

Level One Project and Principles – Part 2

Mojaloop Convening
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Level One Project

Affordability

Low Cost

Scale

Safe

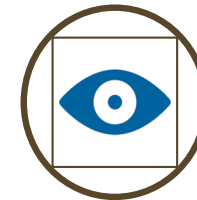


Usefulness

Reliable

Inclusive

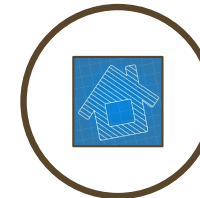
Ubiquitous



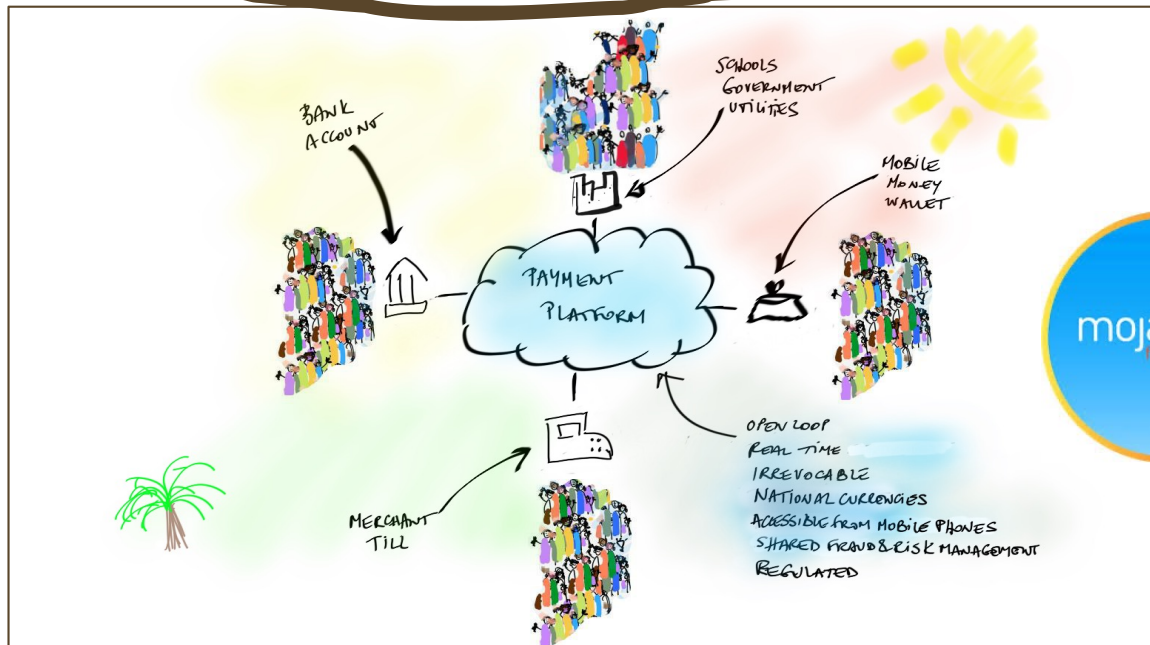
Provides a **vision for an inclusive instant payments system** that supports inclusive, interoperable digital economies, and the **design principles** to meet user requirements



Develops a **set of tools and resources** to enable the implementation of a real-time retail payment system that is aligned with the Level One Project principles



Shares a **blueprint** for how such a system could be configured within a country or region



Remind Me About Scheme Governance...

- The collection of management approaches, decisions, and oversight functions within the payment scheme.
- Importantly, governance is an activity in the collaborative space and should be a critical consideration when creating or transforming a scheme to meet the goals of financial inclusion.
- Governance determines or sets the tone for everything that occurs in the scheme.

Scheme Governance is different than the IIPS Project Governance

Codifying Scheme Design Decisions

Scheme Rules

- The rules governing participants' activities within the IIPS Scheme.
- The scheme rules provide a robust ruleset for participation.
- There may also be multiple appendices which contain additional detail.

Operating & Technical Guidelines

- The Operating and Technical Guidelines is a that provides the operational, technical, and functional details that participants and non-participant entities need to implement and observe within the Scheme.

Participation Agreements

- The contract between the Scheme Owner and an Entity binding both parties to the unique aspects of each set of Scheme Rules. The Scheme may have different types of Participants with categories and eligibility defined in the Scheme Rules.
- Different Agreements are developed for different Participant Types.
- Other Agreements may also be developed for other non-Participant entities (e.g., Payment Initiation, Technology Provider).

Scheme Governance Models

Central Bank Led

- May or may not formally include participants in decision making

Commercial Led

- May be focused on a single scheme, multiple schemes or have many initiatives and activities
- May be public or private
- May be owned by a segment of scheme participants
- May or may not formally include participants in decision making

Association Led

- May be focused on a single scheme, multiple schemes or have many initiatives and activities
- May or may not be mandated by regulation or law
- May have open or closed membership
- May or may not have formal Central Bank representation

Inclusive Scheme Governance

There are three critical components of governance that should be pursued to best promote financial inclusion.

These are:

Components

Equal Ownership

All direct participants of the scheme (banks and non-banks) are provided equal ownership opportunities in scheme governance as well as in scheme payment operations.

Participant Engagement

Direct and indirect participants are provided formal and informal mechanisms to provide input on the direction of the scheme, including the scheme rules.

Ensuring a Pro-Poor Posture

The scheme operates as a not-for-loss and the entity managing the scheme maintains a pro-poor posture where payments are considered a shared utility not a profit maximizing activity.

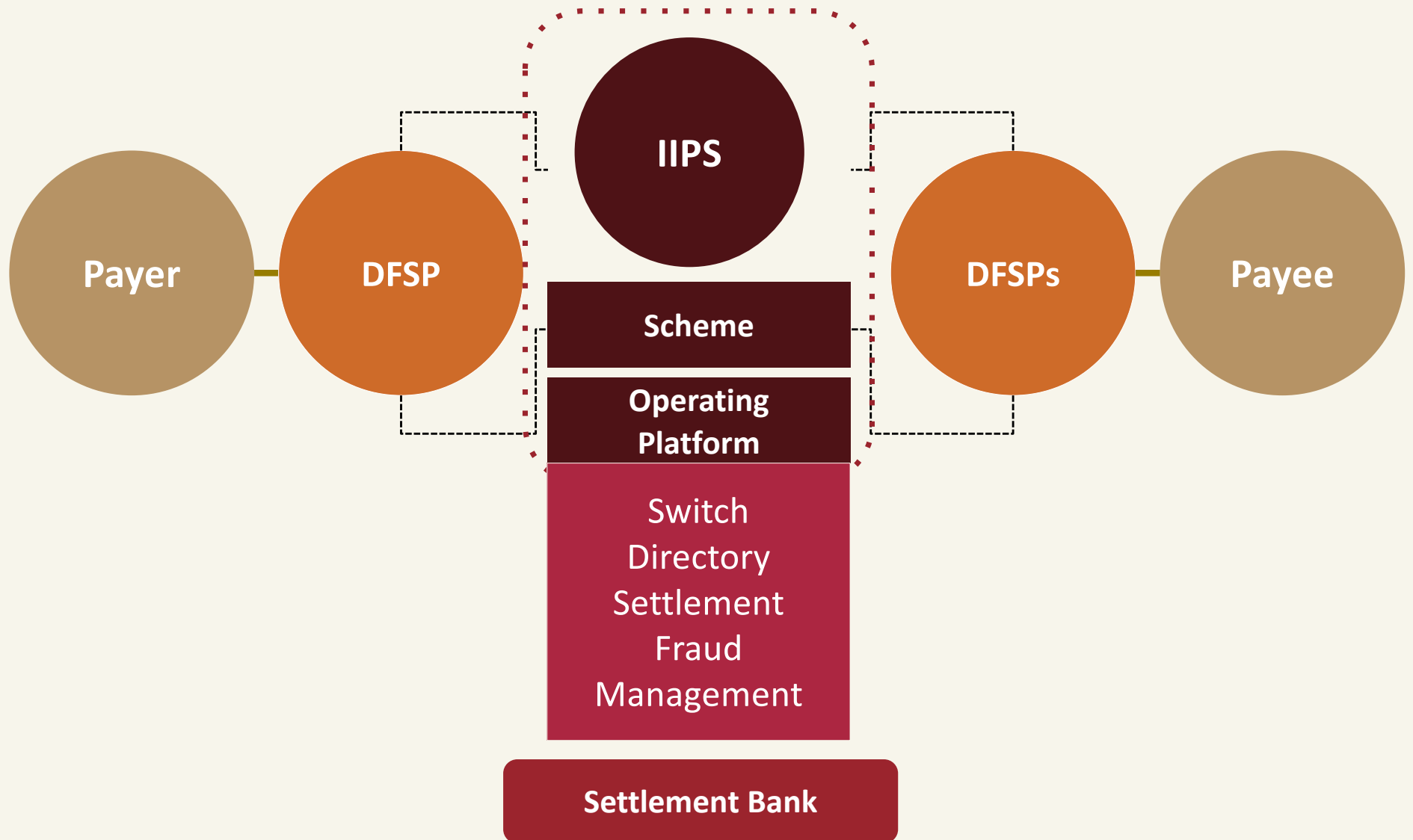
IIPS Economic Model Related Principles

- 1. Pro-poor scheme governance:** The scheme operates on a *not for loss* model and the entity managing the scheme maintains a pro-poor posture where payments are considered a shared utility, not a profit maximizing activity. Often referred to as *cost-recovery plus investment*
- 2. Low or no 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

What Does “Not-For-Loss” Basis Mean?

- The scheme itself runs on a “not-for-loss” basis – i.e., not a for profit venture
- Scheme fees cover cost of doing business and additional investment requirements
- The operating platform may be provided by the scheme or could be a commercial entity under contract to the scheme
- Allows DFSPs and others to create low-cost products and services in the ‘competitive space’ but does not prohibit DFSPs from acting on a for-profit basis

IIPS Platform Capabilities



Within The IIPS, There are Three Core Roles

Scheme Owner:

The entity that owns the scheme and is responsible for scheme governance including rules writing

Platform Operator:

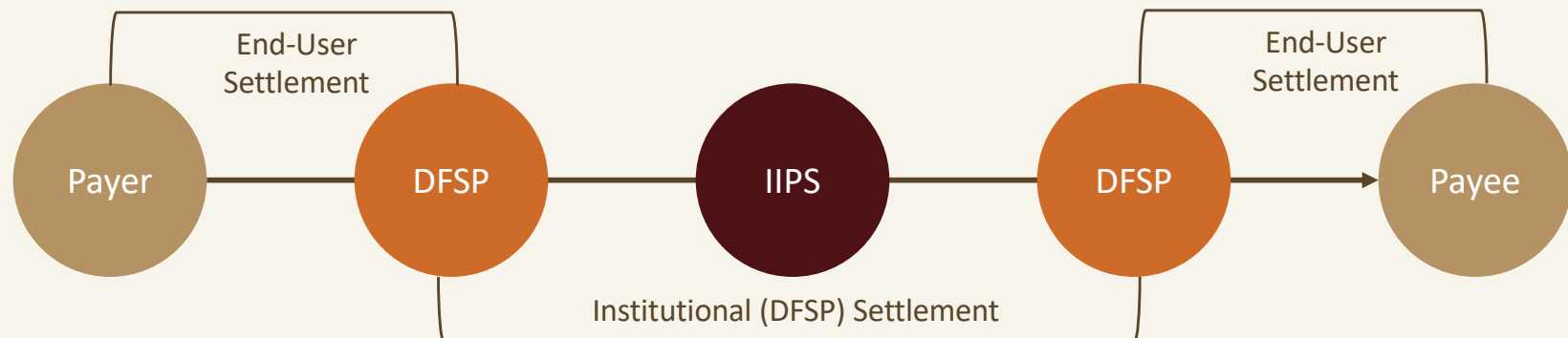
The entity that manages the platform and is responsible for processing transactions in line with requirements defined in scheme rules

Participants:

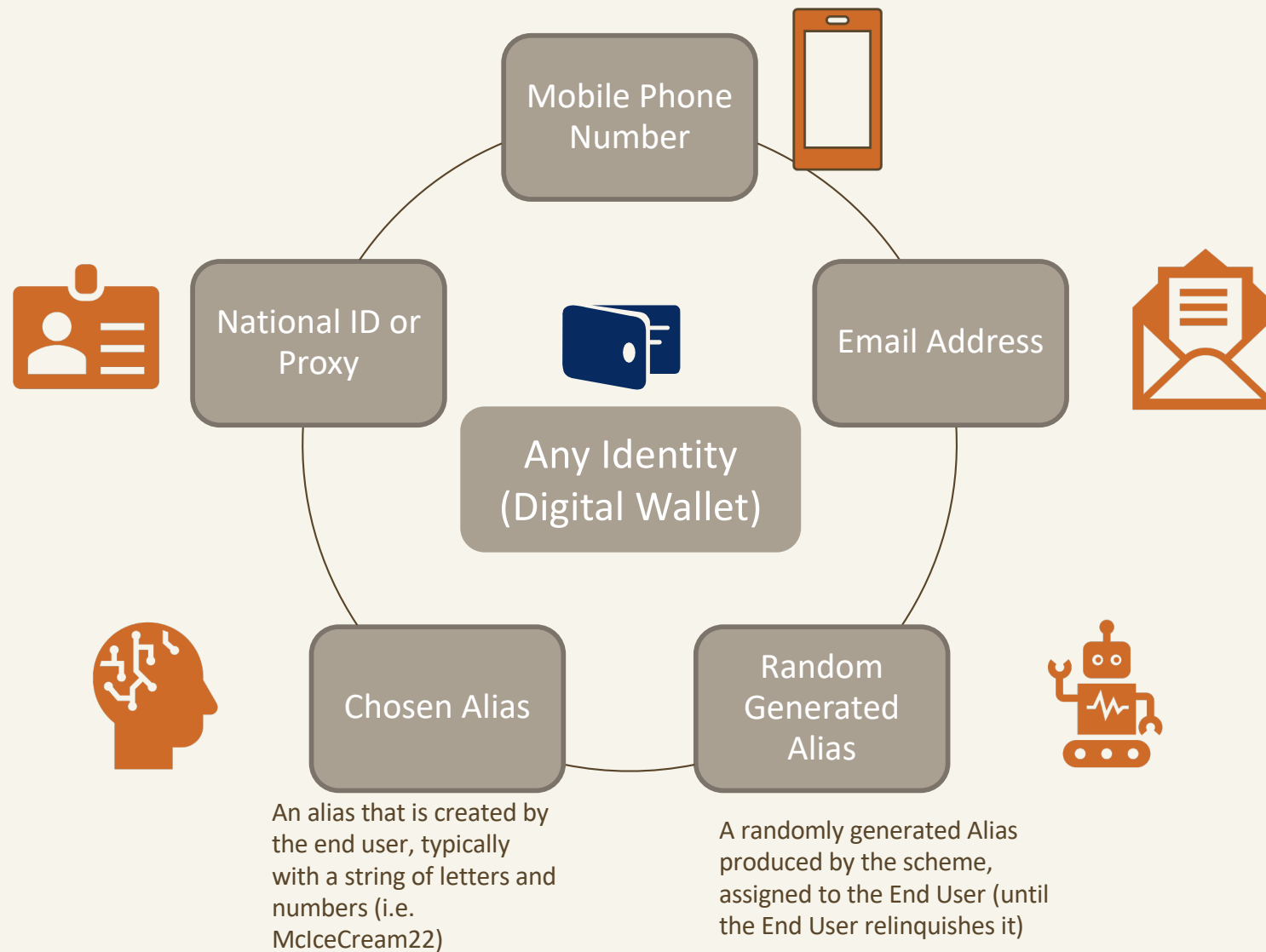
The individual DFSPs (banks and non-banks) that have signed agreements binding them to scheme rules, allowing them to connect to the platform for the purpose of availing scheme services

What is 'Clearing' and Settlement in an IIPS?

- The clearing phase is the exchange of information about a payment prior to settlement, potentially including the netting of transactions, and the establishment of positions for settlement of transactions between participants
- Clearing in an IIPS occurs instantly and on a continuous basis
- We use the term 'settlement' to talk about inter-institutional settlement – this is different from end-user settlement
- Settlement can be deferred net or real-time (gross)



Identifier / Addressing Options



BMGF Fraud Mitigation Principles



Principle 1: Liability

End users are not liable for confirmed fraudulent payments.



Principle 2: Rules

The IIPS guides DFSPs in managing fraud risk through their scheme rules.



Principle 3: Tools

The IIPS provides fraud mitigation tools and share in the investment.

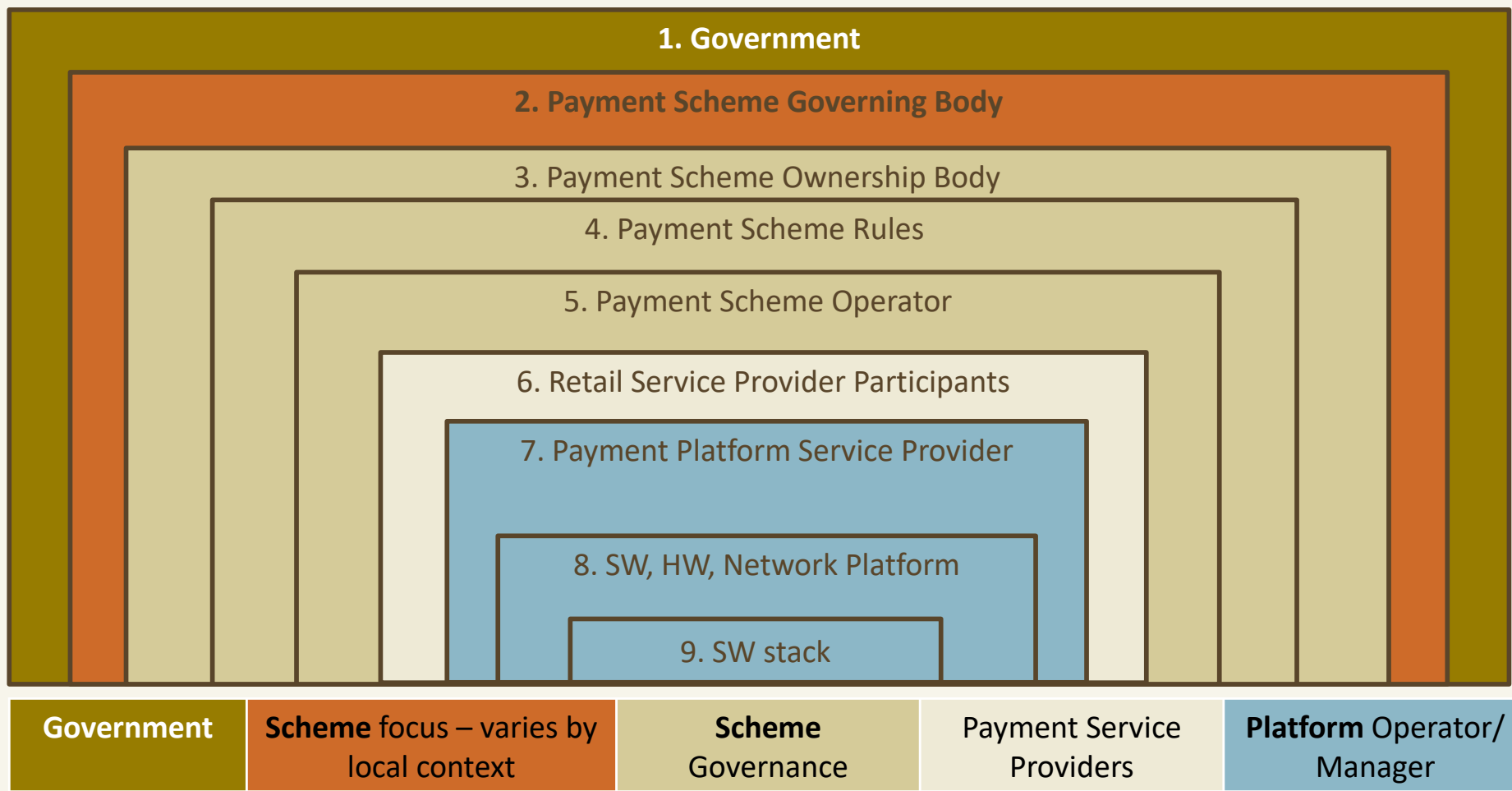


Principle 4: Data

The IIPS establishes fraud data and information-sharing guidelines and mechanisms.

Implementing an IIPS is a Significant Undertaking

More than hardware and software -- L1P Aligned Payment Scheme Entities and Roles



We need your input!

Tell us what you'd like to see in the next Level One website.

What resources do you need to design and build your IIPS?

URL:

bit.ly/L1Pwebsurvey

