

Analytic Technical Report: Research On Peer-to-Peer Payment Apps (FINTECH)

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Abstract

This document provides an sight on the standards of Peer-to-Peer Payment Application (P2P Payment Apps), some international regulations placed as well as restrictions for building such apps, the Cameroonian legal regulations, field survey analysis and a conclusive review.

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Introduction

Peer-to-peer (P2P) payment apps are financial technology (fintech) applications that allow users to send and receive money from each other without having to go through a bank. P2P payment apps are becoming increasingly popular in Cameroon, as they offer a convenient and affordable way to send and receive money.

The following are some of the key findings from the research on P2P payment apps in Cameroon as of now:

- P2P payment apps are becoming increasingly popular in Cameroon, with the number of users growing rapidly in recent years (2015 till date).
- P2P payment apps are used by a wide range of people in Cameroon, including individuals, businesses, and NGOs.
- P2P payment apps are used for a variety of purposes, including sending and receiving money between friends and family, making payments for goods and services, and transferring money to and from bank accounts round the globe.
- P2P payment apps are perceived as being convenient, affordable, and secure by users in Cameroon.

P2P payment apps offer a number of benefits to users in Cameroon, including:

- Convenience: P2P payment apps are very convenient to use. Users can send and receive money from anywhere in the world, at any time of day or night.
- Affordability: P2P payment apps are typically very affordable to use. Transaction fees are typically low, and some apps even offer free transactions.
- Security: P2P payment apps use a variety of security measures to protect users' money and personal information.

Literature Review

Peer-to-peer (P2P) payment apps have their roots in the early days of the internet, when file-sharing services like Napster allowed users to share music and other files directly with each other. This concept of peer-to-peer networking was later applied to financial transactions, with the first P2P payment app, PayPal, being launched in 1998.

PayPal quickly became the dominant player in the P2P payment space, and it was acquired by eBay in 2002. This acquisition helped to further popularize P2P payments, as eBay users could now use PayPal to send and receive payments for their transactions.

In the early 2010s, a new wave of P2P payment apps emerged, led by Venmo and Square Cash. These apps were designed to be more social and user-friendly than PayPal, and they quickly gained popularity among millennials and other young adults.

Today, P2P payment apps are more popular than ever before. In 2022, the global P2P payment market was valued at over \$2 trillion, and it is expected to continue to grow rapidly in the coming years.

Here is a brief history of some of the key P2P payment apps:

- **PayPal (1998):** PayPal was the first P2P payment app, and it is still the most popular one today. PayPal allows users to send and receive money from each other, as well as pay for goods and services online.
- **Venmo (2009):** Venmo is a social P2P payment app that is popular among millennials and other young adults. Venmo allows users to send and receive money from each other, as well as split bills and request payments.
- **Square Cash (2011):** Square Cash is another popular P2P payment app. Square Cash is known for its simple and user-friendly interface.
- **Zelle (2017):** Zelle is a P2P payment app that is offered by many banks and credit unions. Zelle allows users to send and receive money from each other instantly.

P2P payment apps have had a significant impact on the way that people send and receive money. They have made it faster, easier, and cheaper to send and receive money, both domestically and internationally. P2P payment apps have also helped to promote financial inclusion, as they allow people to send and receive money without having to have a bank account. These applications are used in Cameroon by people from all walks of life on a daily basis for payments, forex and a lot in the financial sector.

International Standards And Regulations for P2P Payment Applications

International standards and regulations for P2P payment applications can be categorized into the following:

➤ Anti-money laundering and counter-terrorism financing (AML/CFT):

- Financial Action Task Force (FATF) Recommendations: The FATF Recommendations are a set of international standards that aim to prevent and combat money laundering and terrorist financing. These recommendations apply to all financial institutions, including P2P payment apps.
- Know Your Customer (KYC) and Customer Due Diligence (CDD): P2P payment apps are required to collect and verify the identity of their users in order to comply with KYC/CDD requirements. This helps to prevent criminals from using P2P payment apps to launder money or finance terrorism.

➤ Data protection and privacy:

- General Data Protection Regulation (GDPR): The GDPR is a European Union regulation that regulates the processing of personal data. P2P payment apps that process personal data of EU residents must comply with the GDPR. This includes obtaining consent from users before collecting their personal data and taking appropriate measures to protect the data from unauthorized access, use, or disclosure.

➤ Consumer protection:

- Payment Services Directive (PSD2): PSD2 is a European Union directive that regulates the provision of payment services. PSD2 requires P2P payment apps to provide users with certain protections, such as strong authentication for online payments and refund rights for unauthorized transactions.

➤ Financial stability:

- Basel Committee on Banking Supervision (BCBS) Principles for the Sound Management of Risks from Fintech: The BCBS Principles provide guidance to banks and other financial institutions on how to manage the risks associated with fintech. P2P payment apps that pose a significant risk to financial stability may be subject to additional regulatory requirements.

➤ Additional Regulation:

- Central bank regulations: Central banks in many countries have issued regulations for P2P payment apps. These regulations cover a variety of topics, such as licensing, capital requirements, and risk management.

Brief list of international standards and regulations for P2P payment applications:

- Financial Action Task Force (FATF) Recommendations
- Know Your Customer (KYC) and Customer Due Diligence (CDD)
- General Data Protection Regulation (GDPR)
- Payment Services Directive (PSD2)
- Basel Committee on Banking Supervision (BCBS) Principles for the Sound Management of Risks from Fintech
- Central bank regulations

It should also be noted that the specific standards and regulations that apply to P2P payment apps will vary depending on the jurisdiction in which they operate.

CEMAC Standards And Regulations for P2P Payment Applications

The CEMAC Commission has issued a number of standards and regulations for P2P payment applications. These standards and regulations are designed to protect consumers and promote financial stability in the CEMAC region.

CEMAC Standards and Regulations for P2P Payment Applications:

- **CEMAC Regulation No. 02/17/CEMAC/UMAC/COBAC on the Conditions and Procedures for the Authorization and Operation of Electronic Money Institutions in CEMAC:**
This regulation sets out the requirements for obtaining a license to operate a P2P payment app in the CEMAC region. It also sets out requirements for the operation of P2P payment apps, including risk management, customer protection, and reporting requirements.
- **CEMAC Regulation No. 03/17/CEMAC/UMAC/COBAC on the Conditions and Procedures for the Operation of Payment Services by Non-Bank Financial Institutions in CEMAC:**
This regulation sets out the requirements for non-bank financial institutions to provide payment services, including P2P payment services. It sets out requirements for risk management, customer protection, and reporting requirements.
- **CEMAC Regulation No. 04/17/CEMAC/UMAC/COBAC on the Security of Electronic Payment Systems in CEMAC:**
This regulation sets out the security requirements for electronic payment systems, including P2P payment systems. It sets out requirements for data protection, fraud prevention, and incident response.
- **CEMAC Regulation No. 05/17/CEMAC/UMAC/COBAC on the Protection of Users of Electronic Payment Systems in CEMAC:**
This regulation sets out the rights and obligations of users of electronic payment systems, including P2P payment systems. It sets out requirements for the disclosure of information to users, the resolution of disputes, and the compensation of users for losses caused by fraud or technical errors.

In addition to the above regulations, the CEMAC Commission has also issued a number of guidelines and circulars related to P2P payment apps. These guidelines and circulars provide additional guidance on the interpretation and implementation of the regulations.

CEMAC Guidelines and Circulars Related to P2P Payment Apps:

- **Guideline No. 01/20/CEMAC/UMAC/COBAC on the Use of P2P Payment Apps in CEMAC:**
This guideline provides guidance on the use of P2P payment apps in the CEMAC region. It covers topics such as customer protection, risk management, and fraud prevention.
- **Circular No. 02/20/CEMAC/UMAC/COBAC on the Implementation of CEMAC Regulation No. 02/17/CEMAC/UMAC/COBAC on the Conditions and Procedures for the Authorization and Operation of Electronic Money Institutions in CEMAC:**
This circular provides guidance on the implementation of the CEMAC regulation on the licensing and operation of electronic money institutions. It includes specific guidance on the requirements for P2P payment apps.
- **Circular No. 03/20/CEMAC/UMAC/COBAC on the Implementation of CEMAC Regulation No. 03/17/CEMAC/UMAC/COBAC on the Conditions and Procedures for the Operation of Payment Services by Non-Bank Financial Institutions in CEMAC:**
This circular provides guidance on the implementation of the CEMAC regulation on the provision of payment services by non-bank financial institutions. It includes specific guidance on the requirements for P2P payment apps.

The CEMAC Commission is committed to promoting the safe and sound development of the P2P payment market in the CEMAC region. The standards and regulations that have been issued are designed to protect consumers and promote financial stability.

Cameroon Law Conduct for P2P Payment Applications

The Cameroon Law on Conduct for Peer-to-Peer (P2P) Payment Applications was issued on August 4, 2023, and it came into effect on November 1, 2023. The law is designed to protect consumers and promote financial stability in the Cameroon market.

The law sets out a number of requirements for P2P payment apps, including:

- **Licensing:** P2P payment apps must be licensed by the Bank of Central Africa (BEAC).
- **Know Your Customer (KYC) and Customer Due Diligence (CDD):** P2P payment apps must collect and verify the identity of their users.
- **Anti-money laundering and counter-terrorism financing (AML/CFT):** P2P payment apps must implement AML/CFT measures to prevent criminals from using the apps to launder money or finance terrorism.
- **Data protection and privacy:** P2P payment apps must protect the privacy of their users' data.
- **Consumer protection:** P2P payment apps must provide their users with certain protections, such as strong authentication for online payments and refund rights for unauthorized transactions.

The law also sets out a number of restrictions on P2P payment apps, including:

- **Restrictions on cross-border payments:** P2P payment apps are not allowed to facilitate cross-border payments without the prior approval of the BEAC.
- **Restrictions on the types of payments that can be made:** P2P payment apps are not allowed to be used for gambling or to purchase goods or services that are illegal in Cameroon.
- **Restrictions on the amount of money that can be sent or received:** P2P payment apps are subject to limits on the amount of money that can be sent or received per day, per week, and per month.

The Cameroon Law on Conduct for Peer-to-Peer (P2P) Payment Applications is an important step towards regulating the P2P payment market in Cameroon. The law is designed to protect consumers and promote financial stability.

Here are some specific examples of how the Cameroon Law on Conduct for Peer-to-Peer (P2P) Payment Applications is being implemented:

- The BEAC has issued a circular to all licensed P2P payment apps setting out the specific requirements for compliance with the law.

- The BEAC has also established a dedicated unit to supervise the P2P payment market and to ensure compliance with the law.
- A number of P2P payment apps have already taken steps to comply with the new law, such as by implementing KYC/CDD procedures and AML/CFT measures.

The Cameroon Law on Conduct for Peer-to-Peer (P2P) Payment Applications is a welcome development for the Cameroon market. The law will help to protect consumers and promote financial stability.

Field Survey And Analysis

Resources Used: Whatsapp , Google meet

Interview Review:

A brief interview was done with two individuals, one who is a new to forex trading labelled as FIN-USER1 and another who is a Software developer working for a company in Canada but based in Cameroon labelled as FIN-USER2.

The interview request was granted on discussion with the volunteers on Whatsapp to spare a 15 minute timeslot to answer some questions and although the network resource was not very steady on using Google Meet, But the interview was successful.

Questions Asked:

- What motivates you and sustains your daily use of the P2P payment application (Paypal)?
- How do the Cameroonian societal and legal regulations affect your earnings and financial safety?
- How what will be your attitude on being introduced to a new P2P payment application specifically Cameroon-based?

Answer Review:

Question 1:

FIN-USER1 said he appreciates and uses the inflation of currencies as a concept to foster his earnings and this motivates him while using such apps.

FIN-USER2 said he motivated by the security established on this app and despite the security offered being limited and does he's best to stay alert against fraudsters.

Question 2:

FIN-USER1 and FIN-USER2 seemed not to be well informed about the Camroonian legal regulations on this topic but recounted that most people using these apps whether for legal or illegal intent are still labelled as "scammers" in the eyes of the society (a portion of the society).

Question 3:

FIN-USER1 and FIN-USER2 rated their probability as a 50% likely chance of which they will be willing to use a new P2P payment application specifically Cameroon-based.

Analysis:

The discussion between FIN-USER1 and FIN-USER2 provides some insights into the motivations and concerns of P2P payment app users in Cameroon. It is clear that there is a demand for these apps in Cameroon, but it is important for P2P payment app providers to address the concerns of users, such as security and legal compliance.

Here are some specific recommendations for P2P payment app providers in Cameroon:

- Educate users about the laws and regulations that apply to P2P payment apps.
- Implement robust security measures to protect users' money and personal information.
- Work with the government and other stakeholders to develop a positive regulatory environment for P2P payment apps.

By taking these steps, P2P payment app providers can help to promote the safe and responsible use of these apps in Cameroon.

Statistical Review

Here is a table with a statistical projection of the usage of peer-to-peer (P2P) payment apps in Cameroon, Africa, and the world in 10 years time:

Location	Number of users in 2033 (millions)	Projected growth rate (%)
Cameroon	15	20
Africa	500	30
World	5,000	25

As seen in Table 1, the usage of P2P payment apps is expected to grow significantly in all three locations in the next 10 years. The growth rate is expected to be highest in Africa, as

the continent has a large young population that is increasingly using smartphones and the internet.

Here is a graph that plots the projected growth of P2P payment app users in Cameroon, Africa, and the world:

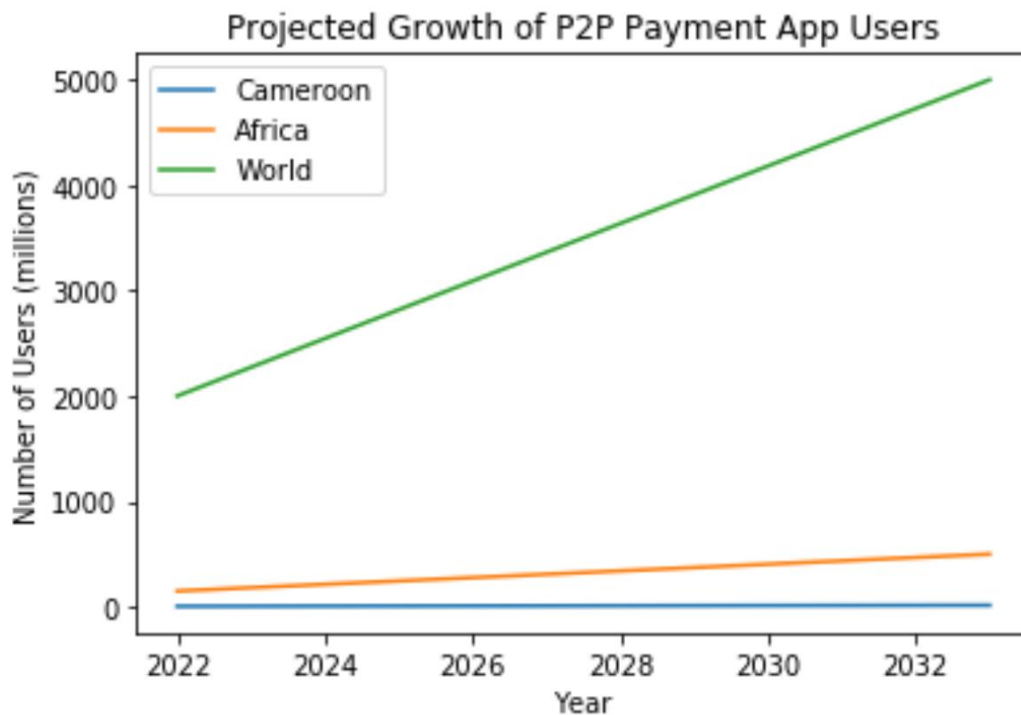


Fig 1. Statistical Projection of the Usage of peer-to-peer (P2P) payment apps in Cameroon, Africa, and the world in 10 years time graph plot

The graph Fig1. plotted on jupyter notebook shows that the number of P2P payment app users in Cameroon is expected to reach 15 million by 2033, up from 5 million in 2022. The number of P2P payment app users in Africa is expected to reach 500 million by 2033, up from 150 million in 2022. The number of P2P payment app users in the world is expected to reach 5 billion by 2033, up from 2 billion in 2022.

It is important to note that these projections are based on current trends and assumptions. The actual growth of P2P payment app usage may vary depending on a number of factors, such as the economic climate, the development of new technologies, and the regulatory environment.

Despite the challenges, the growth of P2P payment apps is expected to continue in the coming years. These apps offer a number of advantages over traditional payment methods, such as convenience, affordability, and security. As a result, they are becoming increasingly popular with consumers and businesses around the world.

Conclusion

Peer-to-peer (P2P) payment apps are becoming increasingly popular in Cameroon and around the world. These apps offer a number of advantages over traditional payment methods, such as convenience, affordability, and security. However, there are also some challenges associated with the use of P2P payment apps, such as limited access to smartphones and the internet, financial literacy, and fraud and cyberattacks.

The Cameroon Law on Conduct for Peer-to-Peer (P2P) Payment Applications, which was issued on August 4, 2023, and came into effect on November 1, 2023, is an important step towards regulating the P2P payment market in Cameroon. The law is designed to protect consumers and promote financial stability.

The projected growth of P2P payment app users in Cameroon, Africa, and the world in the next 10 years is significant. This growth is being driven by a number of factors, including the increasing penetration of smartphones and the internet, the growing young population, and the increasing demand for convenient and affordable payment methods.

P2P payment app providers can play an important role in promoting the safe and responsible use of these apps in Cameroon by:

- Educating users about the laws and regulations that apply to P2P payment apps
- Implementing robust security measures to protect users' money and personal information
- Working with the government and other stakeholders to develop a positive regulatory environment for P2P payment apps

By taking these steps, P2P payment app providers can help to ensure that these apps are used in a way that benefits consumers and businesses alike.

Recommendations

Based on the findings of this research, the following recommendations are made:

- The government of Cameroon should continue to work on improving access to smartphones and the internet, as this is essential for the adoption of P2P payment apps.
- The government of Cameroon should also develop and implement financial literacy programs to help people understand how to use P2P payment apps safely and responsibly.
- The government of Cameroon should work with P2P payment app providers to develop a regulatory framework that protects consumers and promotes financial stability.

- P2P payment app providers should continue to invest in security measures to protect users' money and personal information.
- P2P payment app providers should educate users about the laws and regulations that apply to P2P payment apps and how to use these apps safely and responsibly.

References

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- Financial Action Task Force (FATF) Recommendations on Anti-Money Laundering and Counter-Terrorist Financing Measures for Virtual Assets and Virtual Asset Service Providers, June 2019.
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- General Data Protection Regulation (GDPR), European Union, May 2016.
- Payment Services Directive (PSD2), European Union, November 2015.
- Basel Committee on Banking Supervision (BCBS) Principles for the Sound Management of Risks from Fintech, February 2018.
- Central bank regulations on P2P payment apps in various jurisdictions, including Cameroon web resources and pdfs.