BILL & MELINDA GATES foundation

INTRODUCTION TO THE LEVEL ONE PRINCIPLES

OCTOBER 25, 2022
ZANZIBAR MOJALOOP
CONVENING

Our Goals:

By 2030, ensure that 80% of adults worldwide and 60% of sub-$2.5/day adults use a digital account for a service beyond P2P transfers, up from 50% and 22%, respectively as of 2014. We also aim to eliminate the gender gap by 2030.

THE GATES FOUNDATION AND FINANCIAL SERVICES FOR THE POOR (FSP)

- The guiding principle of the Bill & Melinda Gates Foundation is that **"all lives have equal value"**

- We believe a significant driver of inequality and poverty is financial exclusion: ~**1.7 billion people worldwide lack access to basic financial services, such as savings, payments, insurance, and credit**

- **It is expensive to be poor. While most poor people live very active financial lives** they face constant risks, limitations, and hidden costs.

- **The Financial Services for the Poor (FSP) program supports private-sector and government partners in a shared effort to give the world's poorest people access to financial tools** that they can use to build better, more prosperous, and more secure lives

- **We are focused on digital technology to deliver at scale**

- According to the McKinsey Global Institute, digital financial services could allow **1.6 billion people** to enter the formal economy adding **$3.7 trillion to the annual GDP of emerging markets by 2025.**

- The DFS model is simultaneously a powerful **anti-poverty strategy** and an extraordinary **catalyst of sustainable economic development** for entire national and regional economies.

L1P – Investment Roadmap

Foundation areas of intervention

Competition Space

Collaboration Space

Apps

Innovation Market for Value Added Services & Products

Enable market ecosystem innovation that delivers affordable, effective pro-poor services and products

Interventions: APIs and software library for developers to build, offer and deploy applications

Accounts

Digital Accounts & Transactions

Enable account opening and manage accounts for consumers, agents , merchants and payees
Interventions: APIs and software library for IST integration, vendor certification, selection, SLAs

Rails

Infrastructure for Connectivity & Interoperability

Define requirements, buy/build IST and Fraud Risk solutions
Interventions: Requirements and build/buy IST, Requirements build/buy fraud system, API library, vendor, provider, operator SLAs

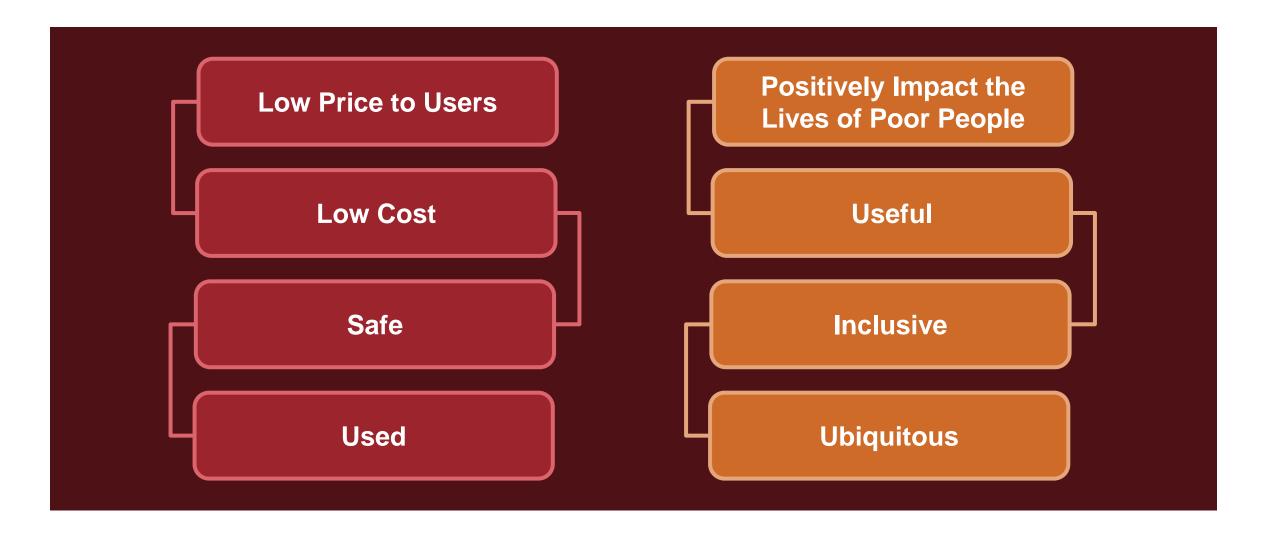## Rules

Regulatory and Governance Framework

Establish Legal and Regulatory Framework to initiate and sustain digital financial services scheme and platform
Interventions: Create and guide mechanisms for rule setting, stakeholder collaboration, governing and operating the DFS scheme, participants and performance

LEVEL ONE PROJECT GOALS

Low Price to Users

Low Cost

Safe

Used

Positively Impact the Lives of Poor People

Useful

Inclusive

Ubiquitous

RTRP L1P DESIGN PRINCIPLES: SCHEME DESIGN & GOVERNANCE (1 OF 2)

Low Cost	Use of the platform is ultra low-cost for the participating DFSPs.
Not-For-Loss Utility	The scheme operates as a cost-recovery plus investment model and payments are considered a shared utility, not a profit maximizing activity.
Interoperable	DFSPs (Digital Financial Services Providers), including both banks and other licensed transaction account providers, are eligible to be direct participants.
Equal Ownership Opportunity	All direct participants of the scheme are provided equal opportunities in governance and ownership of the scheme. Alternatively, a scheme may be governed by a government entity for the benefit of everyone.
3rd Party Providers	Sponsored non-licensed aggregators, processors, forex providers and similar entities may connect to the system to perform functions for end users or DFSPs.
Participant Engagement	Indirect and direct participants without ownership have formal and informal mechanisms to provide input on the direction of the scheme, and scheme rules.

RTRP L1P DESIGN PRINCIPLES: SCHEME DESIGN & GOVERNANCE (2 OF 2)

Push/Real-Time	The scheme provides push payments cleared on a real-time basis, where payer and payee accounts are immediately updated.
Irrevocable	Payment orders cannot be rescinded once they reach the switch, providing the receiver assurance that payments received are safe and available for use.
Good Funds	Payments cleared through the scheme present minimal settlement risk as they are already on deposit with settlement bank(s).
Settlement	The financial obligations among the DFSPs are settled same-day or faster.
Use Cases for Scale	The scheme supports key domestic and cross-border retail use-cases, including P2P, C2B, C2G, G2P, P2G, B2C and CICO.
Fraud Management	The scheme operates a shared fraud management utility. DFSPs retain responsibility for fraud and may operate or subscribe to additional fraud management services.

RTRP L1P DESIGN PRINCIPLES: GOVERNMENT SUPPORT

Regulation	The scheme is regulated by financial regulator and operates in national fiat money.
Supervision	The scheme enables regulators to monitor transactions in real-time and to receive regular reporting.
Government Use	Government agencies use the scheme for retail disbursements and collections.
Licensing	Entities such as eMoney issuers, special charter banks, or micro-finance institutions are licensed to provide transaction accounts in addition to Banks.
Tiered KYC	Regulator supports tiered KYC for transaction accounts and limits; tier 0 allows for a consumer with limited to no identification to self-issue a basic transaction account with controlled limits, which may vary by use case; as limits increase, KYC requirements increase.

RTRP L1P DESIGN PRINCIPLES: END USER EXPERIENCE

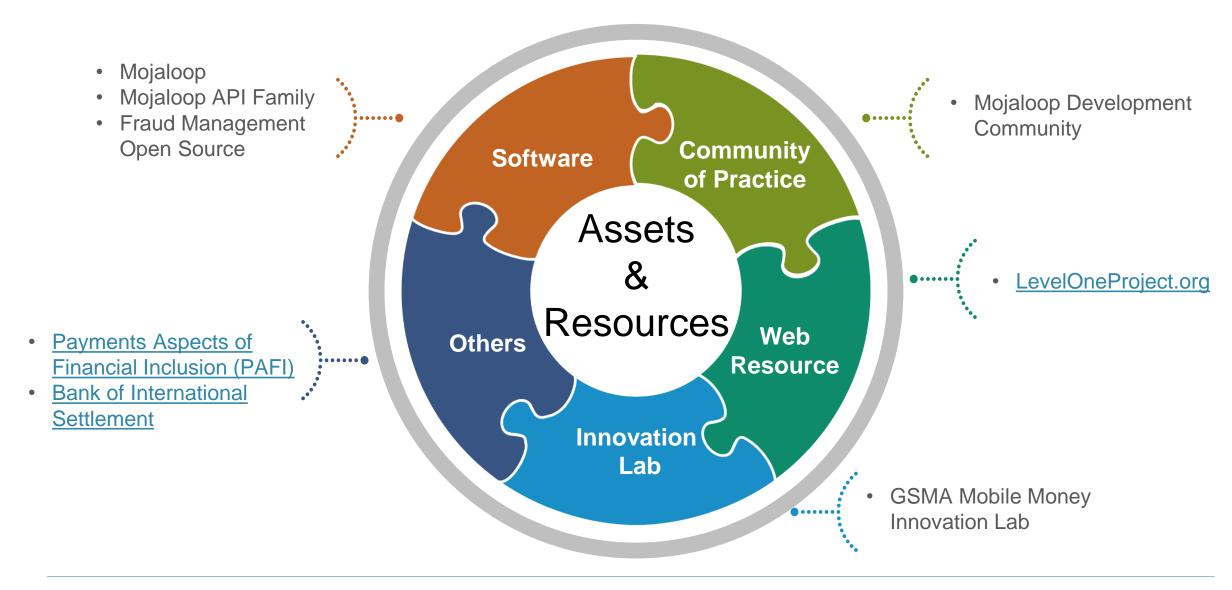|	
End User Fees	Fees to end users (individuals, merchants, billers, etc..) should be very low, possibly zero, and may vary by use case. DFSPs realize most revenue from adjacent, value-added services, rather than from payment fees.
Pricing Transparency	All fees charged to end-users are displayed prior to transaction execution and the paying customer confirms the transaction; foreign exchange fees extracted through less favorable exchange rates are included in this.
User Interface Design	The user interface (UI) is simple and intuitive for a user; the UI is designed to prevent user errors and frauds; this includes features like showing recipient name prior to commit, saving frequent recipients, and language localization.
Low Cost User Devices	All primary functions should be accessible to users with inexpensive basic/feature phones through USSD or SDK interfaces.
Access Points	Access points, including merchants, billers, agents, branches, and ATMS are readily available for users to transact, cash in, and cash out.
Notifications	Notification of account activities sent immediately, only from user DFSP, and controllable by end user for privacy.

RTRP L1P DESIGN PRINCIPLES: SYSTEM DESIGN

Technology	Appropriate technologies support secure, high volume, low cost, irrevocable real-time payments, securely and protecting user privacy.
Identifiers / Directory	The directory enables appropriate aliases for payments addressing – including, but not limited to phone number, account number, national ID, email address or other identifier. Non-phone number identifiers may be important for ensuring privacy and should be available.
System Components	A central platform, as defined by scheme rules, provides at least switching, directory, settlement, and fraud management services to participants.
Common Core	All use cases leverage the same underlying payment order and settlement protocols.
Additional Protocols	Additional technical protocols support use case specific needs, such as Request to Pay and QR Code.
System Connections	The system is designed to connect to other appropriate domestic systems, and to support cross-border retail use cases.

RTRP L1P DESIGN PRINCIPLES: ENABLING ATTRIBUTES

Network 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.
User Education	Appropriate investment is made in user education to drive adoption of products and services, particularly among women and low-income users.
Data Privacy	End user data is secure and kept private.
Gender Disaggregated Data	Data on account holders and usage can be disaggregated to support measurement of gender gaps and related research.

MARKET ASSETS & RESOURCES

- Mojaloop
- Mojaloop API Family
- Fraud Management Open Source

- Mojaloop Development Community

Software

Community of Practice

Assets & Resources

- LevelOneProject.org

Others

Web Resource

- Payments Aspects of Financial Inclusion (PAFI)
- Bank of International Settlement

Innovation Lab

- GSMA Mobile Money Innovation Lab

Thank You
Questions?

MOJALOOP GOALS

1. We want payments to reach everyone

2. We believe that RTRPS are the lowest cost way to make that happen

3. We believe that our L1P principles help drive the lowest cost

4. Advance the industry

   ▪ Similar features, capabilities and rules

   ▪ Connections between implementations

   ▪ Serve the needs of the people, and of businesses

5. Experience from the markets and your broad base of implementations and prospects

6. Sharing information

   ▪ Security and fraud management

   ▪ Gender research

   ▪ Ecosystem development