THE MOBILE BANKING/PAYMENT INITIATIVES: THE BANKED & THE UNBANKED

Mobile banking for the banked is a fast growing service to those who already have bank accounts. This means:

1. They have sufficient means for a financial institution to pay the costs of maintaining an account for the customer
2. For banks, lowers costs of overhead in maintaining accounts
3. Allows faster deployment of banking products
4. For customers, greater efficiency and convenience
5. More products
6. Continuously available information
7. Great Convenience and High Up-Take for Countries with Cash Culture: Mobile Payments Solve Some Cash Issues

THE MOBILE BANKING INITIATIVES: THE BANKED ISSUES OF MOBILE PAYMENTS

Mobile banking products being provided today to the Banked:

1. Electronic Wallet
2. E-Transfer of Funds/Payments/Gifts
3. ATM Card
4. Loans/Credit Cards
5. Check Balance
6. Online Information
7. Direct Deposits

THE MOBILE PAYMENT AND BANKING INITIATIVES: THE UNBANKED

Mobile Banking for the Unbanked: New Market Potential, Greater Challenges

- Requires Location of Physical Establishment to Serve as A Virtual ATM
- Access to an Electronic ATM
- Access to a “Human ATM”
- Transit Security of Agents
- Tech Education Curve
- Update ICT Laws for Consumer Protection and Banking Reg Relief
- Dependence on Agents in LDC’s but Still Strong Growth
- Fewer, more basic transactions

THE MOBILE PAYMENTS/BANKING INITIATIVES: MOSTLY THE BANKED

- Africa, Asia and India Have Faster Growth Than Most 25% of Absa Bank Customers in SA Have Mobile Bank Accounts Rep Over 1 mil Customers; Asia-Pacific Grow Revenue Model in Mobile Banking Charges
- Japan; More Than 40 Mil Handsets In Use For Point Of Sale Payments
- Scotiabank in the Caribbean and Latin America Teamed with M-Com and Is Rolling Out to More Than 18 Countries
- FirstCaribbean teamed with Sybase 365 to Enter Mobile Banking Market
- Digicel Leads Roll Out in Its Caribbean Countries
- A Logical Next Step in Online Banking For the Banked
- Initiatives and Products Are Replacing Online Banking With Web-Based Mobile Phones
- Potentially More Compelling Business Cases for the Unbanked
- U.S. Slower on Uptake; But Generation Y Are a Target
DIGICEL: Pay by Mobile Phone Number

Step 1: Customer
Step 2: Enter Mobile Phone Number
Step 3: Merchant
Step 4: Confirm Transaction
Step 5: Transaction Completed

OPPORTUNITIES FOR MOBILE PAYMENTS/BANKING IN DEVELOPING COUNTRIES

BENEFITS OF MOBILE BANKING IN RURAL/POOR AREAS

- New Economic Opportunities, Time Efficiencies, Market Information and Transaction Ability Trickle Down To The Poor For The First Time In A Life Changing Way
- Young Male, Tech-Savvy Immigrants From Villages to Cities Sending Money Home Will Define Service and Agent in Rural Areas; They Appear To Be Starting With Brands They Trust, Particularly in Mobile Operator; To The Extent This Population Segment Tends To Be More Educated/Ambitious, the Model Is a Growth One
- Mobile Penetration Rate Makes Mobile Banking the Superior Product to A Card System Even For Urban Banked
- Mobile Banking Is Driving and Will Drive Other Mobile Products Such As Commodities Info For Farmers; Data Bases For Other Industries (MTN in Africa Recently Added This), Improves ARPU and Protects Against Churn

EFFICIENT, NEW PRODUCTS, FOR THE BANKED

Relative Success in Roll-Out

- SAFARICOM: Has 80% of Kenyan Mobile Market;Rolled Out With M-Pesa, Highly Successful, Trusted Brand; Expansion to Other African Countries; Provides Multiple Services
- MTN: SA-Based, Claims to Be Largest African Mobile, Teams with Standard Bank in South Africa (Mostly Banked vs UnBanked Market); Rolling Out to All 21 African Countries In Which It Operates; Deployment Slower Than Expected, Some Team Departures; 2 Million Subs and Growing; Working on UnBanked Business Models
- MOBUX: SA-Based, Tech/Platform Oriented; Patented Technology, Focus on Platform; Self-Destructing PIN For Payments; Challenging Business Model; 90K Subs and Struggling
- AFRICEL, COMIUM, ZAIN, SIERRATEL: Overloaded Mobile Ops Market in Sierra Leon; Unmotivated Agents; Agents Who Participate in Mobile Banking Do It As Loss Leader To Get Customers Into Their Shop to Buy Goods

CHALLENGES AND OPPORTUNITIES FOR MOBILE BANKING IN AFRICA

CHALLENGES AND OPPORTUNITIES FOR MOBILE BANKING IN AFRICA: LIVE FROM KENYA

- Mobile Industry in LDC’s Least Affected By Global Economic Problems Per ITU 2009 Report
- “Developing Countries Are Home to the Next Billion Mobile Subscribers”
- With Pin Numbers Employers and Pension Funds can Disburse Funds to Unbanked Recipients Through Agents; and Maintain Virtual Accounts for Them, Important in High Crime Environments/Cash Societies Like Developing Countries.
- Access to Cash Permits Small Businesses to Develop in Rural Areas, Starting With the Business of the Human ATM’s, and the Agents
- Shops That Include “ATM” Capability Purely For Cash Access In African Rural Areas Have Shown Increase in Sales of Shop Merchandise Unrelated To the Cash Access Due To Higher Traffic In The Shop
MOBILE PAYMENTS IN THE US: SLOWER TO CATCH MARKET INTEREST BUT A PART OF THE FUTURE

- Non-Cash Culture of U.S. Commerce: “Sorry, we don’t belong to that club”
- Existence of Multiple Non-Cash Payment Options: Visa/Mastercard Dominate US Market; Mobiles are Challenging
- Cap Ex Involved in Contactless Payments With Risky US Market Up-Take
- Mobile Carriers Form Consortium to Manage Risk and Socialize Concept
- Privacy and Security Law Confidence Issues

MOBILE PAYMENTS IN THE US: COMPARISON OF CASH USAGE AROUND THE WORLD: Point of Sale

- Heavy Cash Societies More Likely to Have High Up-Take
- Cap Ex of Implementation Retards Up-take with Market Questions as in U.S.
- LDC/USA Comps Steeper

CHALLENGES AND OPPORTUNITIES FOR MOBILE PAYMENTS/BANKING

- In the U.S., Slower Uptake is Resulting From History of Cashless Commerce That Created Adequate Substitutes; but MTA and Other Areas of Economy Support Mobile Carrier Movement to Mobile Payments. In the Caribbean the Banks Lead the Initiative as a Rule and the Mobile Companies Team with a Bank. Mobile Payments Are Popular.
- In Developing Countries, Mobile Payments Deploy Most Rapidly in Markets With Aggressive Mobile Operators; This Could Challenge Competition Goals in Telecoms Sector
- Emphasis on Education of The Rural and Poor Populations in Protection of Private Information, PINs, Public Data Entry, Etc. Is Essential; Online Contract Disclaimers Require New Subs to Agree to Protective Measures Unfamiliar to Many Communities.
- Consider Extension of USF Laws to Ubiquitous, and Amendment of Related Banking Laws

CHALLENGES AND OPPORTUNITIES FOR MOBILE BANKING: CONCLUSIONS

- Mobile Banking in General and Payments in Particular is A Key Step In Economic Development of Developing Countries Where High Percentages of the Population Live In Rural Areas or Are Considered Poor and Unbanked; Potential Is Enormous
- In the Americas, the Caribbean Initiatives are Getting Started But With Some Enthusiasm and Lead by the Banks not the Mobile Companies
- In the US the Non-Cash Culture and Legal Protection Issues Retard Growth But Following MTA Model, Adoption Looks Very Likely
- Uptake Requires Confidence in Provider of Underlying Credit, Confidence in the Legal/Regulatory Structure.
- For U.S. Carriers Seem to Consider That Cap Ex is Best Addressed With Shared Risk Among Mobile Operators

THANK YOU

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