



صندوق النقد العربي
ARAB MONETARY FUND

DIGITAL WALLET PROVIDERS – REGULATORY GUIDELINES

NOVEMBER 2020

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LICENSING

DIRECT LICENSING VS BANK LED MODELS

FINTECH PREFERENCE FOR DIRECT LICENSING MODELS VS BANK-LED MODELS

DIRECT LICENSING

INVESTABLE ASSET

DIRECT RELATIONSHIP
BETWEEN FINTECH AND
REGULATOR

ABILITY TO ISSUE E-MONEY

CUSTOMER OWNERSHIP

BANK-LED – JV MODEL

LESS SECURE CONTRACT

FINTECH HAS NO REGULATORY
RELATIONSHIP

CANNOT ISSUE E-MONEY

CUSTOMER OWNERSHIP

CAPITALISATION

LOW INITIAL AND VARIABLE/ONGOING CAPITAL

INITIAL CAPITALISATION SHOULD NOT BE HIGH TO DETER NEW ENTRANTS
AND ONGOING CAPITALISATION SHOULD GROW WITH SIZE AND

LOW ENTRY - VARIABLE

KSA PSPR (2020)

MINOR EMI – SAR 2M
MAJOR EMI - SAR 10M

ADDITIONAL CAPITAL LINKED TO
AGGREGATE BALANCE

2% OF OUTSTANDING E-MONEY
BALANCES

HIGH INITIAL CAPITALISATION

HIGH INITIAL CAPITAL IS
DISINCENTIVE

BENCHMARKS

CAPITALISATION REQUIREMENTS WILL BE BENCHMARKED ACROSS MARKETS

REGULATORS SHOULD CONSIDER THEIR CAPITALISATION REQUIREMENTS BENCHMARKED AGAINST THE REGION – AND REMAIN COMPETITIVE

MARKET A

INITIAL CAPITAL: USD \$2.5M

ONGOING CAPITAL: 2% OF
BALANCES

BALANCE OF USD \$50M

TOTAL CAPITAL: USD \$2.5M + USD
\$1M (2% OF USD \$50M)

USD \$3.5M

MARKET B

INITIAL CAPITAL: USD \$4M

ONGOING CAPITAL: 5% OF
BALANCES

BALANCE OF USD \$50M

TOTAL CAPITAL: USD \$4M + USD
\$2.5M (5% OF USD \$50M)

USD \$6.5M

PAYMENT SERVICES

REGULATORS ARE PERMITTING DIGITAL WALLET PROVIDERS TO PROVIDE A GREATER RANGE OF PAYMENT SERVICES– IN ADDITION TO THE ISSUANCE OF E-MONEY – WITHOUT ADDITIONAL LICENSING REQUIREMENTS

TRADITIONAL MODEL

ALLOWS EMI LICENSEE TO ISSUE
E-MONEY

CUSTOMERS CAN USE E-MONEY
TO PAY FOR PRODUCTS AND
SERVICES

MARKET B – KSA (2020)

ALLOWS EMIS TO CARRY OUT OTHER PAYMENT
SERVICES

ISSUING PAYMENT INSTRUMENTS – EG CARDS
ACQUIRING PAYMENT TRANSACTIONS
MONEY REMITTANCE

MARKET C – UAE

UAE CENTRAL BANK HAS EMBARKED ON ACTIVITY
BASED LICENSING

DEFINING MULTIPLE PAYMENT SERVICES

LIMITS & BALANCES

REGULATORS ARE PERMITTING DIGITAL WALLET PROVIDERS TO TAKE A RISK BASED APPROACH TO LIMITS AND BALANCES – PROVIDES ROBUST KYC, AML, SUSPICIOUS TRANSACTION REPORTING IS IN PLACE

KSA

SAR – 100,000 ACCOUNT LIMIT

SAR 100,000 MONTHLY TRANSFER
LIMIT

UAE

NO HARD LIMITS PROVIDED
BUSINESS AND RISK
JUSTIFICATION

DIRECT LICENSING ALLOWS REGULATORS TO MAINTAIN CLOSER SUPERVISION OF DIGITAL WALLET PROVIDERS

SAFEGUARDED FUNDS

ALLOWING SAFE-GUARDED FUNDS TO BE INVESTED IN REGULATOR APPROVED SECURITIES PROVIDES AN IMPORTANT COUNTERWEIGHT TO RISING VARIABLE CAPITALISATION REQUIREMENTS

VARIABLE CAPITAL REQUIREMENTS

ONGOING CAPITAL: 2% OF
BALANCES

BALANCE OF USD \$50M

ONGOING CAPITAL
REQUIREMENT: USD \$1M

INVESTING SAFE-GUARDED FUNDS

REGULATOR APPROVED
SECURITIES

SHORT-TERM & LIQUID ASSETS

2% CAPITALISATION COST CAN BE PARTIALLY OFFSET WITH
RETURNS FROM REGULATOR PERMITTED INVESTMENTS

AGENTS - GOVERNANCE

- INNOVATION IN HOW WE THINK ABOUT AGENT NETWORKS
- GOVERNANCE AND INTRA-GROUP OUTSOURCING

AGENT INNOVATION

PAKISTAN: ALLOWS FOR "MOBILE AGENT" & NATURAL PERSONS TO BE AGENTS

UAE: CASH-IN VIA AGENTS NOT PROHIBITED SUBJECT TO APPROPRIATE RISK EVALUATION

INTRA GROUP OUTSOURCING GOVERNANCE

GROUP AND CENTRALISED STRUCTURES ENABLE EFFICIENT MANAGEMENT OF OPERATIONS IN MORE THAN ONE MARKET