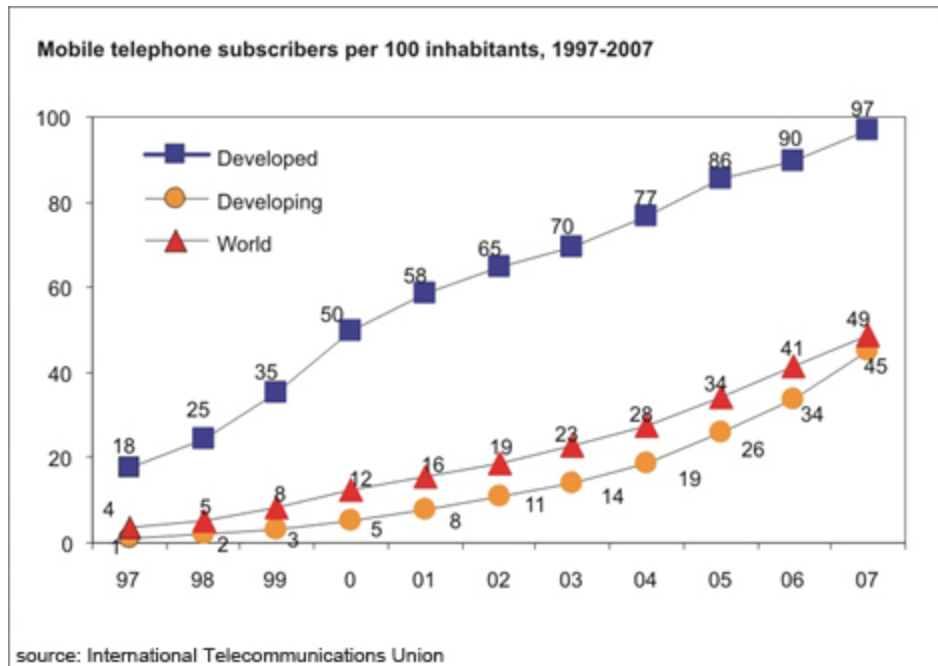


Mobile top-up for international remittances: New opportunities and new risks

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The growth in the mobile telecommunication industry worldwide is driving the ubiquity of handsets, which in turn is expanding the reach of financial services across wireless networks in less developed countries.



Adding air-time value (industry parlance known as "mobile top-up") to a mobile phone represents a new method that some mobile network operators (MNOs) are using to provide payment services, particularly in emerging countries where financial services are scarce. One example is [Safaricom's M-Pesa](#), offered in Kenya and Tanzania. This service uses money agents, often small village stores, to sell additional air time on mobile phones. This air time can then be used for nontelecom purchases of goods and services, or sent via text message ([SMS](#)) as a person-to-person (P2P) payment transfer, allowing the recipient to use the prepaid value.

A recent [case study](#) found improved financial access in years following the 2007 launch of M-Pesa. The availability of mobile payment services lessened the population's reliance upon more risky hand-to-hand transfers and has been [widely reported](#) as a positive development for these emerging economies. Initiatives such as the [Mobile Money for the Unbanked \(MMU\) program](#) supported in part by the Bill and Melinda Gates Foundation, are contributing to the expanded use of mobile financial services in emerging markets.

Mobile top-up is also emerging as a means for international remittances by allowing users in one country, such as the United States, to purchase mobile air time for users in other countries, thereby "topping-up" the recipient's account in the local currency. For example, Western Union recently announced a service to

provide mobile top-up remittances within the United States for users of phones issued by LIME in the Caribbean. Because many international telecom operators have roaming agreements that span geographic borders, mobile top-up remittances can be far-reaching, with the recipient using the prepaid value on the mobile phone to purchase goods and services in the home country.

While these innovations have been shown to have positive impacts in terms of access to financial services in emerging markets and may offer a number of other efficiency benefits, they also alter the risk profile for service providers and those who monitor payments for criminal activity. Depending upon the business model and parties involved, regulatory and law enforcement agencies will have new issues to consider in terms of anti-money laundering and monitoring international payment flows under existing laws. These developments in the mobile top-up market deserve continued attention to ensure that effective policing of payment flows can ride alongside the positive developments in the emergence of a new means for movement of money internationally.

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