



GUIDELINES & BACKGROUND INFORMATION

JULY 2016

Responsible Digital Payments Guidelines



**RESPONSIBLE
DIGITAL PAYMENTS
GUIDELINES**

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For clients to adopt and use digital payments, they need to feel protected from risks such as loss of privacy, exposure to fraud, and unauthorized fees. This means that service providers need to proactively take steps to protect their clients and that regulators should ensure a sound consumer protection regulatory framework. This is especially true for financially excluded and underserved clients and those with low financial and technological capability who are participating in a world of rapid innovation involving new types of financial services, providers, partnerships, and distribution channels. In an inclusive digital payments ecosystem, it is important for all the stakeholders to do their part to ensure that digital payments are made responsibly.

The Better Than Cash Alliance Responsible Digital Payments Guidelines identify eight good practices for engaging with clients who are sending or receiving digital payments and who have previously been financially excluded or underserved.

The Guidelines are primarily oriented toward financial services providers in designing and delivering their services. The Guidelines can also be used as a helpful checklist (subject to applicable law) for:

- » Regulators in considering their rules;
- » Private sector (for example, fast-moving goods or transport companies) in selecting payment providers;
- » Donors and development organizations in procuring services from payment providers; and
- » Donors and development organizations in advocating for appropriate consumer protection.

The focus of the Guidelines is on the common types of digital payments services provided to the financially underserved such as electronic money transaction accounts. The Guidelines are technology and provider neutral. They are designed to apply to current innovations in the field of digital payments, although it is recognized they may need to be reviewed and updated from time to time. Each Guideline includes examples of what a client might expect in a responsible digital payments market.

Since its launch in 2012, the Better Than Cash Alliance has engaged with stakeholders in many forums to work towards digital payments that are provided responsibly and for the benefit of both the recipient and sender. These Guidelines represent the culmination of several years of consultations with industry stakeholders, many of which occurred at a series of global meetings, including the Responsible Finance Forum's global deliberations on digital finance in 2014 and 2015 and its regional meeting in 2016. These gatherings were held in conjunction with meetings of the G20's Global Partnership for Financial Inclusion, at the G20's request.

Other guidance comes from the principles, standards, and codes discussed in the 2015 *Better Than Cash Alliance Mapping of Principles, Standards, and Codes of Conduct in Digital Financial Services*¹ as well as from other recent international research and reports.² These Guidelines have been shared broadly in draft form for comment, and the resulting comments and feedback have been incorporated into this public document.

The Guidelines' aim is to provide a helpful tool for all stakeholders supporting responsible practices in the move from cash to digital payments in order to reduce poverty and drive inclusive growth.

Guidelines

1

Treat Clients Fairly

Clients need to be treated fairly if they are to trust digital payments, especially those clients with low levels of financial and technological capability.

2

Keep Client Funds Safe

Clients, especially the financially excluded or underserved, need reliable and secure access to funds in digital transaction accounts.

3

Ensure Product Transparency for Clients

Providing clients with transparent product information requires special attention in a digital environment, especially where information is only available electronically, such as on a mobile phone.

4

Design for Client Needs and Capability

Designing digital payments for client needs and capabilities will increase use and reduce complaints.



Support Client Access and Use Through Interoperability

While recognizing the need to balance competition and innovation, ensuring the interoperability of platforms, agents, and clients is highly desirable so customers of different schemes can make payments to each other and agents can work for different providers. This is especially important for clients living in remote rural areas.



Take Responsibility for Providers of Client Services Across the Value Chain

Clients are more likely to trust and use digital payments if providers take responsibility for the actions of agents, employees, and third party service providers across the value chain.



Protect Client Data

Protecting clients' digital data is increasingly important given the volume, velocity, and variety of data being used for marketing and credit scoring, while recognizing that use of client data can increase the range of products a client can access.



Provide Client Recourse

Clients need access to a fair recourse system for dealing with complaints about digital payments. This is especially necessary for complaints about innovative and unfamiliar products delivered via new channels and for clients who live remotely and may have little to no direct contact with providers.



Treat Clients Fairly

“We want our clients, who are mostly unbanked and new to digital payments, to feel that they are being respected and treated fairly and served with special care by our agents and service points.”

MR. DASGUPTA ASIM KUMAR
ADVISOR, REGULATORY RELATIONS
BKASH LIMITED

Clients need to be treated fairly if they are to trust digital payments, especially those clients with low levels of financial and technological capability.

EXAMPLES OF TREATING DIGITAL PAYMENTS CLIENTS FAIRLY INCLUDE:

- 1. All advertising and other sales information** is communicated using language and terms that are simple, clear, accurate, and not misleading.
- 2. Product terms provide a reasonable balance between client and provider interests.**
- 3. Clients are treated respectfully**, for example by only being sold digital products that they are really in need of.
- 4. Identification requirements** are appropriate for clients so as to facilitate access.
- 5. Clients are treated equally** so there is **no unfair discrimination**. For example, providers do not discriminate on the basis of gender, religion, ethnicity, politics, sexual orientation, age, residence, or a disability.
- 6. In the case of lost or stolen access devices**, security credentials, or identity, providers compensate a client for any transaction that occurs after the client has reported the loss or theft to the provider. Compensation is also payable to the extent a transaction is above a daily or periodic limit.
- 7. A client is compensated** for any late payment fee payable if inability to make a payment was because of a scheduled **system outage** that the client was not told of.
- 8. If a client initiates a digital payment in a power outage**, the provider processes it as soon as possible.



Keep Client Funds Safe

“Because building trust in digital payments is crucial in driving effective adoption, appropriate and proportionate regulatory frameworks need to be in place to ensure that client funds are protected at all times.”

MS. PIA ROMAN TAYAG
HEAD, INCLUSIVE FINANCE ADVOCACY
BANGKO NG PILIPINAS

Clients, especially the financially excluded or underserved, need reliable and secure access to funds in digital transaction accounts.

EXAMPLES OF SAFEGUARDING CLIENT FUNDS HELD IN DIGITAL TRANSACTION ACCOUNTS INCLUDE:

- 1. Matching Funds:** For providers who are not subjected to prudential regulation, they hold in separate account(s) in prudentially regulated institutions unencumbered funds that equal, in full, all outstanding balances. Alternatively, matching funds could be invested in other permissible securities (such as government securities with an active secondary market). Ideally, accounts and investments are held for the benefit of clients (such as in a trust account). Matching funds are only used to make payments to clients and not for operational purposes. Matching funds are also protected from claims made by the provider’s third party creditors. Supervisors can access account and investment records on a real-time basis, where this is feasible.
- 2. System Capacity and Security:** Robust steps are taken to ensure reliable network and system capacity as well as a payments network and delivery channel that is secure from fraud, hacking, and any other form of unauthorized use.
- 3. Fraud:** A client is compensated by the provider for any direct loss due to fraud by agents, employees, and third party service providers (such as their agent network managers) and for third party fraud caused by a reasonably preventable security breach. Clients are also informed promptly of any suspected fraud.
- 4. Mistaken and Unauthorized Transactions:** The user interface is designed to be clear, simple, and secure. It also requires confirmation of payment details before transaction is completed. The aim is to minimize the risk of mistaken and unauthorized transactions, as well as to facilitate easy access.



Ensure Product Transparency for Clients

“Anything worth providing is worth providing transparently. This is all the more important for people who may be making and receiving payments digitally for the first time. It is incumbent on providers to give people the full and clear information they need to make decisions that are right for them.”

DR. BITANGE NDEMO
ASSOCIATE PROFESSOR, UNIVERSITY OF
NAIROBI'S BUSINESS SCHOOL
FORMER PERMANENT SECRETARY, MINISTRY
OF INFORMATION AND COMMUNICATION
KENYA

Providing clients with transparent product information needs special attention in a digital environment, especially where information is only available electronically, such as on a mobile phone.

EXAMPLES OF ENHANCING PRODUCT TRANSPARENCY IN A DIGITAL ENVIRONMENT INCLUDE:

- 1. Product Information:** Each client is given access (which may be in digital form) to a clear, simple, and readily comparable statement of product features, terms, fees, and any interest payable. This is done before the payments service is provided. The information is kept updated and is in a form that the client can keep and/or access, including digitally. The provider also explains the information to the client on request or if it is obvious that they cannot understand it (for example, if it is in a language they do not understand).
- 2. Transaction and Account Records:** A client receives proof of each transaction and has easy access to clear and simple transaction and account records. These records could be digitally provided. They also need to be in a form the client can keep or access, such as a digital transaction history.



Design for Client Needs and Capability

“The experience of BIM's clients is that they find our product intuitive, easy to use, and transparent. This is because we designed BIM for clients' needs and capabilities.”

DR. CAROLINA TRIVELLI
MANAGING DIRECTOR
PAGOS DIGITALES PERUANOS

Designing digital payments for client needs and capabilities will increase use and reduce complaints.

EXAMPLES OF ACTIONS RELEVANT TO THE DESIGN OF DIGITAL PAYMENTS SERVICES INCLUDE:

- 1. Payment Service Design:** Digital payment services are designed on the basis of research as to clients' needs, preferences, and behavior. Their design also takes account of clients' likely financial and technological capability levels and, particularly in the case of underserved markets, is simple and clear.
- 2. User Support:** Each client of a digital payments service is given:
 - (a)** Easily understood instructions on how to use the service and safeguard their security credentials (such as passwords and PINs) in addition to an outline of related client responsibilities;
 - (b)** Contact details for a 24-hour hotline to notify the provider about a lost or stolen access device or related security credentials, a mistaken or unauthorized transaction, or a security breach;
 - (c)** Contact details for reaching the provider during local business hours so clients have a reliable source of information about how to use a digital financial service and its features; and
 - (d)** Additional support to first-time users, as needed and feasible, to support safe uptake and use.



Support Client Access and Use Through Interoperability

"The regulator has a role to engender interoperable payment systems to help reduce clients transaction cost and enhance convenience."

DR. SETTOR AMEDIKU
HEAD OF FINANCIAL STABILITY DEPARTMENT
BANK OF GHANA

While recognizing the need to balance competition and innovation, ensuring the interoperability of platforms, agents, and clients is highly desirable so clients of different schemes can make payments to each other and agents can work for different providers. This is especially important for clients living in remote rural areas.

EXAMPLES OF FACILITATING INTEROPERABILITY INCLUDE:

1. Encourage collaborative and industry-led interoperability initiatives to ensure that clients can make digital financial transactions regardless of where they live or who their provider is.
2. Discourage any deliberate barriers to interoperability (such as exclusive agent arrangements).



Take Responsibility for Providers of Client Services Across the Value Chain

"We can only earn the trust of clients if we as service providers ensure that all those in our value chain are acting responsibly—and that we have the systems and processes to ensure that happens. This is the message that needs to be given to clients—particularly those using digital payments for the first time."

MR. RAJPAL DUGGAL
OXIGEN SERVICES INDIA

Clients are more likely to trust and use digital payments if the provider takes responsibility for the actions of agents, employees, and third party service providers across the value chain.

EXAMPLES OF SHOWING RESPONSIBILITY FOR AGENTS, EMPLOYEES, AND THIRD PARTY SERVICE PROVIDERS INCLUDE:

1. **Liability:** Providers take responsibility for the acts and omissions of their agents, employees, and third party service providers.
2. **Training and Oversight:** Agents and employees, and those of third party service providers, are appropriately trained (including on product features and regulatory responsibilities) and monitored. They also have the resources to competently and lawfully provide payments services.
3. **Provider Details:** Agents tell clients the name and contact details of the provider when an account is opened and on request.



Protect Client Data

“Along with the increases in financial inclusion, it is increasingly vital to secure the massive data that are handled by various inclusive finance providers.”

DR. TAO SUN
SENIOR DIRECTOR
ANT FINANCIAL

Protecting clients’ digital data is increasingly important given the volume, velocity, and variety of data being used for marketing and credit scoring, while recognizing that use of client data can increase the range of products a client can access.

EXAMPLES OF HOW CLIENT PERSONAL DATA MIGHT BE PROTECTED IN A DIGITAL ENVIRONMENT AT A BASIC LEVEL INCLUDE:

- 1. Confidentiality and Security:** Reasonable measures are taken to ensure the confidentiality and security of client data relevant to digital payments. Examples of such data include identification and contract information; transaction histories; security credentials; device, mobile phone, and Internet usage data; and geolocation data. With the express and informed consent by clients, data can be used and disclosed for specific purposes, such as to market new services.
- 2. Audit Trail:** A clear audit trail of transaction records is accessible to clients and supervisors.



Provide Client Recourse

“Mexico’s experience is that effective recourse mechanisms that function in a digital environment are critical to building clients’ trust in using financial services.”

MS. MARÍA FERNANDA TRIGO
GENERAL DIRECTOR FOR ACCESS
TO FINANCIAL SERVICES
THE NATIONAL BANKING AND
SECURITIES COMMISSION
MEXICO

Clients need access to a fair recourse system for dealing with complaints about digital payments. This is especially necessary for complaints about innovative and unfamiliar products delivered via new channels and for clients who live remotely and may have little to no direct contact with providers.

EXAMPLES OF EFFECTIVE RECOURSE SYSTEMS FOR DIGITAL PAYMENTS CLIENTS INCLUDE:

- 1. Complaints:** Clients can easily access a transparent, free or low-cost, and efficient complaints system. Ideally such a system can accommodate vulnerable clients (such as the disabled). The system is accessible by phone or digitally (such as via a website or by text message), or by visiting the provider’s place of business.
- 2. Disputes:** Clients also have access to an independent third party who handles disputes with providers in cases where the client’s complaint has not been adequately addressed and resolved by the provider. This third party system is easily accessible (including by phone or digitally), transparent, free or low-cost, and efficient.
- 3. Information about Recourse Systems:** Information about a provider’s recourse system is set out in terms and conditions that are available on the provider’s website and at the premises of both the provider and the agent. In addition, once a client makes a complaint they receive a copy of this information, which may be in digital form.
- 4. Complaints Data:** Providers maintain records of client complaints and their response to each complaint. Regulators are also given periodic reports of complaints data. Systemic industry issues are made public but without disclosing the identity of complainants.

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About The Better Than Cash Alliance

The Better Than Cash Alliance is a partnership of governments, companies, and international organizations that accelerates the transition from cash to digital payments in order to reduce poverty and drive inclusive growth. Based at the United Nations, the Alliance has over 50 members, works closely with other global organizations, and is an implementing partner for the G20 Global Partnership for Financial Inclusion.