

mojaloop

THE
LEVEL ONE
PROJECT

The Level One Project:

Improving access to financial systems

mojaloop

Understanding and Leveraging the L1P Principles

- The Level One Project (L1P) outlines a set of best practices to guide countries, regions, or commercial organizations working to create real-time retail payments systems that meet the needs of low-income consumers.
- The Mojaloop project is designed as a set of tools and components that can be used to build a real-time retail payments system which is aligned with these principles.
- References to the 2019 Level 1 Project Guide can be found [here](#).

Level one principles by area:

- Scheme design
- System design
- Governance
- Government support
- End user impacts
- Other

Scheme design

- Interoperability
 - DFSPs (Digital Financial Services Providers), including both banks and licensed non-bank transaction account providers, are eligible to be direct participants in the scheme
- Scale
 - The scheme supports the requirements of key retail use cases
- Real-time push payments
 - The scheme only supports push payments, and payer and payee customer accounts are updated immediately.
- Irrevocable
 - Payment orders are final and cannot be rescinded once they are recorded by the switch

Scheme design

- Low cost
 - Use of the scheme is ultra low-cost for participating DFSPs
 - The platform can be accessed by end users at minimal device cost
- Directory
 - The scheme allows payments to be routed using aliases
- Fraud management
 - The scheme operates a shared fraud management utility.
- Settlement
 - Financial obligations between DFSPs are settled sufficiently regularly to support small participants
- Third parties
 - Non-licensed speciality aggregators, processors, and other similar entities may connect to the system to perform various functions on behalf of end users or DFSPs, when sponsored by a participating, licensed DFSP

System design

- Technology
 - Appropriate technologies support secure, high volume, irrevocable real-time payments, acknowledging necessary privacies and cost imperatives
- System components
 - A central platform, as defined by scheme rules, provides at least clearing, directory, settlement, and fraud management services to participants
- Common core
 - All use cases leverage the same underlying payment order and settlement protocols
- Protocol extension
 - Additional protocols can be included to support requirements for new use cases
- System connections
 - The system is designed to connect to other appropriate domestic systems, and to support cross-border retail use cases

Governance

- **Equal ownership**
 - All direct participants of the scheme (banks and non-banks) are provided equal opportunities in governance and, if appropriate, ownership of the scheme
- **Participant engagement**
 - Participants have formal and informal mechanisms to provide input on the direction of the scheme, including the scheme rules. Third party participants are afforded the opportunity to comment on rules
- **Pro-poor posture**
 - The scheme operates as a cost-recovery plus investment model and the entity managing the scheme maintains a pro-poor posture where payments are considered a shared utility, not a profit opportunity

Government support

- Supervision
 - The scheme enables regulators to monitor transactions in real time
- Government use
 - Government agencies use the scheme for retail disbursements and collections
- Open
 - Entities such as eMoney Issuers, Special Charter Banks, or Micro-finance Institutions are licensed to provide transaction accounts in addition to traditional Banks
- Tiered KYC with standard definitions
 - The regulatory environment supports tiered KYC for transaction accounts and limits; tier 0 allows for a low-income consumer with limited to no identification to hold a basic transaction account with controlled limits; as capabilities increase, KYC requirements increase

End user impacts

- End user fees
 - Fees to end users (individuals, merchants, billers, government agencies, and other enterprises) should be zero or low, and may vary by use case. DFSPs are expected to realize their revenue from adjacent, value-added services, rather than from payment fees
- Pricing transparency
 - All fees charged to end-users are displayed prior to transaction execution and the paying customer confirms the transaction
- User experience
 - Consumers should not be excluded, or exposed to error and fraud, by the complexity or deficiency of the user interface
- Access points
 - Access points, including merchants, billers, agents, branches, and ATMS are readily available for users to transact, cash in, and cash out

Other

- Service and availability
 - Network and service availability are reliable and dependable
- Enabling programs
 - Programs, initiatives, and capabilities are created to serve a wide set of stakeholders and use case needs including efforts to equalize usage by women
- Consumer education
 - Appropriate investment is made in consumer education to drive adoption of products and services, particularly among low-income consumers

The Level One Project's principles are based on an explicit contract between co-operation and competition, which encourages both:

The sphere of co-operation:

- *Rules*: define, enable and regulate an ecosystem where participants collaborate for the benefit of all
- *Rails*: provide a public infrastructure which supports properly regulated interoperation at low cost for all

The sphere of competition:

- *Accounts*: customers should be able to lodge their funds with the institutions that best serve their needs
- *Apps*: innovative ideas should have a simple and clear route to the customers who might benefit from them; we should leave it to the customers to pick the winners...



Any questions, comments, critiques?