Mobile Financial Services

Cash Out (CO) Interoperability Rules

December 2016

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1 Contents

2 Document Control .......................................................... 6
3 Acceptance of these Standards ........................................... 7
   3.1 List of participants ................................................. 8
4 Introduction ...................................................................... 9
   4.1 Effects .................................................................. 10
   4.2 Governing Laws ...................................................... 10
   4.3 Inconsistencies ....................................................... 10
5 Governance .................................................................... 11
   5.1 Effective Date ......................................................... 11
   5.2 Amendments & Waivers ........................................... 11
      5.2.1 Amendment to these Standards ......................... 11
   5.3 Good Faith Co-operation ........................................ 11
6 Participation in the CO Service ........................................... 12
7 Services & Service Architecture ......................................... 13
   7.1 Services .............................................................. 13
   7.2 Functional Flows .................................................... 13
   7.3 Subscriber Verification ............................................ 13
8 Business model ................................................................ 15
   8.1 COGB Costs ........................................................ 15
   8.2 Mobile Interchange Structure ................................... 15
      8.2.1 Guiding principles: ........................................ 15
      8.2.2 Fees for Failed and/or Disputed Transactions ....... 16
9 Clearing and Prefunding .................................................... 17
   9.1 General Principles of Clearing .................................. 17
      9.1.1 Provision of Information .................................... 17
      9.1.2 Obligation to Credit ......................................... 17
      9.1.3 Returned Transactions ...................................... 17
      9.1.4 Responsibility for Transactional Errors ............... 17
   9.2 General Principles of Prefunding ............................... 17
   9.3 Prefunding & Clearing Architecture ........................... 18
10 General Operational Considerations ................................. 19
   10.1 Testing .............................................................. 19
11 Principles for the Management of Subscriber Disputes ........................................... 22
11.1 General Standards .................................................................................................. 22
  11.1.1 Applicable Laws & Jurisdiction ........................................................................... 22
  11.1.2 Electronic Media As Evidence ........................................................................... 22
  11.1.3 OTC, and Non-MFS Accounts, ......................................................................... 22
  11.1.4 Reversals, Roll-Backs & Refunds ...................................................................... 22
  11.1.5 No Disintermediation ......................................................................................... 22
  11.1.6 Subscriber Communications .............................................................................. 22
  11.1.7 Location Data .................................................................................................... 22
  11.1.8 General Principles For The Recovery of Disputed Value ................................. 22
  11.1.9 General Process To Report & Resolve Subscriber Disputes ............................ 23
  11.1.10 Fraudulent Disputes ........................................................................................ 24
  11.1.11 Good Faith ....................................................................................................... 24
  11.1.12 Time Frames For Dispute Response .................................................................. 24
  11.1.13 Grey-Listing Of MFS Accounts ....................................................................... 24
  11.1.14 Network Delays ............................................................................................... 25
11.2 Specific Examples .................................................................................................... 25
  11.2.1 Incorrect e-Values Following A Cash Out ......................................................... 25
  11.2.2 Cash In Notification Messages Not Received .................................................... 26
  11.2.3 Transaction Is Rejected ...................................................................................... 26
  11.2.4 Agent Will Not Process A Cross-Net Transaction ............................................. 26
  11.2.5 Surcharging Of Subscriber Fees ....................................................................... 27
  11.2.6 Agent Executes Duplicate Transactions Due To System Delay ....................... 27
  11.2.7 Agent Migrating Subscribers To A Competitor MFSP ..................................... 27
11.2.8 Agent hands out counterfeit money...............................................................27
12 Risk management.................................................................................................29
13 General Standards of Compliance....................................................................30
  13.1 Exemptions.......................................................................................................30
  13.2 Disclosure of Non-Compliance......................................................................30
  13.3 Audit................................................................................................................30
  13.4 Suspension & Termination............................................................................30
  13.5 Notices............................................................................................................30
  13.6 Liability for owned & controlled entities ....................................................30
  13.7 Disclosures & Confidentiality.......................................................................30
14 Appendix A - Operational Requirements..........................................................31
  14.1 Testing.............................................................................................................31
  14.2 Operational and Security Standards............................................................31
  14.3 Data Security..................................................................................................31
  14.4 Prevention of Money-laundering.................................................................32
  14.5 Reporting........................................................................................................32
15 Appendix B - Compliance....................................................................................33
  15.1 Exemptions & Waivers..................................................................................33
    15.1.1 Waivers from the Standards .................................................................33
    15.1.2 Application for an Exemption..............................................................33
    15.1.3 Determination of an Application for an Exemption..........................33
  15.2 Disclosure of Non-Compliance.....................................................................34
  15.3 Audits .............................................................................................................34
  15.4 Suspension & Termination..........................................................................34
    15.4.1 Immediate Suspension..........................................................................34
    15.4.2 Other reasons for Suspension..............................................................35
    15.4.3 Effect of Suspension..............................................................................35
    15.4.4 Withdrawal of Participants.................................................................35
    15.4.5 Obligations of Cessation.......................................................................35
    15.4.6 Compliance with these Standards......................................................35
  15.5 Liability for owned & controlled entities ....................................................35
  15.6 Disclosures.....................................................................................................36
  15.7 Confidentiality...............................................................................................36
16 Appendix C - Arbitration....................................................................................37
## 2 Document Control

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3 Acceptance of these Standards

By signing this document, each signatory binds itself to apply these Standards in all commercial agreements with each of the other signatories of these Standards, including any signatory which signs this document after the date of signature hereof by such first mentioned signatory, for the provision of Mobile Financial Services Interoperability Cash Out (MFSi CO).
### 3.1 List of participants

<table>
<thead>
<tr>
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4 Introduction

This document introduces the framework of Standards that are being developed to guide all entities that participate in the delivery of Mobile Financial Services (MFS). This seamless delivery of MFS across all Mobile Financial Service Providers (MFSPs) is referred to as “Interoperability”.

The following Standards cover Cash Out transactions. In other words we are discussing the process by which an Agent gives the Subscriber cash in exchange for a transfer of e-Value from the Subscriber’s Mobile Financial Services account. (Referred to as “CO”).

Other services may be added from time to time with the agreement of MFSPs and will be covered in separate Standards documents applicable to the respective services.

In this document, we follow the GSM Association’s (GSMA’s) definition of Mobile financial services as: the use of a mobile phone to access financial services and execute financial transactions. This includes both transactional and non-transactional services, such as viewing financial information on a user’s mobile phone. Mobile money, mobile insurance, mobile credit and mobile savings are all mobile financial services.

The overriding vision is to achieve a nationally used and internationally recognised payments system.
4.1 Effects
Becoming a signatory of these Standards will have the effect of compelling the signatories to apply and be bound, unless the parties have applied for exemption and or made disclosure of such non-compliance, to:

(i) apply all the Standards in agreements with other members;
(ii) fulfil every obligation and duty required of it by the Standards in its agreements with other members; and
(iii) Unless the parties have made applied for exemption and or made disclosure of such non-compliance.

As MFS Providers (MFSPs) put in place commercial agreements with signatories to these Standards, then those agreements should invoke these Standards.

If an MFSP wishes to put in place a commercial bilateral agreement with an MFSP that is not a signatory to these Standards, then such a commercial relationship need not invoke these Standards, but these Standards may be used by the non-signatory with the non-signatory having no right to vote on changes to these Standards.

If two MFSPs put in place a commercial agreement and both MFSPs do not wish to comply with certain aspects of these Standards, then areas of non-compliance should be recorded in the bi-lateral agreements and the Central Bank and/or the COGB should be notified along with a compliance date if applicable.

4.2 Governing Laws
The Constitution and Acts of Parliament should be taken into consideration when executing MFSi.

4.3 Inconsistencies
If a provision in these Standards is inconsistent with a provision of the Constitution, the provision of the Constitution prevails.

If a provision of these Standards is inconsistent with a provision in the Laws, the provision of Law prevails.

If a provision of these Standards is inconsistent with a provision of an MFSP’s internal rules for MFSi, the provision of these Standards prevails.

If a provision of these Standards is inconsistent with a provision of a bilateral agreement between the parties the provision of the bilateral agreement prevails.
5 Governance
The MFSi CO Standards are owned and administered by a CO Governing Body (COGB) on behalf of, and in the interests of, all organisations participating in CO MFSi. (Participation criteria are defined in Section 6, below). The COGB, taking a vote of all participating MFSPs, may make changes to these Standards, each MFSP having a single vote, irrespective of the size and transaction volume of the MFSP. A 75% majority is needed to make a change to these Standards.

The COGB must be composed of representatives of MFSPs participating in CO. The MFSPs will elect representatives. The Chairman will serve for a one-year period and other representatives will serve a two-year period.

The COGB should keep an up-to-date list of MFSPs and a primary and secondary contact person at each and so facilitate communication between MFSPs.

5.1 Effective Date
The MFSi Standards will become effective and applicable upon signature.

5.2 Amendments & Waivers

5.2.1 Amendment to these Standards
The COGB may amend these Standards at any time via circulars or any other means and following due process. The COGB circular must specify the effective date of any change to these Standards.

Participating MFSPs may apply to the COGB for a waiver from all or part of these Standards, unless a non-compliance disclosure has been made to the COGB.

5.3 Good Faith Co-operation
Each MFSP must:

(i) perform its obligations under these Standards in good faith; and
(ii) use its best endeavours to co-operate with each other MFSP and the COGB with respect to these Standards, and any subsidiary rule or documents.
6 Participation in the CO Service

Any provider of Mobile Financial Services (MFS):

- Issuing e-Money;
- Holding an e-money issuer license from the Central Bank;
- With a commercial agreement for CO service on a Subscriber’s MFSP pays model with at least 75% incumbent participants; and

may participate in the CO service and will be known as an “MFSP”.

The National Payments laws and National Mobile Payments Regulations will guide the participation criteria and these Standards.
7 Services & Service Architecture

7.1 Services
The service described in this document is:

- Cash Out ("CO").

7.2 Functional Flows
The following page contains a generalised functional flow diagram for CO under the Service Architecture preferred by most MFSPs.

7.3 Subscriber Verification
MFSPs will verify Subscribers against the counterparty MFSP database before final commitment of the transaction.
8 Business model

8.1 COGB Costs
In relation to the running and management of the COGB each party is to carry its own direct costs and its share of any joint costs as agreed with the other participating parties.

8.2 Mobile Interchange Structure
The MFSPs prefer a Subscriber’s MFSP pays model with mobile interchange rates based on bilateral negotiation between participants. The following diagram shows an illustrative example of the Subscriber’s MFSP pays model:

8.2.1 Guiding principles:
(i) The business model and the Mobile Cash Out Interchange will aim to achieve effective interoperability. Effective interoperability means:
   (a) Commercial rules and agreements are in place to enable interoperability
   (b) The inter-party pricing and fees agreed by participants, and are at a level that do not dis-incentivise any participant (MFSPs, agents, subscribers) from making or supporting cross network interoperable transactions.
   (c) Technical capability exists to enable transactions in real or near real time.
   (d) No surcharging is allowed for off-net transactions with an interoperability agreement where surcharging is the adding of a premium to the price of a transaction.

(ii) Mobile CO Interchange will be used where necessary to achieve the balanced economics required to ensure that interoperability can be achieved. This may lead to different interchange rates for different use cases.

(iii) The CO interoperable business model is a “Subscriber’s MFSP pays” model. The Subscriber’s MFSP will pay the mobile CO interchange to the Agent’s MFSP (see diagram above).
(iv) Mobile CO interchange rates will be agreed between parties via one or more agreements between MFSPs.

(v) MFSPs will calculate mobile CO interchange amounts due to/from each other periodically (daily, weekly, monthly) and bill/pay each other according to their agreements.

(vi) Subscriber pricing remains the preserve of MFSPs, including the discretion to differentiate Subscriber send fee pricing between on and off network transactions.

(vii) The business model and the setting of mobile interchange rates will be compliant with all prevailing regulations.

(viii) Mobile CO interchange will be based on the net of all interoperable cash-in flows. Following the interchange calculation from this and from other use cases (e.g. P2P) interchange amounts due to/from participants can be netted off across multiple use cases with the agreement of the counterparty MFSP.

8.2.2 Fees for Failed and/or Disputed Transactions

Fees may optionally be levied against Subscriber’s, Agents’ and/or other MFSPs as the case may be for recovery of disputed value.

Any Subscriber fees that may be charged for failed transactions or for the reversal of disputed transactions are at the MFSP’s discretion.

Where applicable and as may be agreed, these fees could be apportioned between the MFSPs that participated in the interoperable transaction (sender and receiver MFSPs).
9 Clearing and Prefunding

9.1 General Principles of Clearing

9.1.1 Provision of Information
Each MFSP agrees to provide all other MFSPs with sufficient and accurate information to allow all parties to clear and prefund MFSi transactions.

9.1.2 Obligation to Credit
An MFSP is obliged to credit the account of the intended Agent with e-Value when a valid CO transaction is received from another MFSP where the Subscriber’s MFSP has provided sufficient liquidity to fund the transaction from the Subscriber’s MFSP disbursement account on the receiving MFSP platform.

Minimum replenishment thresholds and alerts on the sending MFSP disbursement account must be maintained by MFSPs.

9.1.3 Returned Transactions
An Agent’s MFSP is obliged to return received e-Value to the Subscriber’s MFSP if the MFSP is for any reason unable to credit the identified Agent’s account. Such a return should not take longer than 30 minutes.

9.1.4 Responsibility for Transactional Errors
In the event of error by the Subscriber, the onus to rectify the error is on the Subscriber’s MFSP, but the Agent’s MFSP must endeavour to assist the Subscriber’s MFSP to do so.

In the event of error by the Agent’s MFSP, the onus is on the Agent’s MFSP to rectify the error.

9.2 General Principles of Prefunding
Due to the pre-funded model, MFSPs do not hold each other liable for post settlement obligations since none exist.

Each MFSP should ensure that they adequately prefund their disbursement account to cover all outbound cross-net transactions.
9.3 Prefunding & Clearing Architecture

The diagram below shows how interoperability may be achieved through prefunded e-Value in Agent accounts, using API’s to facilitate bilateral clearing and using the Central Bank’s RTGS system as the ultimate settlement Agent:

### Notes:

1. e-Value in the MFSP Platforms will always equal Cash in the Trust accounts held at banks;
2. inter-bank transactions through RTGS only take place if and when MFSPs have to manage the liquidity for their accounts on the different MFSP platforms and if the trust and banking accounts are held at different banks;
3. all transactions and prefunding instructions are of a bilateral nature, thus essentially no multilateral clearing and settlement related to specific interparty financial transactions applies in this scenario. Inter-bank transactions are purely for liquidity management.

### Transaction steps and associated Account Transfers

1. Debit "A" Subscriber Account
2. Credit "A" Collection Account
3. Send DC Message via API Interface
4. Debit "A" Disbursement Account
5. Credit "B" Agent Account
6. Settle
10 General Operational Considerations
This chapter contains an overview of the Standards that govern the day-to-day operations of the MFSi service. Additional information is contained in Appendix A.

10.1 Testing
All MFSPs participating in MFSi are expected to demonstrate due diligence and to test their respective systems so that the systems have:

- Integrity;
- Reliability;
- Consistency; and
- Scalability.

Note: MFSPs must develop technical test scripts once process and systems architecture have been finalised.

10.2 System Support
All MFSPs should have in place tested processes for supporting the MFSi service once it has gone live. This should include the ability to trouble-shoot and fix network, hardware and software problems.

10.3 Security
All MFSPs, without exception, are expected to take all reasonable steps to guarantee the security of MFS transactions and data.

10.4 Money Laundering
All MFSPs must take reasonable steps specifically to combat Money Laundering and to detect suspicious activities such as smurfing and layering through the MFSi service (including the enforcement of transaction limits and velocity checks) and to comply with all current Legislation.

An annual Anti-Money Laundering (AML) self-audit of MFSi activity should be completed by MFSPs and submitted to the BoT and/or by any other state entity tasked with financial integrity on a schedule to be established by BoT and/or another state entity.

The identity of all individuals sending and receiving e-Value through the MFSi service must be checked by each MFSP using their own customer data before a transaction completes specifically for Anti-Money Laundering purposes. This will also increase efficiencies by reducing disputes and give a consistent Subscriber experience.

10.5 Know Your Customer (KYC)
Agents, Master Agents and MFSPs must take all reasonable steps to perform KYC checks on MFSi transactions in accordance with Central Bank directives and international best practice.

To reduce the risk of MFSi transactions being disputed, MFSPs should try to harmonise their KYC rules and processes unless doing so would contravene current legislation.

The Subscriber’s MFSP should check their Subscriber database before sending the transaction. The details held in the Subscriber database would allow the Subscriber’s MFSP to determine that the transaction was above the Subscriber’s limit and also other aspects of the Subscriber’s profile, if so
desired. The Subscriber’s MFSP will not send the transaction, if it breaches the Subscriber’s KYC limit(s) and will reply to the Subscriber with an appropriate message whilst respecting the Subscriber’s confidentiality.

The Agent’s MFSP should check their Agent’s database before accepting the transaction. The details held in the Agent database would allow the Agent’s MFSP to determine that the transaction is above the Agent’s limit and also other aspects of the Agent’s profile, if so desired. The Agent’s MFSP would not accept the transaction if it breaches the Agent’s KYC limit(s) but will reply to the Subscriber’s MFSP with an appropriate message whilst respecting the Agent’s confidentiality.

10.6 Reporting
There will be three levels of reporting:

1) Internal reporting that an MFSP, Super Agent or Master Agent produces for its own use;
2) Reporting required by the Central Bank; and,
3) Ad hoc reporting.

10.6.1 Fraud Reporting
Where there are patterns and particular modus operandi of fraudulent transactions detected in MFSi transactions, MFSPs must provide reports to the Central Bank to a schedule and using criteria defined by the Central Bank.

If particular Subscribers and/or Agents have been found by one MFSP to be regularly engaging in fraudulent activity or AML smurfing, the MFSPs must provide details of these activities to the COGB and the Central Bank, in the framework allowed by the law. Such reporting would be over and above their legal obligations for AML Suspicious Activity Reports.

10.7 Service Levels
MFSPs agree to maximise uptime, minimise latency, and notify counterparty in advance of foreseeable risks/issues.

10.8 Retention of Records
All MFSPs must retain all records generated and/or obtained during the course of the operation and administration of MFSi for a period of at least ten years (or such other period as may be prescribed by an Act of Parliament or in any other applicable legislation and/or by any other applicable state entity) as from the date of each particular record.

10.9 Business Continuity Planning
Each MFSP will make sure that it develops, introduces and maintains an effective and practical business continuity plan, relevant to MFSi systems and procedures, records, audit trails, recovery procedures and human resources, in order to ensure the effective continuity of its participation in the MFSi.

10.10 Subscriber Support & Investigations
All MFSPs must have designated personnel and processes to undertake timely investigations of any complaints or queries raised by Agents or Subscribers as well as by MFSi counterparties and the Central Bank.
Details of these designated personnel and Subscriber support processes must be updated as necessary and communicated to the COGB.
11 Principles for the Management of Subscriber Disputes

11.1 General Standards
The rules describing the Arbitration process for disputes between MFSPs are contained in a bilateral agreement.

Formal Arbitration should only begin after all avenues of amicable dispute resolution have been exhausted.

11.1.1 Applicable Laws & Jurisdiction
All processes and principles below are subject to, and may be superseded by, all applicable laws, regulations, circulars, and orders.

11.1.2 Electronic Media As Evidence
In all cases MFSPs agree to accept audited electronic evidence in cases of disputes.

If a dispute arises over the electronic evidence itself and the parties cannot come to an agreement, then the COGB may call upon the services of an independent third party specialist auditor.

The provisions of any national law or regulations shall guide any acceptance and use of an arbitrator.

11.1.3 OTC, and Non-MFS Accounts,
OTC Transactions and those where participants do not have MFS accounts will for the purposes of these standards will not be considered a CO.

11.1.4 Reversals, Roll-Backs & Refunds
In cases where a transaction has to be reversed, rolled back, or refunded, the MFSPs must, where applicable, re-align their Collection, Disbursement Accounts, individual Subscriber and Agent accounts to reflect the values and fees. Such re-alignment should be completed in a timely manner.

11.1.5 No Disintermediation
No MFSP may directly contact the Subscriber or Agent of another MFSP regarding a disputed transaction unless both MFSPs have pre-agreed to such contact.

11.1.6 Subscriber Communications
In all cases of dispute, the MFSPs must maintain clear, accurate, timely and consistent communications to their Subscribers and Agents in both the local language and English (if English is not the local language).

11.1.7 Location Data
In the case of any dispute, location data of the transaction participants must be shared on request. This must be done in a timely manner so as to mitigate the risk of fraud and/or mistake.

11.1.8 General Principles For The Recovery of Disputed Value
A Subscriber’s and/or Agent’s MFSP, as the case may be, and subject to the conditions below, generally attempt to recover any value that is subject to a dispute if the value in dispute has not been withdrawn from the Subscriber’s and/or Agent’s MFS account.

Disputed values should be debited from Subscriber’s and/or Agent’s account, as the case may be, and be no longer visible to the Subscriber and/or Agent. The value under dispute should be frozen
such that it may not be used, or the value placed in a Suspense Account until the investigation into
the dispute completes, whereupon the values are placed in either the Subscriber’s account or
placed back to the Agent’s account, as the case may be.

Fees for the recovery of disputed values may be levied against Agents, and/or Subscribers, and/or
other MFSPs, as the case may be, at the discretion of an MFSP.

Where however the dispute arose because of a MFSP system error, any applicable transaction
fees shall be refunded to the affected parties.

11.1.9 General Process To Report & Resolve Subscriber Disputes
Overview:
The following is a general procedure that must be followed by MFSPs with respect to resolving
disputes between Subscribers and Agents.

Any process for recovery of disputed values should recognise the relatively limited investigative
capabilities MFSPs may have. Therefore, MFSPs should apply their best efforts in attempting to resolve
disputes. The generalised process noted below may need to be modified when fraud is suspected, or
where the Receiving MFSP has been ordered by an appropriate Authority or court to take other steps.

The process described below must be clearly explained in the T&Cs provided to Agents & Subscribers.

A: Procedure where the Agent And Subscriber Both Agree to a Transaction Reversal

Step 1: The Subscriber doing a CO must call their MFSP and explain the situation and circumstances that gave rise to the dispute.

Step 2: The Subscriber’s MFSP contacts the Agent’s MFSP within 30 minutes of the Subscriber’s call raising this dispute. If both MFSPs agree, electronic messages may be used in place of telephone calls.

Step 3: The two MSFPs discuss the disputed transaction, and if the e-Value is still in the Agent’s account, freeze the disputed e-Value from being used.

Step 4: The Agent’s MFSP calls the Agent and asks permission to initiate a transaction reversal and refund.

Step 5: If the Agent agrees to the CO transaction reversal, then both the Agent and the Subscriber must be notified by their respective MFSPs of the pending transaction reversal.

Step 6: The process of reversing the transaction begins with the frozen, disputed e-Value being released by the Agent’s MFSP.

Next, the Agent sends the Subscriber the full e-Value under dispute.

Next, the Subscriber provides cash to the Agent in the same amount the Agent provided to the Subscriber.

With due regard to section 8.2.2 above, any transaction or reversal fees may be refunded – or charged, as the case may be - at the discretion of the respective MFSPs.

B: Procedure where One of The Parties Does Not Agree To A Transaction Reversal
If one or both parties in the transaction do not agree to a transaction reversal, then the following procedure should be followed:

Step 1: The Subscriber’s MFSP and Agent’s MFSP will undertake a best-efforts investigation into the dispute. This may also include a conference call between all the relevant parties.

Step 2: If their investigation indicates a need for a transaction reversal, and the Agent’s and Subscriber’s respective MFSPs agree thereto, then any e-Value linked to the CO transaction but frozen in the Agent’s account should be released by the Agents’ MFSP.

Step 3: If the full e-Value, or the full cash value is unrecoverable, as the case may be, the MFSPs should contact their Agent’s or Subscriber to inform them of the situation.

Step 4: The Agent or Subscriber may take separate steps such as legal action to recover the cash or e-Value, as the case may be.

11.1.10 Fraudulent Disputes
MFSPs must take all reasonable steps to make sure that transactions are not being disputed fraudulently. Only once an MFSP has determined to the best of their ability that a disputed transaction is genuine, may an attempt be made to recover the disputed value.

In all other cases, MFS accounts and values sent and/or received may be subject to being grey-listed, suspended, or transactions reversed, as the case may be, where directed by a court of law.

11.1.11 Good Faith
The legal principle of Good Faith is used in banking law and will be generally applied to MFSi transactions.

This principle generally protects those who have received value in good faith from a Sender who was originally not entitled to that value.

In such cases, the e-Value received by a Subscriber who was unaware of the origins of the value received should be frozen if still in the Subscriber’s account and should not be automatically reversed by the Subscriber’s MFSP without an investigation first having been conducted.

No Cash transactions relating to the disputed value can be executed until this investigation is complete.

However, if it is suspected that fraud/collusion/bad faith has occurred, an MFS account may be suspended, or grey-listed, or the value received blocked from use while a legal investigation is conducted, and/or a court of law directs that this should be done and how it should be done.

11.1.12 Time Frames For Dispute Response
MFSPs will allocate any reported disputes to appropriate personnel for immediate investigation and will endeavour to respond to disputes within 10 working days.

11.1.13 Grey-Listing Of MFS Accounts
Grey-Listing is an MFSP process of only allowing certain transactions and/or use of value to take place on an MFS account. Generally this means that a grey-listed MFS account will only be able to accept in-bound transactions, and/or that specific values subject to a dispute may not be transacted with by that the holder of the MFS account.
No cash transactions relating to the disputed value can be executed until this investigation is complete.

Where there is a dispute regarding received value, the Subscriber's MFSP will apply their best judgement as to whether to grey-list the account of a Subscriber.

Where there is prima facie evidence of fraud or other malpractices by an Agent, MFSPs also have the option to grey-list the account of that Agent.

11.1.14 Network Delays
To avoid disputes arising from network delays, the two MFSP systems should exchange electronic handshakes. A ‘handshake’ is a term used to describe the process of one computer establishing or confirming a connection with another computer.

If the handshake is replied to, then the transaction will go through at a system level.

If the handshake is not replied to within an agreed number of seconds, then the handshake may be repeated an agreed number of times.

If all handshake attempts fail, then the MFSP system detecting the failure of a handshake should generate an error message and the transaction should automatically be reversed or rolled back, as the case may be. In this case, the Agent should not be charged a transaction fee.

All MFSPs agree that a problem 'ticket' should be created so that the root cause of the issue may be discovered and fixed.

All parties agree to resolve any technical issues as quickly as reasonably possible and to allocate resources 24 hours per day, 7 days per week to the resolution of technical issues.

11.2 Specific Examples
This Section describes some of the areas for Subscriber disputes for CO transactions in an MFSi environment and suggests processes for handling the dispute in each such case.

The following list is not exhaustive and further examples may be added from time to time:

11.2.1 Incorrect e-Values Following A Cash Out.
Circumstances may arise when a Subscriber’s MFS account has been debited with more e-Value than the cash value of the CO. This may be the result of system issues and/or unauthorised fees charged.

Immediately after the Agent has completed the CO process, both the Subscriber and Agent should check their respective accounts on site to confirm the transaction details, in particular that the correct transaction values have been processed, and any fees processed, as the case may be.

If the correct e-Values are not in Subscriber’s account, or in the Agent account, the Subscriber’s MFSP must be contacted so as to report the issue and to initiate an investigation.

The MFSP should generate an error ticket with their technical personnel to inspect the relevant APIs and initiate testing so as to trace the issue if needed, remedy any errors or deficiencies in the system so as to prevent any future similar occurrences. The time frame for such inspection and technical remedy should ideally be less than 24 hours.
The time frame reverting to the Subscriber and concluding the remedy related to incorrect e-Value should be less than 24 hours.

11.2.2 Cash In Notification Messages Not Received
Where a Subscriber has not received a usual SMS notification that confirms the CO transaction, both the Subscriber and Agent should immediately check their respective balances and last sets of transactions.

If the balances reflect the recent CO, the Subscriber can wait to receive the delayed SMS notification of the CO. The Subscriber should however contact their MFSP to report a delayed SMS notification, and should be advised by their MFSP not to do another CO with that Agent until such time a notification message has been received.

The time frame for the MFSP reverting to the Subscriber with any explanations or a resultant confirmatory SMS, or error ticket numbers, as the case may be, should be less than 24 hours.

11.2.3 Transaction Is Rejected
There may be circumstances where a CO transaction is rejected, possibly due to system issues or the account status of the Subscriber.

Where the transaction is rejected due to a system issue on one or both MFSPs, error ticket(s), as the case may be, should be generated with the technical personnel to inspect the relevant APIs and initiate testing so as to trace the transaction failure, and if needed, remedy any errors or deficiencies in the system(s) so as to prevent any future similar occurrences.

The time frame for such inspection and remedy should be less than 24 hours.

Where the transaction is rejected because the Subscriber account is suspended, frozen or has a KYC tier level that does not allow for a CO, the Subscriber should contact their MFSP to understand the reason for the rejection before trying to do a CO again.

11.2.4 Agent Will Not Process A Cross-Net Transaction
It may be possible that an Agent is unwilling to perform an MFSi CO because he does not have the required cash float, or there is a system issue, or he is not motivated to support another MFSP for commercial reasons. Some refusals may be in violation of the Agent's contractual T&Cs as well as the MFSi Standards.

In any of these instances, the Subscriber should inform their MFSP and the MFSP should initiate an investigation of the Agent's behaviour. The time frame for the MFSP contacting the Subscriber with a resolution to the issue should be less than 24 hours.

The Subscriber’s MFSP should also contact the Agent’s MFSP to identify the cause and determine an appropriate solution. The Agent's MFSP should investigate and contact the Super Agent for disciplinary action, as the case may be. The time frame for any investigation should be less than 48 hours. The matter may be referred to the COGB so that these disputes may be recorded and tracked.
11.2.5 Surcharging Of Subscriber Fees
Where an Agent requests any fee, or any additional fee, as the case may be, for processing an MFSi CO and where that fee is not authorised by the MFSP in their Agent and Subscriber T&Cs, the Subscriber should contact their MFSP to report the incident.

The Subscriber’s MFSP should contact the Agent’s MFSP who should investigate and contact the Agent, Super Agent or Master Agent, as the case may be, to resolve the issue.

The time frame for the MFSP contacting the Subscriber with a resolution to the issue should be less than 24 hours.

11.2.6 Agent Executes Duplicate Transactions Due To System Delay
In a situation where a MFSi system delay results in an Agent processing a second CO transaction, and both transactions are processed such that the e-Value in Agent’s account is credited twice and the e-Value in the Subscriber's MFS account is debited twice, then the Agent should contact their MFSP immediately to initiate a reversal of the second transaction.

The duplicated e-Value in the Agent's account should be frozen.

The affected Subscriber should also be contacted by his or her own MFSP about an imminent reversal of the duplicated e-Value.

The time frame for the MFSP contacting the Subscriber with a resolution to the issue should be less than 48 hours.

The MFSP should generate an error ticket with their technical team to inspect the relevant APIs and initiate testing so as to trace the transaction failure, and if needed, remedy any errors or deficiencies in the system so as to prevent any future similar occurrences.

The time frame for such inspection and remedy should be less than 48 hours.

11.2.7 Agent Migrating Subscribers To A Competitor MFSP
If an Agent is found to have migrated, or is continuously attempting to migrate, as the case may be, Subscribers from one MFSP to another so as to receive a registration commission or higher transaction commission, in apparent violation of the Agent’s contractual T&Cs as well as the MFSi Standards, the Super Agent’s MFSP should be contacted by the Subscriber’s MFSP to review the allegation and take any necessary action relating to the Agent.

The time frame for any investigation and action should be less than 48 hours.

The matter may be referred to the COGB.

11.2.8 Agent hands out counterfeit money
If an Agent hands out counterfeit money, the Subscriber should contact their MFSP who will contact the Agent’s MFSP.

The Agent's MFSP should investigate and contact the Super Agent for disciplinary action, as the case may be.

Appropriate authorities may also be contacted if necessary.

The time frame for any investigation should be less than 12 hours.
The matter may be referred to the COGB.
12 Risk management

All MFSPs in MFS should be aware of the risks they face and must take appropriate mitigating action for each and every risk.

To reduce the risk of MFSi transactions being disputed, MFSPs should try to harmonise the wording of their Subscriber Terms & Conditions and wording used to report errors to Subscribers, unless doing so would contravene current anti-competition legislation.

Interparty settlement risk is mitigated to a large extent by the pre-funded nature of the business model.

All MFSPs should formally review the risks they face in MFSi at least every 6 months.
13 **General Standards of Compliance**
All MFSPs will make reasonable efforts to comply with these Standards.

Detailed rules of Compliance are set out in Appendix B.

13.1 **Exemptions**
Any MFSP may apply to the COGB for an exemption from part of these rules if they feel that they have a valid reason.

To be fair and consistent, these Standards set out the procedures that all MFSPs should follow to apply for an Exemption as well as the procedures that must be followed when evaluating a request for an Exemption.

13.2 **Disclosure of Non-Compliance**
If an MFSP that has signed this Standards document chooses not to comply with one or more of these Standards, the non-compliant MFSP will disclose its non-compliance to the COGB who can then take impartial and appropriate steps to inform the Central Bank about the non-compliance and, if necessary, other MFSPs.

13.3 **Audit**
MFSPs participating in CO will add MFSi to their existing statutory and internal audit process.

13.4 **Suspension & Termination**
In the event of a termination of bilateral agreements, a participant may not longer qualify for participation in interoperable CO and would thus be terminated from this agreement.

In addition, an MFSP may voluntarily withdraw from participation in MFSi in accordance with Appendix B.

13.5 **Notices**
The COGB has to notify MFSPs of a change in these Standards in a timely, even-handed and consistent manner.

13.6 **Liability for owned & controlled entities**
If an MFSP owns a subsidiary company that participates in MFS, then the MFSP is responsible for the actions of its subsidiary.

13.7 **Disclosures & Confidentiality**
All MFSPs and the COGB have an obligation of confidentiality to all other MFSPs. A statement of Confidentiality is in the Appendices.
14 Appendix A - Operational Requirements

14.1 Testing
On behalf of the Participants, the COGB may from time to time require one or more MFSPs to test their ability to comply with these Standards.

The Participant must:

(i) comply with the COGB’s requirements; and
(ii) co-operate with the other Participant(s) involved.

Whenever practicable in the circumstances the COGB will:

(i) consult with the affected Participant as to the scheduling of any testing requirement; and/or
(ii) give the affected Participant reasonable notice of any testing requirement.

14.2 Operational and Security Standards
The COGB may, from time to time with the agreement of and on behalf of all Participants issue and amend Standards applicable to the technical, operational and security aspects of:

(i) MFS Transactions;
(ii) MFS Interoperability activities;
(iii) any other matter covered by these Standards;
(iv) any other matter related or incidental to these matters.

To assist in interpretation of, supplement or provide processes for implementation of matters contained in these Standards the COGB may from time to time issue (and update) Guidelines. Participants must comply with Guidelines and ensure that their Service Providers do so also.

14.3 Data Security
A Participant that receives Data in respect of a Subscriber of another Participant while participating in an MFSi Transaction must:

(i) only use that Data to comply with its obligations under these Standards and/or the Operational and Security Standards;
(ii) treat that Data as Confidential Information;
(iii) take all reasonable measures to ensure that Data is protected against loss and unauthorised:
   a. access;
   b. use;
   c. disclosure; or
   d. modification; and
(iv) ensure that any person who is given access to the Data is made aware of, and undertakes to comply with, the obligations in this clause.
14.4 Prevention of Money-laundering
The movement of money through the MFS Interoperability service which is or which forms part of the proceeds of any crime or which is intended to facilitate, aid or finance the commission of any crime is expressly prohibited.

Participants must ensure that all their staff responsible for the MFSi services comply with all Anti-Money Laundering (AML), Customer Due Diligence (CDD), Agent Due Diligence (ADD) and Counter Terrorist Financing (CTF) laws, regulations, standards or directives in force from time to time, including any guidelines, STRs, policies and procedures to that effect as may be issued by the Central Bank.

Participants will monitor and report any suspicious activity in relation to MFSi services under these rules to its Money Laundering Reporting Officer (MLRO) who may eventually escalate the suspicious activity to the relevant law enforcement authority.

A Participant shall be entitled to terminate their participation in the MFSi service in the event that they or another Participant reasonably and in good faith determines that there has been a breach of AML obligations set out in these Standards.

14.5 Reporting
All reporting will comply with the Central Bank’s reporting requirements.
15 Appendix B - Compliance

15.1 Exemptions & Waivers

15.1.1 Waivers from the Standards
Participants may request a variance to allow non-compliance with a provision of the MFSi Standards, provided that it does not endanger the overall application of the Standards for other Participants. A variance will only be considered where there are special circumstances, which make such variance appropriate for the Participant requesting it, but not for Participants in general.

A request for a waiver must be submitted in writing to the COGB, together with a statement of the reasons for the request and any appropriate evidence.

If the waiver is granted, the applicable Participant must advise the COGB if the waiver is no longer required. The COGB may also modify or cancel the variance, with a reasonable period of notice.

15.1.2 Application for an Exemption
A Participant may apply for an exemption from a requirement in these rules.

An application for an exemption must include the following:

(i) the period for which the exemption is sought;
(ii) the date of the original exemption (if seeking an extension of an existing exemption);
(iii) the section(s) and requirement(s) of these Standards from which the Participant seeks an exemption;
(iv) a statement of the reason(s) for non-compliance;
(v) a risk rating applicable to the non-compliance;
(vi) a full description of any compensating controls that are offered as justification for the exemption; and
(vii) details of the Participant’s action plan to achieve compliance, including the expected date of achieving compliance.

Upon receipt of an application for an exemption, the COGB may require the Participant to provide additional information or evidence before it determines the application.

15.1.3 Determination of an Application for an Exemption
The COGB will determine an application for an exemption as soon as possible and will notify the applicant in writing of the outcome.

The COGB may grant an exemption:

(i) for a limited period of time; and/or
(ii) subject to conditions on the applying Participant’s activities pursuant, or related, to these Standards.

If the COGB grants an exemption, subject to compliance with any time period or conditions imposed, the Participant receiving the exemption is not required to comply with the relevant section(s) and requirement(s) of these Standards.
In determining an application for an exemption, the COGB will have regard to the reputation, integrity, security, reliability and stability of MFS Transactions, MFS Interoperability activities and/or the settlement resulting from them.

The COGB may, at any time, withdraw an exemption if in the COGB’s opinion the exemption poses a risk to the reputation, integrity, security, reliability and stability of MFS Transactions, MFS Interoperability activities and/or the settlement and clearing resulting from them.

Prior to making a decision to refuse an application for an exemption, to grant an exemption subject to conditions or to withdraw an exemption, the COGB must comply with the procedures set out in these Standards.

Any decision of the COGB in respect of an application for an exemption is final and binding.

15.2 Disclosure of Non-Compliance
Each Participant must disclose by notice in writing to the COGB:

(i) each and every instance of non-compliance with these Standards; and
(ii) its inability to comply with any section(s) or requirement(s) of the Standards, within 7 days of the Participant becoming aware of the non-compliance or its inability to comply.

15.3 Audits
Participants are required to use their annual statutory and internal audit processes to ensure compliance with these Standards, particularly with regard to security, business processes, operations and fraud.

A copy of the annual audit report as it relates to Interoperable MFS is to be provided to the Central Bank.

15.4 Suspension & Termination

15.4.1 Immediate Suspension
A Participant is suspended immediately upon:

(i) any licenses relevant to these Standards as issued to the participant by the Central Bank being suspended or revoked.
(ii) becoming insolvent or making an arrangement or composition with creditors generally;
(iii) being wound up, dissolved or otherwise ceasing to exist;
(iv) failing to settle for the obligations it has incurred under these Standards;

Suspension under this clause will continue until the Participant ceases to be a Participant; or the COGB is satisfied that:

(i) the Participant is solvent and capable of settling for the obligations it incurs under these Standards on an on-going basis and the Participant has settled all outstanding obligations which it has incurred under these Standards; and
(ii) if capable of rectification, the Participant has rectified any breach of these Standards associated with its suspension.
15.4.2 Other reasons for Suspension
The COGB may suspend a Participant if:

(i) the Participant fails to comply with, or is incapable of complying with these Standards unless that MFSP has made the necessary application for waiver and or disclosure of non-compliance or
(ii) the Participant no longer satisfies the applicable requirements for membership set out in these Standards;
(iii) the Participant was admitted and then there is in the COGB’s opinion a material change in the Participant’s circumstances and such change requires the suspension of the Participant to preserve the reputation, integrity, security, reliability and stability MFS Transactions, MFS Interchange Activities and/or the settlement resulting from them;
(iv) the Participant requests that it be suspended;
(v) the Participant fails to pay any fees due to the COGB or another Participant.

Suspension will continue until the COGB is satisfied that the Participant has addressed the circumstance(s) that caused the suspension.

15.4.3 Effect of Suspension
While suspended a Participant is not entitled to:

(i) Vote on any matter tabled for COGB Decision
(ii) Participate in COGB discussions

15.4.4 Withdrawal of Participants
A Participant is allowed to withdraw as a Participant by giving the COGB 90 calendar days written notice.

15.4.5 Obligations of Cessation
If a Participant is suspended, expelled or withdrawn, the Participant will nevertheless remain liable for all its accrued and accruing obligations under these rules. There are no limits to this.

15.4.6 Compliance with these Standards
Any termination of a Participant will not affect any right or liability arising under these Standards prior to the date such termination takes effect or arising in respect of any act, matter or thing occurring prior to that date, including obligations to comply with any requirements relating to ceasing to be a Participant.

15.5 Liability for owned & controlled entities
An MFSP that owns or controls, is owned or controlled by, or is under common ownership or control of another entity is liable to all other MFSPs for all of that entity’s obligations under these membership rules and for all of the entity’s activities related to MFS Interoperability.

It is the responsibility of each Participant to assure the onward connection from the MFS Interoperability Service to any other entity or third parties for completing the transaction cycle.
15.6 Disclosures
Unless required to do so by law, no Participant may disclose, fully or partially, to any third party, any documentation, related to the fees and any other statistical information related to the operation of the MFS Interoperability Service.

For these purposes, confidential information shall include, but not be limited to, transaction volumes, charges, fees and any other statistical information related to the operation of the Interoperability Service.

Information not previously disclosed to the public concerning any Participant or Service that is under consideration for inclusion in the operation of the Interoperability Service.

15.7 Confidentiality
The COGB on behalf of the MFSi Participants maintains these Standards. These standards should be in the public domain and there should be encouragement to apply these standards in all exchanges of e-Value not only those where the parties are signatory to these guidelines.

Confidential information shall include transaction volumes and any other statistical information related to the operation of the Interoperability Service.
16 Appendix C - Arbitration

Formal Arbitration should only begin after all avenues of amicable dispute resolution have been exhausted.

In the event that any dispute has arisen and the Participants have not been able to settle the same, within thirty days (30), then any Participant involved in the dispute may elect to go to arbitration.

Each Participant shall appoint one arbitrator and the Participants involved in the dispute shall jointly appoint a chairperson. The three-person panel shall conduct the arbitration. The appointment of Arbitrators and other conditions of Arbitration will be defined in the commercial agreements.

To the extent permissible by Law, the determination of the majority Arbitrators shall be final, conclusive and binding upon the Participants.

Pending final settlement or determination of a dispute, the Participants shall continue to perform their subsisting obligations under these Standards.

Nothing in this Clause shall prevent or delay a Participant seeking urgent injunctive relief in a court having jurisdiction.
17 Appendix D - Warranties

At all times each Participant represents and warrants to all other Participants and the COGB that:

(i) it has the power to observe its obligations under these Standards; and
(ii) it performs its obligations in good faith;
(iii) except as contained in these Standards, it has not relied on any representation made by any other Participant or the COGB to induce it to become a Participant or otherwise act in accordance with these Standards; and/or
(iv) it has made (without reliance on any other Participant or the COGB) its own independent assessment of these Standards as being appropriate for its needs and requirements; and
(v) its obligations under these Standards are valid and binding on it.
### Exemption Application Form

**Date of Request**

__________

<table>
<thead>
<tr>
<th>Section number of requirement</th>
<th>Requirement for which Participant is not in compliance</th>
<th>Reason for non-compliance</th>
<th>Risk (Potential impact)</th>
<th>Risk (Likelihood)</th>
<th>Mitigating actions</th>
<th>Residual risk</th>
<th>Action to be taken and timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Section from the Standards or the Technical Operational and Security Standards</strong></td>
<td>Type in the actual wording of the Requirement with which you are not complying</td>
<td>Describe the situation, including when and why out-of-compliance occurred.</td>
<td>Describe the risks the out-of-compliance situation poses &amp; its possible impact in terms of &quot;Low&quot;, &quot;Medium&quot;, &quot;High&quot;.</td>
<td>Describe the risks the out-of-compliance situation poses &amp; how likely it is to happen in terms of &quot;Low&quot;, &quot;Medium&quot;, &quot;High&quot;.</td>
<td>List the compensating controls that reduce the risk</td>
<td>&quot;Low&quot;, &quot;Medium&quot;, &quot;High&quot;.</td>
<td>List what you are doing to correct the non-compliance. For extension requests indicate the reason for seeking an extension and give a promised date of correction.</td>
</tr>
</tbody>
</table>

**Agreement to Disclosure:** Where applicable I authorise the CO Governing Body to provide the Central Bank with a copy of this exemption request.

Name: __________________________ Position: __________________________ Signature: __________________________

Page 39 of 47
19 Appendix F – Interpretation

Terms used in these Standards have the meaning given to them in the Constitution; or any applicable laws. Where there is more than one meaning to a term in any applicable laws, the meaning in the most recent law will prevail.

The words in the Standards’ Glossary are commonly used in discussing MFS interoperability and have the meanings shown in the Glossary when used in these Standards, unless the contrary intention appears.
20 Appendix G–Clearing & Settlement Models

This appendix sets out four architectures that can be considered for Clearing and Settlement. Option 1 is shown in Section 9.3 as an example:

**Option 1**
Interoperability achieved through prefunded e-Value in Nostro / Vostro agent accounts, using APIs to facilitate bilateral clearing, using a Commercial bank or an RTGS as the ultimate settlement agent.

**Option 2**
Interoperability achieved through prefunded e-Value on internal account on own platform, using APIs to facilitate bilateral clearing and using a Commercial bank as the primary settlement agent.

**Option 3**
Interoperability achieved through prefunded e-Value on internal account on own platform, using APIs to facilitate bilateral clearing and using an RTGS as the primary settlement agent.

**Option 4**
Interoperability achieved through prefunded e-Value on internal account on own platform, using an MFS Switch to facilitate clearing and using an RTGS as the primary settlement agent.

Transaction steps and associated Account Transfers
1. Debit "A" Subscriber Account
2. Credit "A" Collection Account
3. Send DC Message via API Interface
4. Debit "A" Disbursement Account on “B”
5. Credit "B" Agent Account
6. Settle
Transaction steps and associated Account Transfers
1 Subscriber A Requests Cash Out at Agent of B, Debit Subscriber Account A
2 Credit Internal Suspense Account A
3 Send Credit Transfer to B via API
4 Credit Agent Account B
5 Debit Agent Account B
6 Hand Cash to Subscriber B
7 Debit Internal Suspense Account B
8 Flush Internal Suspense accounts A and B and Update NSI A
9 Send NSI A to Commercial Bank of A
10 Commercial Bank of A creates NSI
11 Commercial Bank of A sends NSI to RTGS
12 RTGS settles to MFS A and B's Commercial Banks
13 Commercial Banks Adjusts A and B's Trust Accounts
Transaction steps and associated Account Transfers
1 Subscriber A Requests Cash Out at Agent of B, Debit Subscriber Account A
2 Credit Internal Suspense Account A
3 Send Credit Transfer to B via API
4 Credit Agent Account B
5 Debit Agent Account B
6 Hand Cash to Subscriber B
7 Debit Internal Suspense Account B
8 Flush Internal Suspense accounts A and B and Update NSI A
9 Send NSI A to the RTGS
10 RTGS settles to MFS A and B's Commercial Banks
11 Commercial Banks Adjusts A and B's Trust Accounts
Transaction steps and associated Account Transfers
1 Subscriber A Requests Cash Out at Agent of B, Debit Subscriber Account A
2 Credit Internal Suspense Account A
3 Send Credit Transfer to B via Switch
4 Switch forwards the Credit Transfer to B
5 Credit Agent Account B
6 Debit Agent Account B
7 Hand Cash to Subscriber B.
8 Debit Internal Suspense Account B
9 Flush Internal Suspense accounts A and B
10 Switch creates NSI and sends NSI to the RTGS
11 RTGS settles to MFS A and B's Trust Accounts
21 Appendix H: Business Models

This appendix sets out different business models that can be considered for the CO Service. Option 3 is shown in Section 8.2 as an example:

- Agent’s MFSP pays;
- No Interchange;
- Subscriber’s MFSP pays;

The business model that the COGB selects will depend upon their specific requirements.

21.1 Agent MFSP Pays

- An ‘Agent MFSP pays’ model adds to rather than solves for this imbalance by adding to the costs that the Agent MFSP incurs for a transactions on which they earn zero revenue. They would be losing margin at a rate equivalent to their agent fees % plus the mobile interchange rate payable to the Customer MFSO.
- There would be no incentive for Agent MFSP to offer x-net cash-out services in this model option.
- The economic flows below depict the current ‘typical’ end to end transaction with the CO component being x-net, i.e. on-net CI + on-net Send (P2P) + x-net cash-out.

![Diagram showing the business model for Agent MFSP Pays]

1. Cash-in: MFSP 1’s customer cashes in at MFSP 1’s agent. MFSP 1 pays their agent a fee for providing the cash-in service.
2. Send: MFSP 1’s customer sends e-Money to another MFSP 1 customer and pays a sending fee to their provider, MFSP 1.
3. Cash-out: MFSP 1’s satisfied customer (who received the e-Money) cashes out at MFSP 2’s agent and pays cash-out fee to their provider, MFSP 1.
4. MFSP 2 pays fee to their agent for providing the cash out service.
5. Agent MFSP 2 pays mobile cash-out interchange to the customer’s MFSP 1.
21.2 No Interchange

- A no interchange model does nothing to address the economic imbalance created by the x-net cash out and the negative margin position of the agent MFSP 2. There would be no incentive for Agent MFSP to offer x-net cash-out services.
- The economic flows below depict the current ‘typical’ end to end transaction with the CO component being x-net, i.e. on-net CI + on-net Send (P2P) + x-net cash-out.

1. Cash-in: MFSP 1’s customer cashes in at MFSP 1’s agent. MFSP 1 pays their agent a fee for providing the cash-in service.
2. Send: MFSP 1’s customer sends e-Money to another MFSP 1 customer and pays a sending fee to their provider, MFSP 1.
3. Cash-out: MFSP 1’s second customer (who received the e-Money) cashes out at MFSP 2’s agent and pays cash-out fee to their provider, MFSP 1.
4. MFSP 2 pays fee to their agent for providing the cash out service.
21.3 Subscriber MFSP Pays

- A ‘Customer MFSP pays’ model can solve for the economic imbalance by transferring value from the customer MSFP 1 - who earns all the end to end revenues and only incurs a third of the costs - to the agent MFSP 2 who earns no revenues and incurs two thirds of the costs. This transfer of value can create a profitable and sustainable business model for both MFSPs such that they would both be incentivised to offer and accept x-net CO transactions.
- The economic flows below depict the current ‘typical’ end to end transaction with the CO component being x-net, i.e. on-net CI + on-net Send (P2P) + x-net cash-out.

1. Cash-in: MFSP 1’s customer cashes in at MFSP 1’s agent. MFSP 1 pays their agent a fee for providing the cash-in service.
2. Send: MFSP 1’s customer sends e-Money to another MFSP 1 customer and pays a sending fee to their provider, MFSP 1.
3. Cash-out: MFSP 1’s second customer (who received the e-Money) cashes out at MFSP 2’s agent and pays cash-out fee to MFSP 1.
4. MFSP 2 pays fee to their agent for providing the cash out service.
5. Agent MFSP12 pays mobile interchange to the customer’s MFSP 2.