



A good tree bears good fruit

Electronic Channels: Reshaping the Financial Service Industry

2013-08-13



***Welcome to the 30th
ABA General Meeting
and Conference!***

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1. Pathfinders and Best Practices

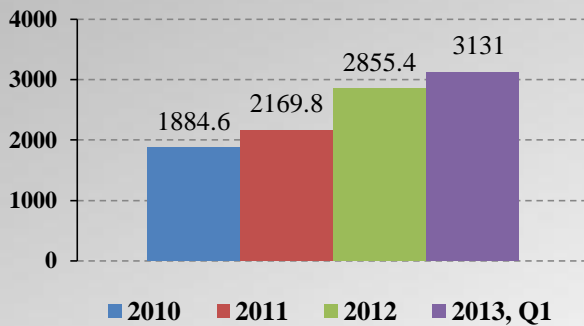
1.1 Payment Card

- Mongolian banks started processing international card transaction in 1991
- Mongolian banks started issuing payment cards in 2000
- Mongolia has 4 payment card hubs operated by commercial banks
- Bank of Mongolia's Central Switch interconnects the hubs
- Banks offer from international brands Visa, MasterCard, CUP and domestic ₮-Card brand to customers

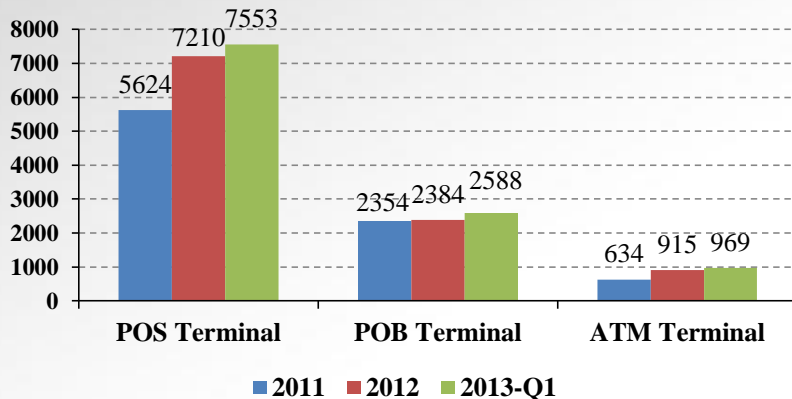
1. Pathfinders and Best Practices

1.1 Payment Card

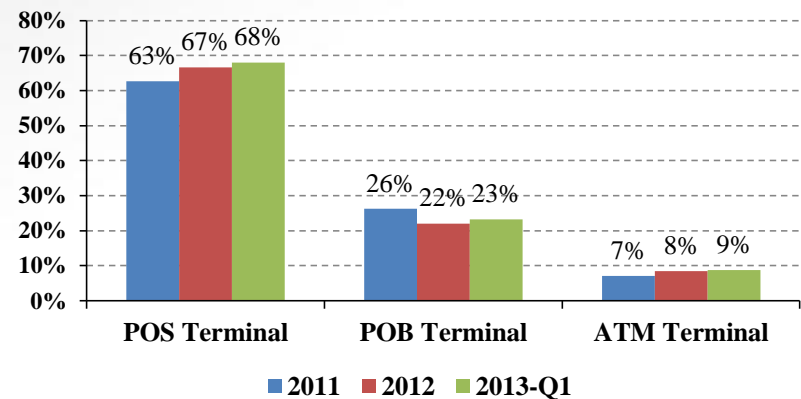
Number of Cardholders
(in 1,000s)



Number of card terminals by type



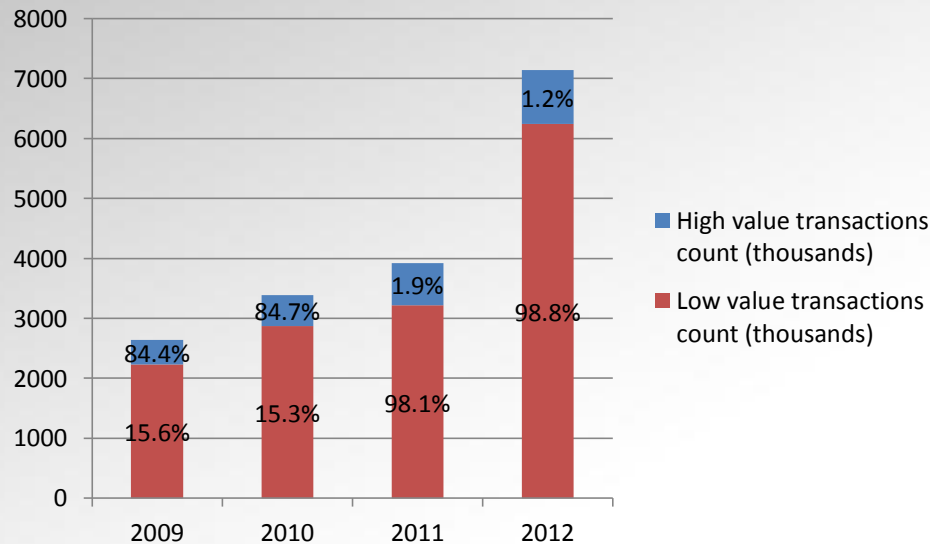
Transaction percentage
by device types



1. Pathfinders and Best Practices

1.2 Interbank transactions

High, low value transactions count



1. Pathfinders and Best Practices

1.3 Banking System Integrations

- All commercial Banks CMS and CBS are fully integrated
- All commercial Banks are integrated to BoM Platforms
 - Card switch integration
 - High/Low Value Clearing integrations
 - Credit Information Bureau integration

1. Pathfinders and Best Practices

1.4 Internet Banking

- All commercial Banks offer Internet Banking Services to customers since 2004

1.5 Mobile Banking

- All commercial Banks offer Mobile Banking Services to customers since 2006
- Local banks offer Smart Banking since 2011
- Mobile phone is on the verge of becoming the mostly used payment tool.

1. Pathfinders and Best Practices

1.6 Mobile payment

- Mobile banking services evolvement to mobile payments started from 2006
- Currently in Mongolia mobile payments exist in the following models
 - Multi-bank, multi-operator
 - Bank led
 - Operator led

1. Pathfinders and Best Practices

1.6 Mobile Payment

Multi-Bank, Multi-Operator model – Most Money

- MostMoney mobile wallet brand launched in 2012 by MOST PSP joint venture of Mobicom – No1 MNO and Trade and Development Bank - leading commercial bank.
- Open share option policy towards all banks and MNOs supports MOST PSP's goal to expand as a nationwide eco-system of mobile payment services with multi-bank and multi-operator model.
- MOST PSP's platform is designed to accommodate not only Banks but also over 400 local MFIs.

1. Pathfinders and Best Practices

1.6 Mobile Payment

Multi-Bank, Multi-Operator model – Most Money

- The Most Money wallet offers rich services:
 - Money transfer (to account, mobile and card numbers)
 - Cash out at ATM, bank teller and agent network
 - Bill payment
 - Top up prepaid services (airtime, international calling card, internet etc.)
 - Purchase of goods and services at merchants
 - Account statement
 - Balance inquiry etc.

1. Pathfinders and Best Practices

1.6 Mobile Payment

MNO Led Model – MobiExpress

- Mobicom Corporation – number 1 MNO in Mongolia was on a quest to introduce mobile money (stored value account) services targeted at unbanked customers since 2004.
- The quest was one of the reasons why Mobicom had firstly considered to support the Most Money project.
- Mobicom launched own brand – MobiExpress (MX) service in Oct 2010.
- MX is SVA with Top-Up, P2P and Bill Payment designated for use of unbanked population.

1. Pathfinders and Best Practices

1.6 Mobile Payment

Bank Led Model – AMAR, XAC Bank

- AMAR was launched in 2009 solely by a commercial bank – XAC Bank.
- It is sms-based mobile banking tool with a goal to establish branchless banking network in unbanked and sparsely populated, remote areas of the country.

1. Pathfinders and Best Practices

1.6 Mobile Payment

Bank Led Model – Gyals, Formerly Savings Bank

- Formerly Savings Bank swiftly introduced highly ambitious Gyals (rough English translation is “Flash”) services in 2011. The Gyals offers striking functionalities like mPOS – card acquiring with mobile handset, bill payment on TV-screen, withdrawal of remittance at ATM terminals.

1. Pathfinders and Best Practices

1.7 NFC Initiative

- Mongolia is currently at the beginning of a shift to NFC era! We are ready for the shift both psychologically and technologically.
- Mongolia has good NFC eco-system base with Most PSP which can act as a Trusted Service Manager.
- We see NFC as not only contactless proxy transactions technology, it is a part of a bigger project that Most PSP has in its roadmap. Whole idea proposed by Most PSP project also contains “cloud-based” services with “bi-directional transactions between various types of smart devices”.

2. Cooperation among Banks, Telco and Solution Providers

- Telcos closely work with Banks on STK (SIM toolkit) application and SMS support for Mobile Banking services
- First Joint Venture is established with Bank, Telco and Solution Provider involvement. The share option is open to any other Banks and Telcos
- Banks work closely with Telcos on accepting mobile transactions at ATM/POS terminals
- Local Solution Providers have full capacity to develop and maintain eChannel Banking Services platforms

3. Government Regulatory Body Reaction

It is important to note that government regulatory bodies are allowing free competition between technologies, ideas and initiatives with fair perception of all market players and models.

- Financial Regulatory Commission - Issued eMoney Service Regulation in 2010
- Bank of Mongolia - eMoney Recommendation
 - Released Mobile Banking and eMoney policy assisted by ADB in 2011
 - Payment Ecosystem Project with ADB Support planned in 2014
 - Liberalization of Interbank Clearing Network – new regulation issued in 2009
 - Implementation of Online Clearing Technology for High-Value, Low-Value, Card transactions – during period of 2008-2011
 - Support & Cooperation with AMAR, MM services' Initiators

4. Banking Sector Reaction

- Mongolian Bankers Association
 - Mobile Banking Conference held in Nov 2012
 - Followed by Official Appeal to BoM & the Government
- Bank of Mongolia
 - Overseeing market movements according to banking law and relevant regulations.
 - In overall supporting all initiatives.
- Commercial Banks:
 - TDBank, State Bank and Capitron Banks already joined the MostMoney. Active negotiations started with all remaining commercial banks and MNOs
 - The rest of the Banks are either developing independent services or are in observation mode.
- Micro Finance Institutions
 - Talks are on-going with MFIs through FRC.

5. Conclusion

- Banking and Payment industry is being reshaped rapidly
 - Wide use of P2P by mobile phone
 - Rapid growth of bill payment using all possible channels: direct debit, Internet and mobile phone
 - ATM cash-out by mobile phone
- Many more to be done:
 - Proper regulatory environment
 - Country-wide Ecosystem with optimal business model
 - Effective cooperation between government and commercial sectors to enable an environment where technological innovations are coupled with accommodating policy
- Security Control & Audit Regulation.

Thank You!

Q&A?

