

CENTRAL BANK OF SOLOMON ISLANDS

Financial Market Supervision Department

Practice Guidance Note. 2

Mobile Money Services

Applicability

1. This Practice Guidance Note 2 (hereinafter PGN2) is issued under sections 9(n) and 28 of the Central Bank of Solomon Islands Act 2012; and sections 8 and 11 of the Financial Institutions Act 1998 (as amended) and is applicable to licensed Financial Institutions and Non-Financial Institutions who are desirous of embarking on a business of Mobile Money Services.

Purpose

2. The objective of this PGN2 is to provide stakeholders in the digital money ecosystem a:
 - a. clear procedure for obtaining a Central Bank No Objection Approval for provision of Mobile Money Services;
 - b. minimum guideline on roles and responsibilities of the Central Bank, the Applicant, the Partnering Financial Institution, and the Agent; and
 - c. policy framework which supports innovation, competition, financial inclusiveness, and protection of users of Mobile Money Services in the market.

Definition

"Application Completeness" means the Application submitted by the Applicant to the Central Bank satisfies Paragraph 5 of PGN2;

"Applicant" means the Mobile Money Services Provider;

"Assessment Period" means 60 working days from the day the Central Bank commences its full assessment of the Application;

"Financial Institution" means institutions licensed by the Central Bank under the Financial Institutions Act 1998 (as amended), the Insurance Act 1986, the National Provident Fund Act 1996, and the Credit Unions Act 1986.

"Non-financial Institutions" means institutions not licensed by the Central Bank under the Central Bank Act 2012, the Financial Institutions Act 1998 (as amended), the Insurance Act 1986, the Credit Union Act 1986, and the National Provident Fund Act 1996;

“Central Bank” means the Central Bank of Solomon Islands established under the Central Bank of Solomon Islands Act 2012;

“Encryption” means the process of encoding messages at the time of transmission to prevent unauthorized individuals from interpreting or interfering with the messages;

“Escrow Account” means an account held by a Financial Institution, in particular, a Financial Institution licensed by the Central Bank under the Financial Institutions Act 1998 (as amended), for and on behalf of two other transacting parties. The transacting party in this context means the Applicant and the Mobile Money Services user;

“E-Money” means the monetary value of Mobile Money kept in the E-Money Account of a customer that is freely available to the customer for transactional purposes through an electronic system or for conversion or redeemable for cash through an Agent;

“Mobile Banking” means the use of a cell phone as a channel to access and make financial transactions by an individual from his account held in a Financial Institution licensed by the Central Bank under the Financial Institutions Act 1998 (as amended);

“Mobile Financial Services” means the financial services provided to public through the cell phone ecosystem;

“Mobile Money” means the E-Money a customer has in his E-Money Account and is accessible and available to the customer for use as a medium of exchange or for making Mobile Payments;

“Mobile Money Agent” means a third-party individual or entity appointed by the Mobile Money Service Providers to deal directly with their customers on their behalf;

Mobile Money Service Provider means the Applicant approved by the Central Bank in accordance with this PGN2;

“Mobile Network Operator” means an entity licensed by the appropriate regulatory authority in Solomon Islands to provide communications services using mobile networks;

“Mobile Payments” means a payment made by an individual using the Mobile Money Service;

“Mobile Wallet or M-Wallet” means a Mobile Money Account. It is a virtual account of a Mobile Money Service user maintained by a Mobile Money Service provider on his behalf;

“Personal Identification Number or PIN” means a passcode that a customer of a Mobile Money Service provider keys in order to enable him gain access to his account to perform a transaction;

“PGN1” means Practice Guidance Guide Note 1 on Use of Cash Agents in Solomon Islands issued by the Central Bank on June 26, 2017, and came into operation on August 1, 2017.

“Real Time” means instant processing of transaction when it is received by the Mobile Money Platform; and

“Suspicious Transactions” mean an abnormal or unusual one-off transaction or a series of patterns of transaction observed in a customer account.

Application Processes and Minimum Approval Requirements

3. Any Non-financial Institutions or persons desirous of providing Mobile Money Services in Solomon Islands shall submit a formal application to the Central Bank in the manner set down on Paragraphs 4 and 5 of this PGN2 with all relevant documents, authenticated in such manner as the Central Bank shall require, for due diligence assessment.
4. The Application, with all supporting information and documents, must be addressed to the Governor of the Central Bank.
5. The Application, at the minimum, must comprise of the following:
 - (a) A letter in the official letterhead of the Applicant stating the intention of the Applicant to provide Mobile Money Services in Solomon Islands;
 - (b) A detailed Business Plan of the Applicant, which at the minimum, must contain the following:
 - i. Background of the Applicant;
 - ii. Full names of any promoters of the Applicant, clearly articulating their biography, country of domicile, citizenship, street address, and standing and reputation;
 - iii. Full names of all shareholders of the Applicant, listing their country of domicile, citizenship, street address, shareholding structure, and standing and reputation;
 - iv. The structure of the Applicant clearly articulating whether the proposed establishment is a sole proprietorship, a corporation, a general partnership, a limited partnership, or a status of business clearly articulating whether it is a start-up, expansion of a going concern, takeover of existing business, franchise, etcetera;
 - v. Demographics and target market describing fully who its customers are and whether the proposed undertaking will facilitate B2B (business to business), B2C (business to consumer), B2G (business to government) transactions;
 - vi. Marketing strategy;
 - vii. Pricing strategy;
 - viii. The accounting and IT system and plans;
 - ix. risk management strategy covering risk and fraud plans, liquidity risk plans, governance, reputation, cyber, operational risk plans, anti-money laundering and terrorism financing risk plans regarding activities on proliferation of weapons of mass destruction, corruption, bribery, human and wildlife trafficking, soliciting funds for criminal and terrorism activities and prostitution;
 - x. Agent deployment and management mechanism;
 - xi. Names and address of all proposed Agents;
 - xii. Customer protection plans;
 - xiii. Customer support plans;
 - xiv. Natural disaster, manmade events, and Business continuity plan;
 - xv. Products and services plans;
 - xvi. Fees and charges;
 - xvii. A projected 3-year income statement; and
 - xviii. Future expansion plans;

- (c) An agreement between the Applicant and a Partnering Financial Institution that provides for the Applicant to establish an Escrow Account with the Partnering Financial Institution and for the Mobile Money Service is to be treated or regarded as a product of the Partnering Financial Institution;
 - (d) Evidence of the instrument under which the Applicant is incorporated;
 - (e) Evidence of compliance to Solomon Islands taxation laws, if it is an existing entity, or evidence of compliance to Foreign Direct Investment requirements and Immigration Laws, if it is a new investor or entity; and
 - (f) A nonrefundable Application Assessment Fee that the Central Bank shall publish in its Fees and Charges notices from time to time.
6. The Central Bank shall acknowledge receipt of the Application and perform a preliminary assessment on the Application for purposes of determining the Application Completeness.
 7. If the Application satisfies the Application Completeness criterion set down in Paragraph 5 of this PGN2, the Central Bank shall proceed to full assessment to determine the fitness and propriety of the Applicant;
 8. The Central Bank may request additional information and or documents from those listed in Paragraph 5 from the Applicant or from any of the Promoters of the Applicant to assist it in its appraisal during the Assessment Period.
 9. The Applicant and its Promoters shall be responsible for providing all information and documents requested by the Central Bank assessors. Failure to provide those documents and information on time shall not restrict the Central Bank from making decision on the Application without that information. The Central Bank may request the Applicant and its Promoters to authenticate any documents or information in the manner or form that it requests.
 10. The Central Bank shall make decision on the Application, even if it does not receive the information or documents that it so requested under Paragraph 8, based only on information it has on hand during the Assessment Period.
 11. The Central Bank shall formally communicate its decision on the outcome of the Application to the official address of the Applicant, unless the Applicant advises the Central Bank to the contrary, within the Assessment Period.
 12. The Applicant shall not commence Mobile Money Services prior to receiving the official decision of the Central Bank.
 13. The Applicant shall rollout its Mobile Money Services within 90 days of receiving the official decision of the Central Bank.
 14. The Applicant shall adhere to any conditions attached to the approval issued by the Central Bank.

Roles and Responsibilities of Stakeholders

15. The roles and responsibilities of stakeholders to Mobile Money Services shall be as follows:
16. The Applicant must:
 - (a) Negotiate or enter into an agreement with a Financial Institution licensed by the Central Bank under the Financial Institutions Act 1998 (as amended) for purposes of establishing an Escrow Account with the Financial Institution and of establishing the proposed Mobile Money Services as a product of the said Financial Institution;
 - (b) Operate as an Agent of the Partnering Financial Institution;
 - (c) Ensure safety of its Technology systems and Infrastructure, and inform the Partnering Financial Institution on the Technology system or the Mobile Money platform that it proposes to use;
 - (d) Utilize a system that has capabilities of integrating with other payments systems, either in Solomon Islands or elsewhere, to promote full interoperability in the payments ecosystem;
 - (e) Ensure the Mobile Money Service runs smoothly;
 - (f) Ensure that Agents it selects are endorsed by the Partnering Financial Institution prior to operation;
 - (g) Have a robust and adequate risk management framework in place. The framework must, at the minimum, provide detailed procedures for mitigating all classes of inherent risks, including those risks associated with data confidentiality; systems and data integrity; system and data authentication; money laundering, and terrorism financing; and natural and manmade events; and business continuity management issues;
 - (h) Adopt or develop and put in place any operational safeguards or risk mitigation procedures that the Partnering Financial Institution may request to give the Partnering Financial Institution a reasonable level of comfort in the proposed undertaking for purposes of preserving the standing and reputation of the Partnering Financial Institution;
 - (i) Develop and operationalize an effective due diligence and Agent selection framework;
 - (j) Develop and operationalize an Agent supervision mechanism and sensitize Agents to adhere to their conditions of service;
 - (k) Keep up-to-date record of Agents;
 - (l) Conduct weekly reconciliations of Mobile Money Accounts and Escrow Accounts;
 - (m) Work with the Partnering Financial Institution to ensure that the Technology System:
 - (i) Has an appropriate safeguard in place;
 - (ii) is interoperable beyond the Partnering Financial Institution and at both the Agent and customer level;
 - (iii) Can be regularly tested;
 - (iv) Is replicable at the Partnering Financial Institution in Real Time with rights to view accounts to the Partnering Financial Institution; and
 - (v) Can run adequate backups.
 - (n) Perform due diligence on Agents and recommend them to the Partnering Financial Institution for decision;
 - (o) Notwithstanding Paragraph n, the ultimate responsibility of how Agents are selected, trained, managed, and monitored rests with the Partnering Financial Institution as set down in Paragraphs 5-9 of PGN1;

- (p) Transfer all unused E-Money balances in the Mobile Wallet of the Mobile Money Services Accountholder back to the bank account of the Mobile Money Services Accountholder in the event of the operations of the Applicant is terminated or is undergoing an insolvency exercise;
- (q) Have an appropriate Anti-Money Laundering and Combating the Financing of Terrorism framework; and
- (r) Provide Anti-Money Laundering and Combating of Financing Terrorism trainings to Agents each year.

17. The Partnering Financial Institution Must:

- (a) Be responsible for performing due diligence assessment on the Applicant or the Mobile Money Service Provider and for discharging the functions set down on Paragraph 5 to Paragraph 9 of PGN1;
- (b) Be responsible for ensuring that the Applicant and all its Agents are fully aware of and comply with minimum requirements set down on Prudential Guideline 8 on Disclosure on Interest Rates, Fees and Charges;
- (c) Provide adequate management and operations training and trainings on how to conduct pre-contractual discussions to the Applicant and the Applicant to do the same for Agent as set down on Paragraph 14 of PGN1;
- (d) Comply with Paragraph 16 of PGN1;
- (e) Define minimum sets of procedures for conducting transactions in the Escrow Account. Such a procedure must satisfy the fiduciary responsibilities of the Partnering Financial Institution;
- (f) Ensures the Applicant keeps proper record and performs reconciliation of Mobile Money Account and Escrow Account. The timing for performing such reconciliation must be included in the agreement;
- (g) Assess and confirm to the Applicant that the Partnering Financial Institution has no significant technical or compatibility issues with the proposed Technology System or the Mobile Money Platform of the Applicant;
- (h) Work with the Applicant to ensure the Technology System has adequate safeguards in place, is interoperable, both beyond the Partnering Financial Institution, and at Agent and customer levels, can be tested regularly, can be replicated at the Partnering Financial Institution in real time with rights to view accounts to the Partnering Financial Institution, and can run adequate backups; and
- (i) Ensure that the Applicant has an appropriate Anti-Money Laundering and Combating the Financing of Terrorism framework in place.

18. The Agent must:

Be an authorized entity recruited by the Mobile Money Service Provider and receives No Objection endorsement from the Partnering Financial Institution to serve as Agent;

- (a) Be a licensed business, either operating as a sole trader, a partnership, a joint venture, or a corporation, in Solomon Islands;
- (b) have a physical representation and an identifiable address;
- (c) have an account with a Financial Institution licensed by the Central Bank under the Financial Institutions Act 1998 (as amended);
- (d) Display conspicuously in public places signage that identifies the Agent as an Agent of the Applicant and by extension the Partnering Financial Institution;

- (e) Display conspicuously in public places any fees that may be charged for services provided;
 - (f) Not charge customers any undisclosed fees;
 - (g) Have a framework in place to maintain liquidity;
 - (h) Keep proper and chronological records of transactions, do cash reconciliation at the end of each sales day, and to keep all records for 7 years;
 - (i) Surrender promptly all customer identification documents, records, or any other similar documents that it has in its possession to the Applicant in the event the Applicant is terminated or is undergoing a liquidation process;
 - (j) Notify the Applicant prior to establishing partnerships with multiple Mobile Money Service Providers;
 - (k) Comply with terms and conditions of agreement with the Applicant and by extension the Partnering Financial Institution;
 - (l) Not perform any transactions during the outage of Mobile Services;
 - (m) Attend annual Anti-Money Laundering and Combating the Financing of Terrorism trainings organized by the Applicant;
 - (n) Have a money laundering and terrorism financing framework in place;
 - (o) Report any suspicious transactions to Solomon Islands Police, the Applicant, the Solomon Islands Financial Intelligence Unit, or the Partnering Financial Institution;
 - (p) Not operate prior to receiving a formal No Objection approval from the Partnering Financial Institution. The Applicant shall convey such No Objection approval to the Agent.
19. The Customer must:
- (a) not disclose his PIN to the Agent or to any other third parties;
 - (b) exercise due care when using the Mobile Financial Services or when performing a Mobile Banking; and
 - (c) report any unfair practices or complaints with respect to consumer protection issues that he may have against the Agent. Such complaints can either be lodged with the Agent or with the Applicant.

Minimum Requirements for Escrow Account Agreement

20. The Agreement between the Applicant and the Licensed Financial Institution, at the minimum, must contain the following:
- (a) An expressed provision that the funds in the Escrow Account belongs to the users of the E-Money in the mobile money platform and not belong to the Mobile Money Services Provider;
 - (b) Provisions clearly articulating the expectations and scope of responsibilities of the Applicant and the Partnering Financial Institution; and
 - (c) A provision clearly articulating restrictions set down in Paragraphs 28 and 29 of this PGN2.

Consumer Protection and Recourse Requirements

21. The Partnering Financial Institution, the Mobile Money Services Provider, and the Agent shall comply with the minimum guidelines set down in Prudential Guideline 9: on Complaints Management.
22. The Partnering Financial Institution must ensure that the Applicant and the Agents are familiar with the contents of Prudential Guideline 9: on Complaints Management and has reasonable working knowledge to direct customers to the appropriate contact point to lodge complaints, as well as to the contents of Prudential Guideline 8: on Disclosure of Interest Rates, Fees, and Charges.
23. The Applicant shall ensure that Mobile Money Customers are aware of the terms and conditions of Mobile Money Services, including risks associated with the usage of Mobile Money Services, prior to using Mobile Money Services.
24. The Applicant shall ensure that Agents explain the terms and conditions of Mobile Money Services and risks associated with usage of such services in simple and plain language to customers.
25. The Applicant shall ensure that Agents record accurately nature of consumer complaints and keep records of complaints in chronological order.

E-Money

26. Mobile Money Services accountholder can store in Mobile Money Wallet the amount of E-Money as follows:
 - a. For individual Mobile Money Services accountholder, up to a maximum of ten thousand Solomon Islands dollar;
 - b. For not-for-profit club and society Mobile Money Services accountholder, up to a maximum of twenty thousand Solomon Islands dollar; and
 - c. For small to medium-sized business Mobile Money Services accountholder, up to a maximum of one hundred thousand Solomon Islands dollar.
27. Mobile Money Services accountholder can make from Mobile Money Wallet the following Mobile Payments:
 - a. For individual Mobile Money Services accountholder, up to a maximum of two thousand Solomon Islands dollar per transaction and a cumulative payment of up to five thousand Solomon Islands dollar per day;
 - b. For not-for-profit clubs and society Mobile Money Services accountholder, up to a maximum of five thousand Solomon Islands dollar per transaction and a cumulative payment of up to ten thousand Solomon Islands dollar per day; and
 - c. For small to medium-sized business Mobile Money Services accountholder, up to a maximum of twenty thousand dollars per transaction and a cumulative payment of up to eighty thousand Solomon Islands dollar per day.

Escrow Account Activity Restrictions

28. The Applicant is prohibited from borrowing, lending, expending, subsidizing costs of operations, or using the funds accumulated in the Escrow Account for any other purpose without the expressed approval of the Central Bank.
29. The Applicant is prohibited from using interests paid by the Partnering Financial Institution to the funds held in the Escrow Account, if any, for any other purposes other than for crediting interests to the customer account, without the expressed approval of the Central Bank.
30. The precise modus operandi of the Escrow Account must be governed by the agreement between the Applicant and the Partnering Financial Institution referred to in Paragraph 16(a).

Reporting and Record-keeping Requirements

31. The Mobile Money Services Provider shall submit to the Central Bank, in a form prescribed by the Central Bank for such purpose, and in a form, structure, and frequency so requested, statistics that the Central Bank may require and or request from time to time for its analysis, financial inclusion work, and oversight function.
32. The Mobile Money Services Provider shall submit Mobile Money Services statistics to the Central Bank 25 days after the end of each forgoing month. Such statistics shall comprise of the following:
 - a. Number of Mobile Money Services transactions by Agent and by customers articulating the age and gender of the customer, the transaction purpose and province of the transacting customer;
 - b. Amount of cash in and cash out transactions by Agent and customer articulating the age and gender of the customer, the transaction purpose and province of the customer;
 - c. Amount of P2P transactions;
 - d. Amount of top-ups by gender and Agent;
 - e. Amount of bill pay by gender and Agent;
 - f. List of active Agents and their location;
 - g. List of deregistered Agents, their locations, and reasons for deregistration;
 - h. List of potential Agents in pipeline and their locations; and
 - i. Any other statistics that the Central Bank shall request from time to time.
33. The Applicant shall maintain daily record of transactions and shall preserve such record for at least 7 years.

Anti-Competition Behavior and Compliance to Honiara City Council and Provincial Government Requirements

34. The Partnering Financial Institution, the Applicant, and the Agent must not engage in any anti-competitive behavior.
35. The Applicant and its Agents must comply with all applicable Solomon Islands Laws and local municipal authority and provincial government requirements.

Anti-Money Laundering and Combating the Financing of Terrorism

36. The Applicant must have an appropriate Anti-Money Laundering and Combating the Financing of Terrorism framework.
37. The Anti-Money Laundering and Combating the Financing of Terrorism Framework of the Applicant must be aligned with minimum FAFT standards and Solomon Islands Money Laundering and Proceed of Crimes Act 2010.

Supervision

38. The Central Bank shall perform, or appoint other competent person to do so on its behalf, an onsite examination on the activities of the Mobile Money Services Provider and its Agents.
39. Reports produced, as a result of the onsite examination, shall be submitted to both the Applicant and the Partnering Financial Institution.

Compliance with Other Future Directives Requirements

40. The Applicant shall be required to adhere to new legislations, policies, guidelines, directives, and any other new or additional requirements issued by the Central Bank.

Enforcement and Corrective Measures

41. An Applicant which fails to comply with the requirements contained in this PGN2 or submits to the Central Bank reports that are materially inaccurate shall be considered as following unsound and unsafe practices.
42. The Central Bank may, if it has grounds to believe that the actions of the Applicant is detrimental to the interest of Mobile Money customers, and to the confidence and stability of the Mobile Financial Services ecosystem, direct the Applicant to pursue all corrective actions, impose additional conditions that the Central Bank may consider appropriate, or cancel the No-Objection Approval.

Effective Date

43. The effective date of this Practice Guidance Note is July 1, 2019.

Issued this 1th day of July, 2019.



Governor, Denton Rarawa
Central Bank of Solomon Islands