

Digital wallet licensing

Deloitte - service offerings

Middle East

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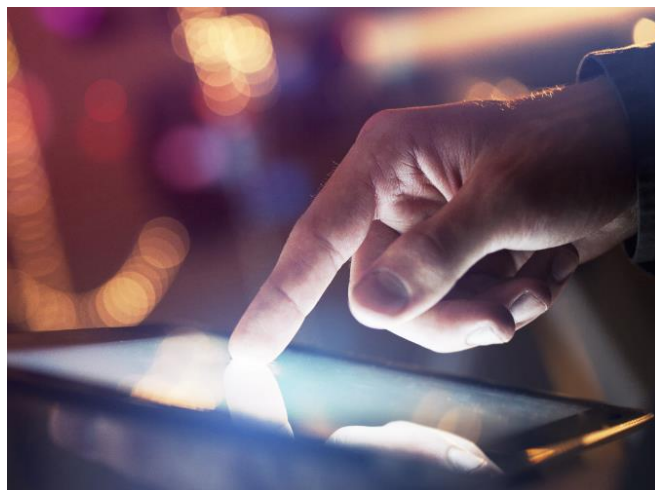
Background

The digital thrust within the financial sector and government economic initiatives are driving the growth of the digital payments ecosystem.

The emergence of payment systems designed to function seamlessly with mobile devices and in-app methods has prompted wide-ranging innovation from banks, and other FinTech organizations.

The GCC region is witnessing a burgeoning digital payment market with a significant number of market players offering a multitude of diverse services. Digital wallets are the leading contributors to the expanding digital payments eco-system by creating an opportunity for financial institutions to expand their reach.

According to industry experts, the FinTech market in Middle East & North Africa is set to reach a record high of \$2.5 billion by 2022, with GCC countries playing a major role in the growth of the sector.



GCC digital wallet landscape

The region has seen the rise of promising players offering mobile financial services such as Careem Pay, STC Pay, Benefit Pay and Pay+. In the last few years, several global payment solutions providers, such as Samsung Pay, Apple Pay, Alipay, and G-Pay, have entered the market as well.

With new technology players entering the market with innovative solutions, banks across GCC are undergoing a digital transformations and a few are engaging with digital wallet service providers in a broad range of exploratory projects. Riyadh Bank, National Bank of Bahrain, Qatar Central Bank, National Bank of Oman are among a few to have launched their digital wallet applications to keep up with the digital thrust and provide seamless and secure services to their customers.







To serve the growing need of the ecosystem and foster harmony in payment services, GCC countries are developing appropriate infrastructure to facilitate direct money transfers among the member countries to provide a safe, efficient, and cost-effective cross-border payments facility for clearing and settlement of financial operations.



“Majority of GCC regulators are offering a “sandbox” to foster new opportunities with a simplified regulatory framework and a conducive product and systems testing environment.”



Services offered by digital wallets currently operating across the GCC countries

Services	 KSA	 UAE	 Bahrain	 Qatar	 Kuwait	 Oman
Payments (C2G, utilities, payroll, ancillaries)	✓	✓	✓	✓	✓	✓
Transfers (P2P)	✓	✓	✓	✓	✓	✓
Remittances (Domestic & Cross-border)	✓	✓	✓	✓	✓	✓
Partnerships (POS, C2B, online payments)	✓	✓	✓	✓	✓	✓
Transfer to local banks	✓	✓	✓	✓	✓	✓
ATM Withdrawal	✓					✓


Regulatory landscape

In line with the financial objectives of contributing to a 'cashless economy', enhancing safety and efficiency of payment system infrastructure and protecting consumers, regulators across GCC are setting up the regulatory framework including licensing requirements for digital wallets.

Along with gaining an understanding of the digital payments market, customer expectations and raising required funding, applicants must fulfill a host of regulatory requirements during the application and pre-operations phase keeping in constant contact with the Regulator. Startups may not be acclimated to the operating environment or may not be familiar with the regulatory frameworks in place. For banks, challenge arises with deciding the model to adopt for integrating digital wallet offerings to leverage the full suite of solutions/features to address customer needs and requirements and enhance their banking experience.



Key challenges

-  Limited regulatory harmonization within the Fintech ecosystems across GCC
-  Challenges in identification of value proposition and differentiators
-  Challenges of customer perception, market penetration and Fintech adoption among customers
-  Lack of available public funding for innovative digital wallet solutions
-  Operational challenges in integration of open looped digital wallets in an organization's legacy business model
-  Rising competition from established foreign players
-  Lack of specialized local talent in the region to develop and implement digital wallet solutions
-  Identifying projects/initiatives to be undertaken in pre-operations phase

Digital wallet licensing

Typical licensing journey



Regulatory requirements

In order to adopt and implement a full-fledged regulatory environment, Central Banks across GCC have either set-up or are in the process of setting up frameworks to license and supervise digital wallets in their respective regions.

Regulators across UAE, KSA, Kuwait, Bahrain and Oman have issued regulations governing the licensing, set-up and operations of digital wallets in their respective regions. The regulators are offering licenses along with a list of permissible and prohibited activities that may be undertaken by digital wallet service providers. In addition, regulators are offering support to innovative payment solutions to test their ideas in the regulatory sandbox.

Among minimum requirements for licensing, applicants are expected to fulfill initial capital requirements to demonstrate sufficient financial resource availability along with the development of business plan and other supporting documents to be submitted along with the application form.

Areas in focus

Licensing Requirements for Digital Wallets

- ✓ Business plan
- ✓ Corporate governance & compliance
- ✓ Risk management
- ✓ Business continuity & disaster recovery
- ✓ Accounting & information systems
- ✓ Anti-money laundering
- ✓ Fraud risk
- ✓ Consumer and data protection
- ✓ Consumer funds safeguarding
- ✓ Risk-based or transaction limits
- ✓ Cybersecurity
- ✓ Information technology

Our solution

We offer end-to-end support on market research, value proposition, business plan development, feasibility study, development of all bespoke policies required by the regulators in line with the specific regulations and industry good practices. We also assist in responding to additional requirements, as requested by the regulator including assistance in responding to answering any queries from the regulator.

We also support in setting up operations and implementation projects through supporting the organization's team based on project requirements, through managed services arrangement or loan staffing arrangement. The below details our service offerings across the different stages.

Service Offerings



Pre-Application Phase

We provide advisory and assistance on planning the activities needed to successfully prepare and submit a licensing application pack with the respective regulator.

The services cover conducting feasibility studies, market study, design of business model/value proposition, development of organization structure, financial plans and system/technology architecture.

We assist in the development of all policies and procedures required for the licensing application pack, independent review of existing/proposed risk management, technology, BCM, financial crime and cybersecurity frameworks/policies in line with regulatory requirements and industry good practices. Once the application pack is finalized, we carry out a review to ensure completeness of the information to be submitted.

We assist in responding to regulatory queries and support in the development of any additional requirements, as requested by the regulator ensuring our support throughout the licensing journey.



Pre-Operational Phase & Go-Live

Once the in-principle approval is obtained, we will assist in the implementation across systems, policies, processes of the new entity to attain the target state.

For newly set up entities as well as existing entities expanding their customer solutions, we assist in set-up or re-organization of key control functions including risk management, compliance, internal audit in line with business and governance model to be adopted.

We offer development of models required for decision making and/or monitoring including monitoring and reporting dashboards etc.



Operational Phase

We provide our services in line with our client's customized requirements and offer managed services and loan staffing arrangements across several control functions to handle daily operations for the Organization or run PMO across all projects undertaken by the organization.

We assist with the ongoing regulatory reporting, independent risk reviews, model development and independent validation, development of analytical models for informed decision making and other BAU initiatives which are identified by the entity in its day-to-day operations.

Our differentiators

We have assisted multiple entities in their licensing journey and setting up of digital wallets across GCC countries

Our success stories



1000 dedicated professionals in more than 65 countries on Global Payments Practice

Our Established Network



Our regulatory expertise



Deloitte has been engaged by a GCC Central Bank to set up and operate the FinTech office involving the development of a comprehensive FinTech strategy, licensing and regulatory framework.

Our Commitment



Given our unparalleled expertise and experience, we are committed to support in the entire journey and assist in the successful setup of the Organization



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