GPFI | Global Partnership for Financial Inclusion

Australia 2014 G20

October 30, 2014
Basel, Switzerland

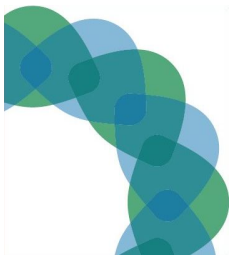**2ⁿᵈ GPFI Conference on Standard-Setting Bodies and Financial Inclusion**

Customer identity – the most important issue?

New opportunities, practices, and challenges in the digital context

Hosted by

FINANCIAL STABILITY INSTITUTE

BANK FOR INTERNATIONAL SETTLEMENTS

Financial inclusion through digital channels:
Client data privacy issues

Manoj K. Sharma, MicroSave

Keeping it simple - KYC for low income unbanked clients

- NMB (Tanzania) employs mobile agents with backpacks to sign up and educate new account holders of its Chap Chap account

- Agents use handheld devices to digitally capture KYC data including photos and fingerprints

- M-Shwari (Kenya) - a mobile money bank product allowing M-PESA clients to save and borrow

- Client consents to KYC data held by M-PESA telco (Safaricom) being shared with bank (CBA)

- Credit-scoring by CBA informed by client's Safaricom and M-PESA data

Data compromise – Examples

"They are ghosts! No one knows them, but they have information about me; they even address me by my name. I am sure the staff of the provider are involved" – DFS client in Bangladesh

The USSD code format reveals the password of clients, I know their details and also get to see their PIN – DFS agent, Uganda

Agents register debit card details of clients, including CVV/security numbers in a public register - MicroSave field observation in India

Service downtime and lack of liquidity

Clients share phones and PINs with agents to complete transactions

Customers required to fill in details

Confidential information (e.g. card numbers and CVV) are shared

Technology protocols

Client data is available to multiple agencies / individuals

GPFI Global Partnership for Financial Inclusion

PIN security - Are traditional control measures working?

"Out of my 60 customers about 50 will have simple PIN codes in the format of 1111, 2222 etc. Out of these 22 and 55 are very common. It is not difficult to steal the phone and find the PIN." DFS agent in the Philippines

"Kids shouts in middle of the crowd that PIN code is XXXX asking agent to urgently give money." DFS agent in Uganda

"600,000 clients of the bank (in India), which has an MFI as its agent have the same PIN (1111). MicroSave field observation

Lack of confidence in conducting transaction

Lack of awareness of importance of PIN

Fear of wrong transaction leads to dependence on agents

Service downtime, agent liquidity delays transactions

Customers' PIN journey: A *leaky bucket*

In many cases, the agent sets the PIN

PINs that are easy to remember are chosen (1234; 2222 etc.)

Customers usually do not change their PINs

PIN is shared with agents and family members

Privacy and protection of data – Multiple custodians

"We did an assessment of agents and found between 30-50 SIM cards each. This enabled them to get around transaction limits." Mobile Network Operator, Bangladesh

"In Kenya, a national identity number allows easy KYC of consumers and prevents misuse of documents. In Uganda, KYC is a big challenge and often fraudulent documents have been detected in the system." Mobile Money Provider

- ➢ **Client data and documents float between agents, MNO, bank and other service providers**

- ➢ **Limited understanding of data risks and often legal frameworks are limited**

- ➢ **Clients run the risk of fraudulent accounts in their names**

GPFI Global Partnership for Financial Inclusion

Potential solutions?

Aadhaar (India) allows for electronic verification of customers' identity, using biometric authentication

Network/Regulation level
- Review processes to identify risks and provide clear guidelines for data/information security
- Electronic KYC

Technology level
- Use of biometric devices
- Non-acceptance of weak PINs
- Mandatory system-driven periodic PIN change

Service level
- Customer awareness, client literacy and agent training
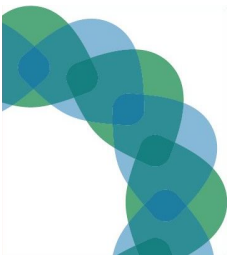- Strengthening customer care, support and recourse mechanism

GPFI | Global Partnership for Financial Inclusion

Australia 2014 G20

October 30, 2014
Basel, Switzerland

2ⁿᵈ GPFI Conference on Standard-Setting Bodies and Financial Inclusion

Standard Setting in the Changing Landscape of Digital Financial Inclusion

Hosted by

FINANCIAL STABILITY INSTITUTE

BANK FOR INTERNATIONAL SETTLEMENTS