URF), which is responsible for regulating financial services in Colombia, supported a three-month project to identify people affected by the pandemic who qualified for financial support from the government. By cross-referencing their data against financial sector and MNO SIM registration databases,[11] it is estimated that the URF identified 1.2 million people who already had bank accounts or mobile wallets and qualified for the scheme.

> The programme has been a great success and led well by the URF. They reacted quickly and identified people in need fast, taking an efficient, digital-first approach to welfare.
>
> **MOVii**

These individuals were contacted via text message to alert them that they were entitled to the benefit. Interviewees reported that approximately 400,000 accounts were opened remotely to receive the payment, and the URF began raising awareness of the scheme to reach the remaining beneficiaries. With enabling regulation and government-to-person (G2P) channels already in place, mobile was the ideal solution to disburse benefits on a large scale to those in need. Financial inclusion accelerated in Colombia as a result, with over three million mobile money accounts opened between March and June 2020.[12]

Supporting financial and digital inclusion for refugees in Colombia

Colombia hosts approximately two million **Venezuelan refugees**, many of whom lack formal identification and may have been financially excluded by KYC requirements for opening a mobile wallet. For some time, service providers and local authorities have demonstrated flexibility with KYC requirements for Venezuelans by recognising expired and alternative documents. The government has created the Special Stay Permit (Permiso Especial de Permanencia or PEP) to normalise the legal status of some of its immigrant population, and this continued during the COVID-19 pandemic. The Carta Circular 8213 of 2019 recognised the PEP as a valid ID for accessing financial services,[13] thereby ensuring that Venezuelan refugees have equal opportunities to benefit from financial and digital inclusion.

10 See: https://dfsobservatory.com/sites/default/files/Ley_1735_2014.pdf
11 DNP. (2020). Dirección de Desarrollo Digital.
12 During fieldwork and based on interviews with government stakeholders.
13 Alcaldía Mayor de Bogotá D.C. (31 December 2019). Carta Circular No. 082.

Ghana

REGULATORY BODY FOR MOBILE MONEY

Bank of Ghana (BoG)

ACTIONS

- Facilitated remote on-boarding;
- Increased daily and monthly transaction limits;
- Removed transaction fees; and
- Distributed COVID-19 stimulus payments via mobile money.

Prior to Ghana's national lockdown, the Bank of Ghana (BoG) held a series of meetings with banks and MMPs to discuss and agree on ways to boost access to, and usage of, digital financial services. The result was a set of measures to facilitate more efficient payments and promote digital forms of payments for three months (subject to review) effective 20 March 2020. There were three key directives:[14]

1. **Removal of transaction fees below GHS 100:** A short-term incentive to drive usage, which was likely popular among customers, but unsustainable for the industry.
2. **Increased transaction limits:** Daily transaction limits were increased for all tiers of mobile money accounts. For example, those using basic accounts (tier 0/1) could transact up to GHS 1,000 daily. Monthly transaction limits were also increased, and were removed altogether for medium and higher-tier mobile money accounts.
3. **Simplified on-boarding:** All those with a registered SIM card were allowed to use the data shared during SIM registration to open a "tier 0" mobile money wallet.[15] Before the pandemic, subscribers were required to visit their service provider and show a valid ID card before being registered.

The introduction of "tier 0" served to drive adoption of mobile money wallets while the removal of fees and higher transaction limits aimed to encourage usage. Customers who want to access the broader suite of mobile financial services available to medium and higher tier account holders must produce a valid national ID and additional documentation, such as a utility bill confirming their address.

The transaction fee waiver was removed after three months, but at the time of writing the increased transaction limits remain in place. The Ministry of Finance has also confirmed that the simplified on-boarding process has been made a long-term measure[16,17] due to the positive impact it has had on mobile money uptake among customers and merchants.

> There has been an increase in customer base, merchant payments, float balances, etc. Generally, there has been a surge in the uptake and usage of mobile money.
>
> **Expert interviewee**

14 Bank of Ghana. (18 March 2020). Bank of Ghana Monetary Policy Committee Press Release.
15 Vodafone's FAQs for Self Registration and ID Verifications.
16 Ministry of Finance, Republic of Ghana. (18 May 2020). Government Launches New Policies to Speed Up Financial Inclusion and Digital Payments to Transform the Economy.
17 Chadha, S., Kipkemboi, K. and Muthiora, B. (7 September 2020). "Tracking mobile money regulatory responses to COVID-19 – Part 2", GSMA Mobile for Development Blog.

Jordan

REGULATORY BODY FOR MOBILE MONEY

Central Bank of Jordan (CBJ)

ACTIONS

- Facilitated remote on-boarding for new mobile money customers;
- Instructed banks to cut customer fees for withdrawing cash from other banks' ATMs; and
- Used mobile wallets for aid disbursements and salary payments for the National Aid Fund and the National Security Corporation.

In Jordan, the pandemic provided the catalyst for a new policy direction that had been in development for some time. The public and private sectors had to determine how best to deliver mobile financial services during COVID-19 while also ensuring social distancing guidelines were being followed and contact between individuals was minimised. This led to the introduction of remote on-boarding.

Traditionally, on-boarding to mobile money requires customers to present their national ID cards for verification in person with an agent or at a branch. The payment service provider (PSP) must then take a copy of the ID and send off the necessary documentation to complete the verification process.

> Digital financial services like mobile money have helped Jordan's response to a health emergency and they will help with the country's economic recovery. Over the long run, digital financial services will help drive economic development and contribute to the eradication of poverty as well as progress against the other 12 SDGs.
>
> **Expert interviewee**

During the nationwide lockdown, the Central Bank of Jordan (CBJ), in collaboration with public and private stakeholders, took several measures to contain the spread of COVID-19 and minimise contact between people. In March 2020, the CBJ allowed customers to open e-wallets remotely using a PSP app with simplified KYC measures.[18,19,20] The ability to self-register by scanning one's ID removed the need for individuals to visit a provider's physical location. No limits were imposed on the type or value of transactions that could be made, and e-wallets that were opened during the pandemic are not tied to a specific time frame.

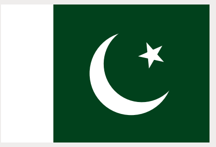
> The change has expedited digital transformation dramatically – it has done in four months what would have otherwise taken 10 years.
>
> **Digital Transformation Director, Umniah**

To facilitate new on-boarding procedures, PSPs were asked to delete their dormant wallets (people in Jordan are only allowed to have two wallets, but often have accounts that they have forgotten about or do not use). PSPs were also required to set up additional procedures and mechanisms to verify their customers' identity and exert due diligence in line with the regulator's instructions.

After the first lockdown ended in May 2020, the CBJ issued a circular[21] stating that opening mobile money accounts remotely will continue, and the situation will be evaluated periodically to ensure that the service is meeting required standards.

18 JOPACC. (n.d.). "Mobile Wallets Gateway".
19 Central Bank of Jordan. (15 March 2020). Circular to banks operating in the Kingdom.
20 See: https://uai.jopacc.com/JoPACC-GW/GW
21 See: https://www.cbj.gov.jo/EchoBusV3.0/SystemAssets/627f0da7-e16a-417c-a074-bd59a44b57a9.pdf

Pakistan



REGULATORY BODY FOR MOBILE MONEY

State Bank of Pakistan (SBP)

ACTIONS

- Facilitated remote on-boarding;
- Introduced tax waivers for branchless banking[22] agents;
- Removed fees for intrabank and interbank transfers;
- Suspended biometrics for on-boarding and withdrawals (i.e. cash-out) (two-factor authentication was used instead); and
- Removed transaction limits for trusted merchants (e.g.schools).

In the early stages of the pandemic, the State Bank of Pakistan (SBP), which is responsible for regulating the country's mobile money ecosystem, sought to maintain the provision of financial services. In March 2020, following consultation with stakeholders, including the Pakistan Telecommunication Authority (PTA) and MMPs, the SBP issued a notification[23] detailing several comprehensive measures that businesses could take to promote digital payments and help curb the spread of COVID-19. Such measures included increasing consumer awareness and use of digital channels; ensuring retail stores and ATMs remained open to provide cash-in/cash-out services; allowing loans to be deferred and restructured; and funding new loans for businesses so they could continue to pay wages. The SBP also removed fees for interbank and intrabank transfers to incentivise customers to use them.

Pakistan's regulations allow for remote on-boarding, but a tiered KYC system requires biometric impressions to be taken and verified by the National Database and Registration Authority (NADRA) before the customer can move from a "Level 0" (the most basic) to a "Level 1" mobile money account. With the most basic account, customers typically have low transaction limits and are not permitted to cash-out. During the pandemic, however, the SBP permitted withdrawals/cash-out services without the need for biometrics and put higher transaction and balance limits in place for "Level 0" accounts.[24,25] This enabled people to receive salaries, pay bills and make larger purchases through their mobile money wallet.

At the time of writing, biometrics for "Level 0" accounts are still suspended,[26] and the SBP is considering extending the validity period since it has had a positive impact on financial inclusion in the country. For example, branchless banking transactions increased by about 146 million, and active accounts increased by about 10 million between March and December 2020.[27]

> Jobs have been saved, people can access funds and wages. People have continued to be able to access financial services, which has helped the country to come out of lockdown in a fairly good position
>
> **State Bank of Pakistan (SBP)**

22 Branchless banking is a term used for alternative banking (e.g. mobile), similar to mobile money elsewhere.
23 State Bank of Pakistan. (18 March 2020). PSD Circular No. 02 of 2020.
24 State Bank of Pakistan. (26 March 2020). BPRD Letter No. 10 of 2020.
25 State Bank of Pakistan. (13 July 2020). BPRD Circular Letter No. 33 of 2020.
26 During fieldwork and based on interviews with government stakeholders.
27 State Bank of Pakistan Agricultural Credit and Microfinance Department. (2020). "Branchless Banking Key Statistics".

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Senegal

REGULATORY BODY FOR MOBILE MONEY

La Banque Centrale des États de l'Afrique de l'Ouest (BCEAO)

ACTIONS

- Facilitated remote on-boarding;
- Increased balance limits;
- Fees waived for utility bill payments using mobile money;
- Free P2P payments for transfers under CFA 5,000; and
- Aid disbursements via mobile money.

Senegal also benefited from the introduction of remote on-boarding. After consulting with e-money providers on how to support the industry through the pandemic, BCEAO, the central bank governing eight West African states, issued measures to promote electronic payments.[28,29] One such measure was enabling remote registration for mobile money accounts for people who had already registered a SIM card.[30,31]

Under the relaxed rules, customers can remotely register for a mobile money wallet rather than visiting a branch. Via an app or by calling customer service, customers provide their name and ID number, which MNOs can cross-check against the database of the Ministry of Interior and Public Security. If the information given by customers does not match their national ID card, the self-registration is rejected. If it is correct, providers send them an SMS or USSD message to complete the remote self-identification process, usually by changing their PIN. Those who register in this way are considered partially identified and are given access to basic features with transaction and balance limits.

In addition to enabling remote on-boarding for mobile money customers, BCEAO's suite of measures also included waiving fees for bill payments up to CFA 50,000; free merchant payments; and free transfers up to CFA 5,000. Introduced in April 2020, these measures were set to last a month, but were extended until the end of May. Remote on-boarding, however, is still in effect. Several stakeholders interviewed for this study highlighted the positive impact of the temporary measures on mobile money use and awareness, and would support making remote on-boarding permanent.

> As a developing country, there is a lot that Senegal could use mobile money for in future. It could widen access to financial products (such as savings, credit and loans), boosting financial inclusion without the requirement for people to visit traditional banks.
>
> **Expert interviewee**

28 BCEAO. (2 April 2020). Avis N° 004-03-2020 relatif aux mesures de promotion des paiements électroniques dans le contexte de la lutte contre la propagation du Covid-19.
29 BCEAO. (4 May 2020). Avis n° 009-05-2020 portant prorogation des mesures de promotion des paiements électroniques dans le contexte de la lutte contre la propagation du Covid-19.
30 For information on where MNOs have enabled remote on-boarding, see Orange Money FAQs: https://assistance.orange.sn/questions/2570119-orange-money-ouvrir-compte-partout
31 Expresso E-Money: https://www.expressotelecom.sn/offres-et-services/e-money/

Impacts of KYC policy relaxations on individuals

Colombia

- Identification of **vulnerable** and **unbanked** people; and
- *An estimated **1.2 million individuals** were identified for the Ingreso Solidario programme.*

Ghana

- **Increased awareness**, **motivation**, **user confidence** and **acceptance** of mobile wallets;
- Increased **financial inclusion**; and
- Mobile money has become a more widespread and convenient channel for **social transfers.**

Jordan

- **Online registration** increased the number of individuals opening mobile wallets remotely;
- **Aid and salary payments** may have encouraged individuals with no access to financial services to open mobile wallets; and
- Remote on-boarding has led to **new services**, including JoPACC's Mobile Wallets Gateway.[32]

Pakistan

- Increased **familiarity** with and awareness of mobile financial services;
- Measures may have saved **jobs** and allowed continued access to financial services;
- **Essential stores** remained open, enabling **SIM registration** and subsequent access to digital financial services; and
- Individuals benefited from receiving the Prime Minister's COVID-19 **relief funds** via mobile money.

Senegal

- Faster and more efficient mobile money **registration**;
- New mobile **offers and services**;
- Improved **financial inclusion;**
- Increased **awareness** and **use** of mobilemoney services due to relaxed KYC; and
- *Some MNOs supported the UN World Food Programme (WFP) to digitise food assistance, providing an estimated **40,000+ families** with aid to their mobile wallets.*

Note: The information presented here captures the interview responses, including observations and opinions, of subject matter experts from 31 public and private organisations.

32 JOPACC. (n.d.). "Mobile Wallets Gateway".

Challenges faced by individuals

Worldwide, the pandemic response has prevented regular interaction between people and organisations, placed restrictions on movement and halted organisational operations that involve "high-touch" processes or environments. All five of the economies in this study faced challenges when physical interaction was curtailed. Traditionally, cash-based economies (such as Pakistan where workers are paid in cash daily, and in Jordan where benefits are paid over the counter) have had to migrate many processes online and onto mobile. This has been a challenge for populations who have limited demand for mobile money and low trust in digital payments. In Senegal, many have been unable to pay their bills despite receiving digital relief payments. Conversely, people in Colombia faced relatively fewer challenges during the pandemic due to an existing digital financial services ecosystem that supported greater financial inclusion.

Mitigating the challenges

Relaxed proof-of-ID and on-boarding requirements for mobile money services have largely been employed to mitigate the risk of financial exclusion during pandemic restrictions. Colombia was better positioned to avoid these challenges than other countries due to having simplified mobile money accounts in place since 2011, as well as the 2014 SEPDE[33] regulations. Non-banks in Colombia have also started providing mobile money services with simplified and expedited KYC on-boarding that require fewer procedures and paperwork, while also maintaining the stability and security of the financial system. This ecosystem has been fundamental to expanding financial inclusion in Colombia and required no material changes as a result of COVID-19.

With digital financial services and social benefits programmes already in place, Colombia's COVID-19 response could leverage SIM registration databases from the financial and telecommunications sectors to identify vulnerable and unbanked people. Funds were then distributed to mobile wallets via multiple organisations (e.g. banks and MMPs) to reach more citizens more quickly. The government's decrees invoked certain provisions of the country's data protection law, without which this would not have been allowed.

Governments and MNOs in all five countries have encouraged the uptake of mobile money and made it easier to access for financial transactions, payments, salaries, aid and deposits. The central banks of Jordan (CBJ) and Senegal (BCEAO) enabled remote on-boarding to mobile money via USSD or a mobile app from home. They also removed transaction fees. In Pakistan, the need for in-person biometrics was removed to facilitate on-boarding and withdrawals for branchless banking, and allowed some essential points of sale (POS) to remain open.

The uptake of mobile money has delivered tangible benefits to individuals, particularly the most vulnerable and underserved. Government and other welfare funds have been distributed widely to beneficiaries in all countries. Mobile money offers the benefit of traceability and receipts from the disbursing organisation, providing a way to reach those at the margins of the financial system. The number of collaborating organisations involved in distributing aid via mobile money platforms has helped accelerate the delivery and increase the volume of financial assistance during COVID-19.

> "[We] have witnessed exponential growth (in digital financial services) during the pandemic, helping to highlight the important role [we] could play in building resilience to withstand unexpected economic and financial shocks, particularly on vulnerable groups.
>
> **Public sector organisation**

33 The Financial Inclusion Law (2014) allowed financial service providers known as SEDPES (Sociedades Especializadas en Depósitos y Pagos Electrónicos) to offer basic mobile wallets with remote on-boarding.

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In Ghana, government ministries, NGOs and faith-based agencies have collaborated with MMPs to distribute funds. In Jordan, salaries and disbursements have been paid into mobile wallets through the National Aid Fund and the National Security Corporation. In Pakistan, the Benazir Income Support Programme (BISP), Ehsaas[34] and the Prime Minister's COVID-19 Relief Fund have collaborated with national banks to distribute funds to mobile wallets. Existing disaster relief funds have been leveraged during COVID-19 in Senegal, and MNOs have helped distribute funds for the WFP and the Mayor of Dakar via mobile money to reach more people.

Outcomes

Since mobile money proof-of-ID and on-boarding requirements have been relaxed, there has been a rise in both new mobile wallets being activated and mobile money transactions, indicating a corresponding increase in the digital and financial inclusion of previously underserved groups.

The Bank of Ghana reported a five percentage point increase in active mobile money accounts between January and August 2020.[35] In Jordan, a public sector organisation observed an over 65 per cent increase in new mobile wallets from January to October 2020, while an organisation in Pakistan estimated a significant percentage increase in digital financial transactions in 2020. A public sector organisation in Senegal indicated that 2.6 million new mobile money accounts were created in Q2 2020, 75 per cent of which were used for transactions. Although Colombia already had a digitised financial system with relaxed on-boarding measures prior to COVID-19, a public sector organisation observed that over three million new mobile wallets were registered between March and June 2020. Digital financial service providers in Colombia estimated that subscriber numbers have grown significantly since the beginning of 2020. According to one organisation, it is estimated that over 80 per cent of Colombia's population now has access to at least one financial product.[36]

There has been remarkable collaboration between central banks, government institutions, banks, MMPs, MNOs, NGOs and faith-based organisations during the COVID-19 pandemic. Through communications campaigns, educational initiatives and other means, they have helped to raise awareness of mobile money, motivate people to use it, encourage them to accept it and build their confidence in using it.

> "[We] find that some people did not know how to use these services, were not willing to learn a new payments mechanism or just prefer the use of cash. A study of [in-country] users shows awareness of mobile wallets has doubled. For those that are aware, the proportion that then opened accounts has leapt from 1.2 per cent to 13 per cent.
>
> **Private sector organisation**

Having the ability to access and use mobile wallets has allowed individuals to send money to family members, pay bills, receive welfare disbursements and salaries and continue their business transactions, all of which enabled employment and business to resume during the pandemic.

> "Many people would open an account and withdraw their payments, which is not really what is meant by financial inclusion. By also offering a card and an app, [we] managed to [significantly] reduce withdrawals as the sole transaction... The remaining [customers] engaged with the service, with [many] of these people adding money to their wallet.
>
> **MOVii**

34 A national programme for poverty alleviation in Pakistan.
35 Bank of Ghana. (2020). Summary of Economic Financial Data: September 2020.
36 This paragraph offers statistical observations from interviews with experts at organisations actively engaged in the COVID-19 response.

Impacts of KYC policy relaxations on individuals[37]

Challenges faced by individuals

High-cash societies
- Many cash-reliant **informal sector** workers; and
- Inability to **pay bills.**

Low mobile money prevalance:
- **Familiarity/confidence/awareness/motivation** to use mobile wallets;
- Do not know how to **use** mobile money/ unwilling to learn;
- Low **trust** in digital payments;
- **Withdrawing** mobile money payments;
- Mobile wallets used for buying airtime and data with few mobile money **transactions**; and
- Mobile money is not a traditional channel for **social transfers.**

Social distancing measures
- Closure of **offices** distributing social welfare payments; and
- Mobile wallet usage down as **agents** have been closed.

Low-tech environment
- Merchants do not have digital **infrastructure** in place.

Mitigating the challenges

Main KYC policy relaxations:[38]
- **Remote/self on-boarding/ID-verification;**
- **On-boarding to simplified mobile money; accounts based on SIM registration (harmonisation, risk-based account tiers); and**
- **Removal of in-person biometric registration.**

Complemented by:

Regulatory changes
- Balancing **regulation** and financial **inclusion**;
- **Competition** and innovation promoted in the digital financial services industry;
- Transaction **fee waivers.**

Tech changes
- Offering a **card and an app** for new mobile money accounts;
- **Self-registration**/remote on-boarding;
- **Social transfers** via mobile money;
- Ability to **text** for financial assistance; and
- **Interoperable** mobile money services.

Marketing campaigns
- Digital services **communication campaign**; and
- Promotion of mobile money **customer journey** to encourage core service use.

Retail changes
- **PoS networks** encouraged to expand.

Outcomes

Increased financial inclusion/customer base
- Increased **financial inclusion** even though many cannot open regular bank accounts; — 85% coverage estimated in Colombia
- New **mobile money accounts created** in 2020; — Estimated at >3 million in Colombia, 13.3 million across BCEAO states
- More accounts opened to receive social **welfare payments**, particularly among those previously excluded; — >700,000 observed in one country, estimated beneficiaries tripled in another
- Increased volume and value of **transactions**, particularly transfers and merchant payments, as well as paying bills and sending money to families; and — accounting for 75% of new account usage in one country
- More **money** in the banking system (i.e. deposits from bank account to mobile wallet). — An estimated $14.4 million increase in one region (c. Q2–Q4 2020)

Increase in digital awareness
- Increased **awareness of mobile wallets** and increased mobile money account opening among those who are aware of mobile money. — Doubled in one country; From 1.2% to 13% in one country

Decline in cash reliance
- Decreased mobile money **withdrawals** as the sole transaction. — In one country

Employment maintained
- **Jobs** have been saved and people can access funds/wages.

37 Infographic reflects compound responses from all interviews relevant to individuals.
38 These reflect the most-cited KYC proof-of-ID/on-boarding policy relaxations in 31 interviews.

Impacts of KYC policy relaxations on public and private sector organisations

Colombia

- Increase in mobile money **customer base** and **transactions**; and (private sector)
- ***Over 3 million*** *new mobile money accounts estimated to have been registered nationally.* *(March to June 2020)*

Ghana

- Increase in **customer base**, **revenue**, **merchant payments** and **float balances;** (private sector)
- Accelerated government e-KYC and Gh-QR Code **projects**; and
- *One organisation observed a* ***significant increase*** *in new revenue-generating mobile money accounts.* *(Q1 to Q4 2020)*

Jordan

- Policy relaxations highlighted the importance of **digitisation** and faster adoption of **digital financial services**;
- Online platforms became more **robust**;
- Further **customer due diligence** (CDD) was required for remote on-boarding;
- Merchants and agents faced **liquidity challenges**; and
- *Observed a national increase in mobile money customers* ***from 600,000 to 1 million+*** *(in 2020) and higher MMP revenue.*

Pakistan

- **Cash** deposits and transactions declined but digital **transfers** and ATM withdrawals increased;
- MMPs opposed to removal of **interbank transfer fees**;
- *Removal of interbank transfer fees are thought to be associated with a more than* ***2× increase in digital fund transfers*** *(2020); and*
- ***Significant increases in mobile money subscribers*** *are estimated nationally.* *(March/April 2020)*

Senegal

- **Fee waivers** have meant lost transaction fee revenue for MMPs;
- MMPs saw an increase in **adoption** and **use** of mobile money;
- Lower cost of **operations** for MMPs;
- ***13.3 million*** *new mobile money accounts were estimated to have been registered in the BCEAO region; and*
- *Observed rise in BCEAO regional merchant payments and overall money in the banking system (i.e. deposits), equivalent to* ***CAF 8 billion/$14.4 million.***

Note: The information presented here captures the interview responses, including observations and opinions, of subject matter experts from 31 public and private organisations.

A number of public sector organisations have introduced policy relaxations during COVID-19. Like the private sector, they have had to respond to these relaxations with various process and technology-related changes. Despite some initial adverse impacts, the effects of these changes on these organisations have been generally positive.

Public sector

Public sector organisations across Colombia, Ghana, Jordan, Pakistan and Senegal implemented relaxed mobile money KYC on-boarding measures in response to the COVID-19 pandemic. According to the organisations interviewed, other than ensuring a balance between anti-money laundering (AML) measures and the risks of relaxed KYC requirements, there appeared to be few direct costs and challenges related to the relaxation of mobile money on-boarding requirements.

In Colombia, identifying beneficiaries (with only their name and ID number) for the Ingreso Solidario social transfer programme was a challenge for the URF and other government departments. To overcome it, the URF harnessed operator SIM registration and financial industry databases to cross-reference the information of potential beneficiaries. Once these beneficiaries were identified, MNOs sent them text messages explaining the procedure they needed to follow to obtain social assistance. It is important to note that the cross-referencing of databases was conducted directly by private sector companies, data protection and privacy were maintained and users' personal information was not shared with the government. The collaboration of the public and private sector was estimated to have enabled three million households in Colombia to receive social assistance and contributed to the financial inclusion of (approximately) 1.1 million people. It is also clear that updated and interoperable information systems between public entities and the private sector enable better targeting and implementation of government social programmes.

In Jordan, it is common for old and discarded SIM cards to be used by new customers who end up having a mobile wallet that is still associated with the previous SIM card owner. This was a major issue for the CBJ, so it worked closely with the operator of payment systems, the Jordan Payments & Clearing Company (JoPACC), to create an online platform to alleviate this challenge. The KYC relaxation measures have allowed the government to provide people with aid and support in a more humane and dignified way (i.e. to one's mobile wallet, which adds a level of privacy and convenience for the individual), and enable financially vulnerable groups in Jordan to enter the formal financial system.

Consumers in Colombia had been benefiting from mobile financial services and remote on-boarding for several years, and while governments in Ghana and Senegal suspected it was possible, they were faced with deploying these services very quickly (interviewees from Senegal claimed it was completed within a week of policy change). In both countries, these services have proven feasible. Government initiatives have also been accelerated due to COVID-19 measures, including e-KYC and QR code projects[39] in Ghana, which may help to build an interoperable digital financial ecosystem and ensure more people are included when another crisis strikes.

39 GhIPSS. (n.d.). "Mobile Money Interoperability FAQs".

Across the five countries, central banks have collaborated with mobile money providers, banks, telecom regulators and government departments. Together they have shared proposals and initiated joint responses to mitigate the negative impacts of regulatory change in mobile money on-boarding procedures and, ultimately, ensure access to digital financial services during the pandemic.

> Colombian regulators did not need to increase flexibility on mobile money KYC due to COVID[-19]. The 2014–15 regulations were already in place, thereby enabling remote on-boarding for simplified financial products....banks have been able to begin providing mobile money services as a result of the regulations
>
> **Unidad de Regulación Financiera (URF)**

Private sector

In all the countries researched, MMPs and banks have had to make operational adjustments in response to the policy changes and meet increased consumer demand for digital financial services. In Jordan, opening thousands of new mobile wallets each day has had an impact on the staff of some MNOs/MMPs, forcing them to pivot somewhat to use automation and AI to keep up with customer demand. MNOs/MMPs have also had to strengthen communications and marketing for their online platforms to enhance customer awareness and provide call centres with technical assistance. Despite the need to change their operational processes, MNOs/MMPs appear to view the policy change as positive because it has expedited digital transformation dramatically.

> We support [millions of] clients...through a communication campaign of education and digital adoption, we teach our clients that without having to leave their home and from the ease of their cell phone they can perform different transactions, such as transferring money to their friends or family, recharge their cell phone, pay their bills or acquire a card to buy online.
>
> **Private sector organisation**

Security measures have been strengthened to prevent fraud and deliver mobile money services securely and efficiently. Since the onset of COVID-19, consumers have been limiting their spending in general, and in Senegal the number of transactions have declined. There has also been a decline in cash deposits and transactions in Pakistan. However, in both countries, there has been a rise in digital transfers. Interestingly, in Pakistan, ATM withdrawals increased since they became an alternative to more risk-prone cash-out services. In some countries where demand for cash-out services was high, agents faced income and liquidity issues. In Pakistan, with agent services adversely affected by isolation and social distancing measures, some providers pivoted towards providing "doorstep" services to facilitate customer on-boarding and/or transactions.

MNOs, MMPs and banks have been affected by lost revenue from transaction and transfer fees, which some governments have waived to encourage the use of mobile money services. Yet, overall, the policy measures introduced in response to COVID-19 have had a positive impact on the provision and adoption of mobile money services, driving a surge in the use of digital channels, increasing mobile money penetration, customer bases (an estimated increase of over 80 to 100 per cent in one instance), financial transactions (over 150 to 200 per cent estimated increase in one instance), merchant payments and float balances.

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> COVID-19 has accelerated…acquisition of customers – most of those…acquired since the outbreak have been as a direct result of the ability…to conduct digital on-boarding. The next step is to focus on building loyalty.
>
> **Private sector organisation**

> They did help grow penetration of mobile money on [a] GSM base as…subscribers fell into the category of being registered to [a] mobile network but not being registered to its mobile money service. These were automatically registered… at the minimum tier and [we were] able to activate around 70 per cent of these users.
>
> **Private sector organisation**

Aside from a general trend in increased revenues during COVID-19, KYC-related relaxations have enabled various digital financial service providers to on-board customers more easily (enabling financial inclusion) and lower acquisition, marketing and operational costs.

> “[We are] happy with the policy changes, despite the human resource cost of opening thousands of new wallets each day. This has required the use of automation and AI to keep up with the demand. Still, the change has expedited digital transformation dramatically… There has been …growth in customer acquisitions in some areas. Over the coming years, [we] will be looking to bridge [the] telecoms business with the wider digital ecosystem (e.g. e-commerce).
>
> **Digital Transformation Director, Umniah**

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Impacts of KYC policy relaxations on public and private sector organisations[40]

Challenges faced by organisations

Staff costs
- **Staff** costs and time for maintaining regulatory requirements.

Tech interoperability
- Old/discarded **SIMs** linked to mobile wallets.

Revenue decrease
- Lower **revenue** especially at the start of the pandemic with fewer transactions; and
- Lower agent **commissions**/ensuring agents remain open/shop closures.

Low digital awareness
- **Customer** awareness of digital wallets, competence using remote on-boarding and digital literacy.

Crime increase
- Increased **fraud.**

Mitigating the challenges

Main KYC policy relaxations:[41]
- **Remote/self on-boarding/ID-verification;**
- **On-boarding to simplified mobile money; accounts based on SIM registration (harmonisation, risk-based account tiers); and**
- **Removal of in-person biometric registration.**

Complemented by:

Collaboration
- Multi-agency and sector **collaboration**; and
- Working with competitors, not against.

Tech changes
- Enabling **basic mobile money accounts** based on SIM registration data;
- Enabling **remote registration**;
- **SMS messages** to beneficiaries identified in SIM registration databases;
- Additional ID/**CDD** verification;
- **Automation** and AI;
- Suspension of **biometrics** for on-boarding and withdrawals; and
- **Online portal** to resolve old/discarded SIMs linked to mobile wallets.

Marketing campaigns
- **Communication** campaigns.

Advocacy
- **Requests** to local authorities for mobile money agents to remain open.

Crime focus
- **Data security and privacy** to counter fraud.

Fee changes
- Transaction fee **waivers**; and
- Removal of interbank transfer fees.

Challenges implementing policy relaxations

Process changes
- **Operational** changes.

Staff costs
- **Staff** required to inform customers, on-board, deal with enquiries, conduct ID verifications and support new loans.

Cost increases
- **Costs** of raising awareness, improving digital platforms, assisting with merchant liquidity challenges and conducting customer ID verifications.

Customer education
- Measures to **raise customer awareness** of digital wallets, competence using remote on-boarding and digital literacy; and
- New customers only using mobile money to purchase airtime/for free balances.

Tech piloting
- Remote **ID** verification for some mobile money services not deemed robust enough and halted.

Outcomes

Increased financial inclusion/customer base
- Distributing **funds** digitally;
- Support paying government **subsidies**;
- Quicker customer **on-boarding**;
- Greater **penetration** of mobile money among registered SIM users without mobile wallets; and
- Increased mobile money/digital financial services **customer base** (>80–100% estimated increase in one instance) and revenue-generating daily **active users** (>40–60% estimated increase in one instance).

Digital transactions/revenue/ profit increases
- Decreased cash deposits and transactions;
- Increased mobile money/digital financial services **transactions** (>150–200% estimated increase in one instance), **merchant payments** (e.g. digitisation of lotteries or payments for goats for Eid) (>10–30% estimated increase in one instance) and **float balances**; and
- Increased **profits and revenue.**

Cost decrease
- Decreased **acquisition** and **marketing** costs; and
- Overall **costs** low for those using digital methods.

Digital transformations
- Accelerated **digital transformation** projects and more advanced KYC initiatives.

New ID-linked services
- **New services** launched (e.g. helping pay for education or taxis).

40 Infographic reflects compound responses from all interviews relevant to organisations.
41 These reflect the most-cited KYC proof-of-ID and on-boarding policy relaxations in 31 interviews.

Note: The information presented here captures the interview responses, including observations and opinions, of subject matter experts from 31 public and private organisations.

Looking ahead: opportunities offered by KYC policy relaxations for MNOs, governments and the underserved

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Colombia

- Develop a wider range of **digital financial services**;
- **Data sharing** between the public and private sectors; and
- **Harmonisation** of SIM registration with mobile money KYC.

Ghana

- The BoG has made the harmonisation of SIM registration and KYC requirements for simplified on-boarding to mobile money a continuous, **long-term measure**;
- Opportunities for greater **financial inclusion**;
- Increased **tax revenue**;
- Stemming of **corruption**; and
- Better **AML** and **compliance** practices.

Jordan

- **Harmonisation** of SIM registration with mobile money KYC to simplify and facilitate greater **wallet uptake**, provide greater **transparency** and lower regulatory compliance **costs**;
- Accelerate adoption of **digital financial services** and help different **stakeholders** understand the importance of digitisation; and
- Build greater **trust** in mobile wallets.

Pakistan

- **Remote registration and verification** through a mobile **app** is an opportunity to increase financial inclusion
- Improve data on **vulnerable citizens** to enable disbursement of funds through mobile money in the future
- Harmonisation of SIM registration and mobile money KYC to reduce **resources** and **costs** to providers during customer on-boarding; and
- **Investment** from all **stakeholders** to enable such harmonisation.

Senegal

- **Harmonisation** of SIM registration and mobile money KYC could improve financial inclusion and save time and resources for on-boarding
- Accelerate **socio-economic development**
- **Collaboration** between bodies to expand access to financial products and enable harmonisation efforts
- Address **digital illiteracy**; and
- Better **align SIMs and mobile wallets** to one owner.

Note: The information presented here captures the interview responses, including observations and opinions, of subject matter experts from 31 public and private organisations.

Digitisation and harmonisation of KYC with SIM registration requirements

Pre-existing or novel digital financial services (predominantly mobile money) have been accelerated since the onset of COVID-19. Many more citizens now have access to mobile wallets enabled by relaxed KYC on-boarding and ID requirements, remote/self-on-boarding, removal of biometric requirements and, in some countries, increased harmonisation of SIM registration and mobile money KYC on-boarding requirements. Overall, KYC policy relaxations have achieved their main objective, which was to support the financial inclusion of underserved populations who would have found it more challenging to meet proof-of-identity requirements during the pandemic. Ghana and Jordan have extended their policy relaxations and put continuous, long-term measures in place (similar to some measures implemented in Colombia years before the pandemic), providing case studies for other governments that may be considering doing the same.

> Simplified KYC is the difference between doing businesses and not. Frictions in the on-boarding/registration process prevents growth.
>
> **MOVii**

While swift policy adaptations may have boosted financial inclusion and benefited organisations even in cash-first countries like Jordan, there have been challenges. Harmonisation has been used in Colombia to fight fraud and crime, and Ghana is considering revalidation of IDs to do the same. Jordan launched a harmonisation pilot for accessing simplified mobile wallets that was initially rejected. Remote registration is being used and has many benefits, but in Pakistan it is sometimes seen as contentious and appears to have not been fully accepted. It is understood that some pilots of remote biometric verification were not approved due to security concerns.

> There are risks around security. During COVID[-19], there were instances of people opening accounts pretending to be someone else…more restrictions (put in place) around registering for mobile money, lowers these risks, but also negatively impacts customer experience and increases friction (during on-boarding). Harmonisation would be "the dream".
>
> **MOVii**

Financial inclusion and e-commerce

Governments and organisations in multiple sectors have been at the forefront of providing social benefits, aid and salary disbursements at scale during the pandemic. KYC ID-linked policy relaxations have been one of the major drivers behind the significant rise in adoption of mobile money accounts. Another has been the rise of e-commerce. Mobile money accounts are being accessed and used by new customers, many of whom were previously unbanked, signalling a clear trend towards greater financial inclusion in all five focus countries.

> The next step needs to be encouraging citizens' progression from withdrawals to "open accounts", with the possibility to use more services.
>
> **Private sector organisation**

Despite the opportunity to achieve more widespread financial inclusion, and the organisational and economic benefits it would bring, how will countries encourage "slow adopters" to progress from using mobile money only for withdrawals (cash-out) to embracing a wider range of digital financial services? For a cash-based economy like Jordan, interviewees said there was not resistance to using digital financial services per se,[42] but it was necessary to build consumer trust so that people feel comfortable accessing and using the services more regularly and recognise the value of it. This may take some time; digital financial services are a relatively nascent service and individuals may be hesitant at first. However, the KYC relaxations and simplified on-boarding for mobile money during the pandemic have driven uptake, and may continue to act as a catalyst for adoption.

> Mobile money has an important role to play in the future; however, growing adoption depends on the daily applications that people can use their wallets for. The government's three days where it lifts IVA (i.e. VAT) is one way it tries to incentivise their use.
>
> **Private sector organisation**

Harmonisation can provide avenues for more people to open mobile money accounts using their SIM registration data. This has potential to deepen financial inclusion, although it should be assessed against the risk of aiding financial crime, money laundering and terrorist financing, and appropriate checks and balances should be put in place to mitigate such risks.

Promoting financial inclusion through harmonisation may also contribute to economic development, support a paperless digital economy and increase tax revenue. For MMPs, it can make on-boarding frictionless, simple and less costly. Harmonisation offers greater on-boarding potential to mobile money platforms for unbanked individuals, and rural populations in particular, who may not have the required minimum ID. New products and services can be developed that are tailored to the needs of certain customer demographics and allow providers to increase revenue in the long term. Remote/self-on-boarding can also lower barriers to financial inclusion, enabling those most underserved to access basic and affordable mobile money services. Ahli Bank in Jordan provides one recent example of an inclusive mobile-enabled self-KYC service.[43]

Since SIM registration and mobile money KYC frameworks are usually governed by separate regulatory authorities, there is a requirement for different stakeholders to work together on harmonisation and expand access to digital and financial services, such as savings, credit and loans. Furthermore, being able to check an individual's digital ID credential against a government-maintained database or smartcard token could help encourage adoption of digital and financial services.

Governance, interoperability and policies for data protection, security and privacy

Any long-term KYC policy or process relaxation implemented during the pandemic might be required to take a risk-based approach to balancing financial and digital inclusion with appropriate governance, security (AML/CFT) and data protection. The capture, storage and sharing of data is a general requirement for using mobile and digital services. In some countries, the absence of data infrastructure and governance is a barrier to greater data sharing. The Colombian Government is currently developing an interoperable data-sharing infrastructure, while in Jordan, MMPs have enhanced their security and privacy processes for remote on-boarding/access using smart optical character recognition (OCR) and intelligent image processing methods and tools. In West Africa, the BCEAO is working on a regional legal framework to increase digital financial inclusion and service interoperability between countries in the region.

42 JOPACC/Ipsos. (2020). User Experience of Mobile Wallets.
43 Ahli Bank. (n.d.). The First Jordanian Instant Bank Account-Opening Service from Ahli.

Conclusion and recommendations

This report has documented the policy and regulatory changes implemented by governments around the world during the COVID-19 pandemic. These changes were undertaken to encourage a shift from physical cash to digital financial services, and mitigate the risk of vulnerable groups being financially excluded as a result of social distancing restrictions.

The experiences and responses of stakeholders and experts in the five focus countries generated a variety of takeaways for public and private sector actors:

Importance of collaboration

There was a general emphasis in the interviews on the importance of collaboration between public and private sector actors to respond efficiently to the COVID-19 pandemic. In all five markets, policymakers sought the input of the private sector before determining the best way to respond. While this may seem like standard practice to ensure an efficient response, policymakers do not always take proactive and collaborative approaches to shaping policies. The proactive approach of policymakers during the pandemic can be attributed to the urgency of the response. While pandemics are unique, the GSMA encourages policymakers to implement inclusive procedures whenever they are introducing or making changes to policy, to ensure the interests of individuals and the organisations that will be affected are taken into consideration.

> We play an important role by supporting and highlighting the effort to update the regulatory framework...in the use of these new technologies.
>
> **Colombia Fintech**

> There was proactive thinking by the State Bank of Pakistan and government departments in terms of maintaining the provision of financial services.
>
> **State Bank of Pakistan (SBP)**

> Stakeholder engagement largely removed any potential barriers as it ensured transparency for all.
>
> **Public sector organisation**

A push for permanence

In the five focus markets, early findings suggest a link between responsive measures (KYC policy relaxations) and significant increases in mobile money adoption and use, particularly by vulnerable groups who would otherwise have likely been excluded. The shift has offered an opportunity for government and the private sector to improve citizens' knowledge of and familiarity with mobile financial services. As discussed in the previous section, the success of some measures has prompted appeals to central banks to keep the policy changes in place to sustain momentum for, and to expand, financial inclusion.

The harmonisation of SIM registration and mobile money KYC was successful where it was implemented in Ghana and Senegal, with government and MNO interviewees reporting increases in new mobile money accounts and transactions. However, introducing

> The pandemic...shed light for different key stakeholders in the market to adapt and accelerate the efforts towards more advanced KYC initiatives.
>
> **Public sector organisation**

harmonisation in other countries will require effective collaboration between relevant stakeholders to overcome challenges, particularly around security and fraud. In Ghana, the government has already decided to continue the harmonisation (risk-based approach) of mobile money KYC and SIM registration requirements introduced in response to the pandemic.

The need for a comprehensive identity database

The COVID-19 pandemic has exposed the vulnerabilities of public sector infrastructure, especially national databases. The Colombian Government was able to harness mobile operator and financial industry databases to identify potential recipients for their social cash transfer programme. While Colombia's scheme was successful, it highlights the need for data sharing and for clearly defined guidelines and conditions on sharing and reusing data. It is possible that other governments may find it more difficult to disburse social protection payments because they lack data on "at-risk" individuals. It is clear that governments (of LMICs in particular) need to ensure a critical mass of their residents have access to official digital identification credentials, particularly those who are vulnerable and at high risk of falling into poverty during crises or emergency situations.

Digital financial services are vital to digital transformation

Many interviewees shared the view that mobile money has played a positive role during the pandemic and has the scope to deliver significant benefits in the future, such as greater financial inclusion and socio-economic development. Looking ahead, stakeholders recognise that mobile money will be a critical feature of their countries' digital policy agendas. For this reason, they felt it was vital that regulatory bodies consider relaxing barriers, such as stringent KYC and ID requirements, to stimulate uptake across the economy.

> [The] COVID-19 pandemic played a central role in accelerating the transition towards digitisation.
>
> **Public sector organisation**

> Even though 2020 has been a challenge, it is possible to identify how, led by the fintech industry, offering disruptive solutions [has allowed us to] adapt to this 'new reality', it brings end-to-end digitisation models with great benefits.
>
> **Colombia Fintech**

Appendix: Methodology

The GSMA identified 15 countries that were thought to have relaxed their identity-linked KYC requirements for on-boarding to mobile money. Of these, five countries were selected to be part of this research: Colombia, Ghana, Jordan, Pakistan and Senegal. The research was conducted in two phases:

Phase 1: Desk research

Extensive desk research was conducted using secondary sources, including press releases, official gazettes, regulator and company websites and news articles. These were used to develop an understanding of the mobile, mobile money and digital financial services landscape in each country, as well as the underlying policies and regulatory environment relevant to KYC (and SIM registration) processes, especially mobile money-related services. Additional complementary topics were reviewed, including public and private sector responses to COVID-19, government and social benefit payments and fintech solutions. The literature review was used to formulate appropriate stakeholder interview questions for each organisation in the five countries.

Phase 2: Telephone-based in-depth interviews and surveys

Between September and December 2020, in-depth interviews were conducted over the telephone with senior stakeholders and subject matter experts in central banks, financial institutions, MMPs, MNOs, government ID authorities, government departments and regulatory authorities in each of the five selected countries. A few respondents who were unavailable for an interview provided detailed survey responses instead. In total, 56 interviewees from 31 organisations participated in this study:

Colombia: Nine organisations, including Banco de la República, Bancolombia, Colombia Fintech, Daviplata, Departamento Nacional de Planeación (DNP), MOVii, Telefónica and Unidad de Regulación Financiera (URF).

Ghana: Four organisations, including AirtelTigo, Bank of Ghana (BoG), MTN and Vodafone.

Jordan: Six organisations, including Central Bank of Jordan (CBJ), Jordan Payments & Clearing Company (JoPACC), Ministry of Digital Economy and Entrepreneurship (MODEE), Orange, Telecommunications Regulatory Commission (TRC) and Umniah.

Pakistan: Six organisations, including Pakistan Fintech Association (PFA), Pakistan Telecommunication Authority (PTA), State Bank of Pakistan (SBP), Telenor and United Bank Limited (UBL).

Senegal: Six organisations, including Agence de l'Informatique de l'Etat (ADIE), Autorité de Régulation des Télécommunications et des Postes (ARTP), Free Money, La Banque Centrale des États de l'Afrique de l'Ouest (BCEAO), Ministère de l'Économie Numérique et des Télécommunications and Orange.

The senior stakeholder and expert interviews allowed researchers to collect more reliable data on the KYC policy changes, views on the short-term impacts of these measures on public and private sector organisations and individuals, opinions on the long-term opportunities of the changes put in place during COVID-19 and considerations of lessons learned.

While links to government policy changes and private sector initiatives have been provided, this report is grounded in the evidence gathered through in-depth interviews and several surveys, which, by nature, provide observations and opinions from interviewees. The interviewees are experts in the subject matter detailed in this report and have been deeply involved with KYC-related policy and process changes in response to the COVID-19 pandemic. Due to the research method, there is likely to be an element of bias, therefore, the information provided and presented may differ from other published material or data. Effort has been taken to present the results of this research anonymously apart from where, for example, information is publicly available or permission has been sought.

Glossary

Biometrics – The capture of physical characteristics that can be used to digitally identify a person, for example, fingerprints on a device during KYC on-boarding processes.

Customer Due Diligence (CDD) – The process of identifying customers and confirming they are who they say they are. This often includes obtaining a customer's name, photograph on an official identity document, residential address and date of birth.

Float balance – Money within the banking system that is briefly counted twice due to time gaps in registering a deposit or withdrawal.

Harmonisation – In the context of separate SIM registration and mobile money KYC customer on-boarding processes, both processes are combined and simplified. This ultimately allows a new customer to register for a SIM and a mobile money account/wallet through only one process.

Interoperability – The ability of users of different mobile money services to transact directly with each other.

Know Your Customer (KYC) – In a financial services context (e.g. mobile money), organisations are required, to varying degrees, to verify the identity, suitability and risk of new customers applying for an account or mobile wallet. This is a mandatory regulatory requirement in many countries falling within the context of anti-money laundering (AML) and combating the financing of terrorism (CFT) regulations set by central banks and the Financial Action Task Force (FATF).

Mobile Money – A service is considered a mobile money service if it meets the following criteria:

- A mobile money service includes transferring money and making and receiving payments using a mobile phone.
- The service must be available to the unbanked, for example, people who do not have access to a formal account at a financial institution.
- The service must offer a network of physical transactional points which can include agents, outside of bank branches and ATMs, that make the service widely accessible to everyone.
- Mobile banking or payment services (such as Apple Pay and Google Wallet) that offer the mobile phone as just another channel to access a traditional banking product are not included.
- Payment services linked to a traditional banking product or credit card, such as Apple Pay and Google Wallet, are not included.

Mobile Money Account/Wallet – An e-money account which is primarily accessed using a mobile phone and which is held with the e-money issuer. In some jurisdictions, e-money accounts may resemble conventional bank accounts, but are treated differently under the regulatory framework because they are used for different purposes (for example, as a surrogate for cash or a stored value used to facilitate transactional services). An active mobile money account is a mobile money account which has been used to conduct at least one transaction during a certain period (usually 90 days or 30 days).

Optical Character Recognition (OCR) – The electronic conversion of images.

Remote On-boarding – Functionality that allows a customer to register for a mobile money account/wallet by themselves using their mobile phone (e.g. at home) so that they can then access and use their account/wallet without having to travel anywhere.

SIM Registration – The process of acquiring, registering and activating a SIM card, which may involve (in countries with mandatory regulation) providing forms of officially recognised identification. Many governments have introduced mandatory registration of prepaid SIM card users, primarily as a tool to counter terrorism and money laundering and support law enforcement. The regulation is often set by telecommunications regulatory authorities.

Tiered Accounts and Risk-based On-boarding/ID Verification – Different levels of requirements to open, for example, different types of mobile money accounts. During COVID-19, basic mobile money accounts were created with limited functionality and capped transaction amounts. These may require less rigorous customer due diligence compared to other accounts and, in some cases, could be opened on the basis of SIM registration details.

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