



صندوق النقد العربي  
ARAB MONETARY FUND

# DIGITAL WALLET PROVIDERS – REGULATORY GUIDELINES

NOVEMBER 2020

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## LICENSING

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### 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

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### 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

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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

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- 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