



PROTECTING CUSTOMER FUNDS IN MOBILE MONEY SCHEMES

A DIAGNOSTICS REPORT ON PACIFIC ISLANDS REGIONAL
INITIATIVE'S MEMBER JURISDICTIONS



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EXECUTIVE SUMMARY

This diagnostic report assesses the adequacy of regulatory frameworks across the Pacific Islands Regional Initiative (PIRI) in protecting customers' funds within mobile money schemes and mitigating broader financial system vulnerabilities. Developed under the Alliance for Financial Inclusion (AFI), in close collaboration with PIRI member Central Banks, the study adopts a functional, risk-based approach benchmarked against international best practices. It provides a comprehensive evidence base to inform future regulatory reforms and strengthen consumer and systemic safeguards in the Pacific.

As mobile money expands across PIRI jurisdictions, its increasing role in payments, remittances, and inclusion highlights the need for tailored regulation. This report notes progress in basic protections and outlines second-generation reforms needed for greater resilience, stability, and inclusion.

METHODOLOGY AND SCOPE

The assessment applies a functional regulatory lens, evaluating risks in mobile money functions, regardless of their legal classification, and benchmarks PIRI countries against international best practices from peers across the globe to highlight gaps and areas for improvements. The analysis focuses on four key risk dimensions: liquidity, loss of value, illiquidity, and systemic risk, evaluating existing measures and identifying actionable reform opportunities.

Key findings

The diagnostic assigns a score of 3 out of 10 to PIRI countries' regulatory frameworks when benchmarked against global best practices, underlining foundational safeguards, notably the requirement to store customer funds in bank trust accounts, yet also reveals systemic gaps in diversification, legal enforceability, prudential governance, and resolution planning.



Tongan lady weaving / National Reserve Bank of Tonga & AFI

- > **Liquidity risk:** All PIRI countries require storage of customer funds in banks, yet most lack legal diversification mandates, supervisory monitoring, or pass-through deposit insurance to mitigate custodial bank failure. Only Fiji and Seychelles partially align with best practices.
 - > **Loss of value risk:** Frameworks for trusts, custodianship, and capital adequacy remain uneven. Fiji meets full trust standards, Papua New Guinea substantially aligns, while Seychelles leads on custodianship and capital rules but lacks risk-sensitive calibration.
 - > **Illiquidity risk:** Most jurisdictions have no legal mechanism to expedite fund return during insolvency. Seychelles and Solomon Islands have partial funds dispersal provisions, though clarity on trigger timing and legal hierarchy remains limited.
 - > **Systemic risk:** No PIRI member employs macroprudential or emergency resolution tools to contain contagion or maintain continuity of essential payment services.
- Findings show that while first-generation frameworks exist, second-generation reforms—based on legal clarity, governance, and proactive planning—are now essential.

TABLE 1: DIAGNOSTIC OF REGULATORY PATTERNS ACROSS PIRI COUNTRIES

Risk area	Regulatory tool	Current status (PIRI)	Observed gaps	Proposed reforms
Liquidity risk	Portfolio Rules (e.g. funds held in banks)	Present in all countries Only Seychelles and Fiji partially align with best practices	Lack of diversification, reconciliation, and real-time oversight High concentration risk in single banks	Mandate fund diversification across multiple institutions Consider low-risk assets (Central Banks, government securities) Implement automated reconciliation and audit systems
	Pass-through deposit insurance	Partial elements in Solomon Islands only	Customer funds exposed to deposit ceiling risk Lack of tracing or individual protection	Develop pass-through insurance recognition Enable stress testing and contingency planning for custodian bank failure Explore tailored insurance schemes
Loss of Value Risk	Capital requirements	Dedicated rule in Seychelles General provisions in Fiji and Solomon Islands	No mobile money-specific capital buffers Limited loss absorption	Introduce risk-based capital thresholds Calibrate to firm size and transaction volume Embed into licensing and supervision frameworks
	Trust arrangements	Fiji fully aligned Papua New Guinea substantially aligned	Most countries lack formal trust deeds, fiduciary rules, or insolvency recognition	Mandate legally enforceable trust deeds Assign independent trustees Ensure insolvency law recognition Establish fiduciary governance
	Custodian regimes	Only Seychelles has defined custodial framework	Funds remain exposed to firm insolvency Unclear fiduciary duties	Require storage with licensed custodians Define legal status, fiduciary duties, and oversight
Illiquidity risk	Funds dispersal mechanisms	Partial tools in Seychelles and Solomon Islands	No pre-insolvency payout mechanism Unclear legal triggers Weak enforceability	Develop statutory funds dispersal tools Clarify trigger criteria Integrate with insolvency frameworks
Systemic risk	Macroprudential stress tests/ Contingency tools	Absent in all countries	No systemic risk modelling or early warning frameworks	Establish systemic risk assessment models Design contingency and resolution plans Enable accelerated bankruptcy and bridge institution mechanisms

Strategic Reform Pathway

The report proposes a sequenced reform pathway across three dimensions:

1. **Strengthen legal and structural protections through trusts:** Ensure legal ring-fencing and fiduciary governance through enforceable trust frameworks.
2. **Enhance governance, prudential, and safeguarding mechanisms:** Introduce capital, custodian, and diversification requirements supported by real-time supervisory tools.
3. **Develop resolution and contingency mechanisms:** Establish pass-through deposit insurance, funds dispersal tools, and macroprudential contingency plans.

Foundational Enablers and Next Steps

PIRI countries should invest in foundational enablers to support implementation and oversight, including:

- > **Shared regional SupTech platform** to automate data collection, reconciliation, and risk monitoring, supporting transparency and smart policy decision-making.
- > **Capacity development** to strengthen regulatory, supervisory, and judicial competencies for enforcing new safeguards.
- > **Peer learning and knowledge exchange** to adapt global lessons from Kenya, Ghana, Tanzania, Jamaica, and other peers to Pacific realities through AFI's network.

These steps establish the foundation for a regional roadmap toward harmonized regulation, coordinated contingency planning, and enhanced supervisory readiness, setting the stage for future programmatic support and collaboration.



Farmer showing MyCash app / Reserve Bank of Vanuatu & AFI

1 INTRODUCTION

1.1 PROJECT BACKGROUND

Pacific Islands Regional Initiative (PIRI) countries have yet to conduct a regulatory stress test that enables the Central Bank to determine the extent to which mobile money regulation protects customers' funds in the event of a mobile money firm's bankruptcy. This presents a critical gap, as mobile money firms are typically subject to a country's general bankruptcy regime; governments do not possess the powers to provide bailouts, deposit insurance, accelerated bankruptcy processes, or other tools commonly used to stabilize banks.

This gap could become a significant concern should a mobile money firm collapse. Short-term outages or operational failures have already demonstrated the potential for serious disruption to local economies. For instance, on 7 December 2018, the M-Pesa mobile money service in Kenya experienced a six-hour network outage. The disruption was significant, as M-Pesa was processing an estimated KES 679.3 million (approximately USD 6.25 million) every hour at the time. Suddenly, all transactions ceased. Millions of M-Pesa customers were unable to make payments to utility firms, hospitals, banks, government agencies, and other service providers.¹

Similarly, in 2016, the Ugandan government temporarily suspended mobile money services nationwide, which disrupted payments, triggered panic withdrawals, prevented remittances to dependents, and eroded public trust in mobile money schemes, undermining broader financial inclusion efforts (CGAP, 2016). Other notable cases include MTN Uganda (2012), where theft occurred from a mobile money suspense account; the collapse of Celpay (2014), which was forced to close after failing to comply with Zambian law; and the closure of Orange Mobile (2017) following a commercial decision.

As discussed below, while the mobile money sector in PIRI countries remains relatively small compared to other regions, there are still substantial risks to customers' funds and to the wider economy should a mobile money firm fail. Moreover, unlike the temporary

outages seen in Kenya and Uganda, the insolvency of a mobile money firm could disrupt payments for several years while legal proceedings unfold. This underscores the importance of conducting a regulatory analysis to assess the extent to which PIRI countries' current frameworks can address such an eventuality.

To that end, PIRI, through the Alliance for Financial Inclusion (AFI), commissioned a consultant to prepare a country-level diagnostic report assessing the adequacy of member countries' regulatory frameworks in protecting customers' funds and the surrounding economy in the event of a mobile money firm's collapse. The project will also deliver a regional diagnostic report and a regulatory toolkit to guide future assessments.

The study focused exclusively on PIRI member countries. Member institutions — the Reserve Bank of Fiji (RBF), Bank of Papua New Guinea, Central Bank of Samoa, Central Bank of Seychelles, Central Bank of Solomon Islands, National Reserve Bank of Tonga, and Reserve Bank of Vanuatu, can use this report to (a) gain a comprehensive overview of their existing regulatory frameworks and (b) prioritize areas for reform or external support, where needed.

The analysis examines the extent to which PIRI countries' regulations protect users' funds in the event of the bankruptcy of a mobile money firm and/or the failure of the bank(s) holding users' funds. PIRI member institutions can leverage this report to assess their current frameworks and identify priority areas for reform and potential technical assistance.

For the purposes of this study, mobile money refers to an electronic payments and stored-value service offered by mobile money firms. While similar to mobile banking, it differs in that non-bank entities, typically mobile network operators, provide the service, funds are not intermediated, and usage is generally subject to specific restrictions. These restrictions often include prohibitions on paying interest to users and limits on account balances, though such constraints vary across jurisdictions.

The study centers on protecting mobile money users' funds by identifying key risks and providing preliminary proposals to strengthen regulatory safeguards. For the purpose of this assessment, users include customers and various categories of agents who deposit and withdraw funds from the mobile money system. The proposals presented are preliminary and warrant further review and refinement by PIRI member institutions and other policymakers.

¹ Nation.Africa. 2018. "Safaricom probed over costly M-Pesa outage". <https://nation.africa/kenya/business/safaricom-probed-over-costly-m-pesa-outage-117140>.

The study was undertaken through the following steps:

- > PIRI member institutions received a template regulatory stress test with targeted questions assessing how existing regulations protect customers' funds.
- > Member institutions completed the stress test, sourcing responses to questions.
- > The consultant, in collaboration with the AFI management unit's technical lead, the Policy Manager, Digital Financial Services, reviewed the responses and developed this country-level diagnostic report.

1.2 MOBILE MONEY IN PIRI COUNTRIES

Across PIRI countries, mobile money services have primarily been rolled out through mobile network operators (MNOs), alongside a few microfinance institutions and postal service entities.²

Despite the early introduction of these services, dating back to 2010 in Fiji³ and 2011 in Samoa⁴, Tonga⁵, and Vanuatu⁶, most platforms remain underutilized, with limited functionality and relatively high transaction costs. In nearly every country, mobile money remains positioned as a value-added service rather than a fully integrated financial tool⁷, resulting in fragmented digital ecosystems.

This structural constraint, consistent across the region, has limited both the utility of mobile money and the user trust required to sustain meaningful engagement.

Although digital connectivity is relatively strong across most PIRI countries, with mobile penetration

exceeding 90 percent in some cases, such as Seychelles⁸ and Vanuatu, actual adoption and active usage of mobile money services remain modest, often below five percent of the adult population. This disparity underscores a fundamental gap between digital access and financial inclusion, where connectivity alone has not translated into consistent use of digital financial services.

A pronounced contrast also exists between the number of registration and active mobile money users (those actively transacting). For example, while 62 percent of Fijians are registered for mobile money⁹, only 27.2 percent use it actively.¹⁰ Similar trends are evident in Samoa (41.9 percent registered vs. 5 percent active)¹¹, Tonga (3.5 percent vs. 3 percent)¹², and Vanuatu (3.5 percent vs. 0.67 percent).¹³ Even in countries experiencing improvements in digital infrastructure, such as Solomon Islands¹⁴, recent gains in registration have not translated into sustained engagement.

This persistent usage gap reflects ongoing barriers including limited digital financial literacy, low levels of consumer trust, a narrow range of use cases beyond basic cash-in and cash-out transactions, and weak consumer protection frameworks. In addition, concerns over security of deposits or transactions remain a deterrent. In Samoa, for instance, 22 percent of surveyed users reported losing money to scams¹⁵, reinforcing that infrastructure alone is insufficient to foster meaningful participation in digital finance.

2 GSMA. 2025. *The State of the Industry Report on Mobile Money 2025*. <https://www.gsma.com/sotir/wp-content/uploads/2025/04/The-State-of-the-Industry-Report-2025-English.pdf>; and *Pacific E-commerce Initiative, Assessment of the Retail Payments Ecosystem in the Solomon Islands* (September 2023) <https://pacificcommerce.org/wp-content/uploads/2024/03/Solomon-Islands-Assessment-of-Retail-Payment-System.pdf>.

3 GSMA. 2019. *The Mobile Economy: Pacific Islands 2019*. <https://www.gsma.com/solutions-and-impact/connectivity-for-good/mobile-economy/wp-content/uploads/2020/03/GSMA-MobileEconomy2020-Pacific-Islands.pdf>.

4 Alex Reddaway, 'Maua App: Challenging the Pacific's Digital Frontiers' (UNCDF, 11 October 2021) <https://www.uncdf.org/article/7223/maua-app-challenging-the-pacifics-digital-frontiers>.

5 Digicel Mobile Money' TP+ (13 October 2011) <https://tpplus.co.nz/entertainment/digicel-mobile-money/>.

6 Md Asad-Ur-Rahman Nile, 'Mobile Financial Services in Vanuatu: Three Critical Challenges and How to Solve Them' (8 July 2024) <https://www.uncdf.org/article/8730/mobile-financial-services-in-vanuatu-three-critical-challenges-and-how-to-solve-them>.

7 Central Bank of Samoa. The Second National Financial Inclusion Strategy 2022/2023 – 2025/2026 <https://cbs.gov.ws/media/NFIS-II-Final-v2.pdf>, Uraia Makulau, 'Mobile Money Agents: The Key to Boosting Financial Inclusion in Rural Fiji' (30 July 2024) <https://www.afi-global.org/old/newsroom/blogs/mobile-money-agents-the-key-to-boosting-financial-inclusion-in-rural-fiji/>, and United Nations Capital Development Fund, Assessing Digital and Financial Literacy in Samoa: Survey on Knowledge, Skills and Access (UNCDF 2023) <https://www.uncdf.org/article/8489/assessing-digital-and-financial-literacy-in-samoa>.

8 Simon Kemp, Digital 2025: Seychelles (3 March 2025) <https://datareportal.com/reports/digital-2025-seychelles>.

9 Pacific Islands Forum Secretariat, Improving Financing Inclusion in the Pacific: 2025 Money Pacific Goals, PIFS(22)FEMM.Info.8 (Forum Economic Ministers Meeting, 10-12 August 2022, Port Vila, Vanuatu) https://forumsec.org/sites/default/files/2024-09/Improving%20Financing%20Inclusion%20in%20the%20Pacific%20-%202025%20Money%20Goals_2022.pdf.

10 International Monetary Fund, Use of Financial Services, Mobile Banking: Active Number of Mobile Money Accounts for Fiji (FJIFCMAANUM), Financial Access Survey (republished by Federal Reserve Bank of St. Louis FRED, 13 October 2023) <https://fred.stlouisfed.org/series/FJIFCMAANUM>.

11 Pacific Islands Forum Secretariat, Improving Financing Inclusion in the Pacific: 2025 Money Pacific Goals, PIFS(22)FEMM.Info.8 (Forum Economic Ministers Meeting, 8 August 2022, Port Vila, Vanuatu) https://forumsec.org/sites/default/files/2024-09/Improving%20Financing%20Inclusion%20in%20the%20Pacific%20-%202025%20Money%20Goals_2022.pdf.

12 Simon Kemp, Digital 2025: Tonga (3 March 2025) <https://datareportal.com/reports/digital-2025-tonga>, and Pacific Islands Forum Secretariat, Improving Financing Inclusion in the Pacific: 2025 Money Pacific Goals, PIFS(22)FEMM.Info.8 (Forum Economic Ministers Meeting, 13 August 2022, Port Vila, Vanuatu) https://forumsec.org/sites/default/files/2024-09/Improving%20Financing%20Inclusion%20in%20the%20Pacific%20-%202025%20Money%20Goals_2022.pdf.

13 Pacific Islands Forum Secretariat, Improving Financing Inclusion in the Pacific: 2025 Money Pacific Goals, PIFS(22)FEMM.Info.8 (Forum Economic Ministers Meeting, 10-12 August 2022, Port Vila, Vanuatu) https://forumsec.org/sites/default/files/2024-09/Improving%20Financing%20Inclusion%20in%20the%20Pacific%20-%202025%20Money%20Goals_2022.pdf.

14 Simon Kemp, Digital 2025: The Solomon Islands (3 March 2025) <https://datareportal.com/reports/digital-2025-solomon-islands>.

15 United Nations Capital Development Fund, Assessing Digital and Financial Literacy in Samoa: Survey on Knowledge, Skills and Access (UNCDF 2023) 40 <https://www.uncdf.org/article/8489/assessing-digital-and-financial-literacy-in-samoa>.

Infrastructure-related challenges also persist across the region. A key constraint is the underdevelopment of agent networks, a critical pillar for last-mile service delivery in geographies characterized by dispersed and predominantly rural populations. In Fiji, for instance, there is one agent for every 12,000 customers in rural Naitasiri¹⁶, while Tonga reports just one agent per 10,000 adults nationwide.¹⁷ Although Papua New Guinea¹⁸ and Solomon Islands have invested in expanding their agent networks, reaching over 14,000 and 2,400 agents respectively, coverage in Papua New Guinea remains uneven and largely urban-centric.¹⁹

16 Uraia Makulau, 'Mobile Money Agents: The Key to Boosting Financial Inclusion in Rural Fiji' (30 July 2024) <https://www.afi-global.org/old/newsroom/blogs/mobile-money-agents-the-key-to-boosting-financial-inclusion-in-rural-fiji/>.

17 Pacific Islands Forum Secretariat, Improving Financing Inclusion in the Pacific: 2025 Money Pacific Goals, PIFS(22)FEMM.Info.8 (Forum Economic Ministers Meeting, 13 August 2022, Port Vila, Vanuatu) https://forumsec.org/sites/default/files/2024-09/Improving%20Financing%20Inclusion%20in%20the%20Pacific%20-%202025%20Money%20Goals_2022.pdf.

18 Tim Grice, Mobile Transparency? Financial Inclusion, Mobile Money and Papua New Guinea's Resources Sector (University of Queensland, Centre for Social Responsibility in Mining and International Mining for Development Centre, July 2015) <https://www.csr.uq.edu.au/media/docs/1227/mobile-money-financial-inclusion-and-pngs-resources-sector-june-2015.pdf>.

19 Joe Barak, Enhancing Financial Inclusion of Informal Economy through Mobile Money in Papua New Guinea (SPOTLIGHT, Vol 16 Issue 2, February 2022, National Research Institute of Papua New Guinea) 2, https://pngnri.org/images/Publications/Spotlight_Vol16_Iss2_Enhancing_financial_inclusion_of_informal_economy_through_mobile_money_in_Papua_New_Guinea.pdf.

In contrast, Solomon Islands has made notable progress in improving rural access, with nearly half of its new agents now operating in rural areas. In Vanuatu and Seychelles²⁰, however, static or declining agent numbers further highlight that without proximate, in-person financial service access, mobile money cannot achieve equitable scale or build trust among underserved communities.²¹

Compounding these challenges, the geographic realities of the PIRI region, including dispersed island geographies, rugged terrain, and infrastructure deficits, amplify barriers to inclusion. For mobile money to transition from a peripheral convenience to a transformative financial infrastructure, a deliberate shift is required: from a supply-driven approach to a user-centered model that prioritizes value creation, accessibility, and infrastructural resilience.

20 Airtel Mobile Commerce (Seychelles) Ltd, Annual Report and Financial Statements for the Year Ended 31 December 2022 https://assets.airtel.in/teams/simplycms/ADTECH/docs/Airtel_Mobile_Commerce_Seychelles_Limited.pdf.

21 Dhashni Naidoo and Abel Motsomi, Financial Literacy Baseline Survey: Seychelles 2016 (FinMark Trust, August 2016) https://finmark.org.za/system/documents/files/000/000/261/original/seychelles-financial-literacy-survey-report_%281%29.pdf?1602600780.

TABLE 2: SUMMARY SNAPSHOT — MOBILE MONEY IN PIRI COUNTRIES

Key dimension	Findings	Implications/Insights
Market structure	Mobile money mainly offered by MNOs Limited participation from MFIs or postal entities	Market remains supply-driven Limited innovation and integration with broader financial ecosystem
Timeline of Introduction	Early roll-outs: Fiji (2010), Samoa, Tonga, Vanuatu (2011)	Early start did not translate into maturity Most platforms still underdeveloped
Adoption & Usage	Registration often high (e.g. Fiji 62 percent) but active use low (e.g. Fiji 27.2 percent, Samoa 5 percent).	Highlights significant gap between access and actual usage of mobile money wallets
Digital connectivity	Mobile penetration exceeds 90 percent in Seychelles and Vanuatu	Connectivity does not translate into usage Other ecosystem enablers remain weak
Barriers to use	Low trust and digital literacy Limited use cases High transaction costs Weak consumer protection Security concerns (22 percent in Samoa lost money to scams)	Infrastructure alone cannot drive inclusion Behavioral factors and regulatory safeguards matter
Agent network coverage	Sparse rural coverage: Fiji (1 agent/12,000 customers), Tonga (1/10,000 adults)	Undermines last-mile access and customer confidence
Recent progress	PNG (14,000+ agents, mostly urban) Solomon Islands (2,400 agents, ~50 percent rural)	Some positive momentum, but uneven distribution remains
Stagnating markets	Static or declining agent numbers in Vanuatu and Seychelles	Risk of regression in service access and inclusion
Geographic challenges	Dispersed islands, rugged terrain, limited infrastructure	Amplifies delivery and cost challenges Requires context-specific solutions.
Strategic direction	Transition from supply-driven to user-centered model	Focus on value creation, usability, and resilience to unlock transformative potential

1.3 WHY DO MOBILE MONEY FAILURES HAVE A DISPROPORTIONATE IMPACT ON SMALL ISLAND ECONOMIES?

The Pacific's small island developing states (SIDS) heavily depend on mobile money for remittances, government payments, commerce, and financial access across vast oceans. When a mobile system fails—due to outage, insolvency, or agent issues—the impacts ripple through economic, social, and humanitarian systems more sharply than in larger, diversified economies.

Dependence on Mobile Channels for financial access

Across PIRI members, mobile money is key to financial inclusion, especially in rural and unbanked areas. In Solomon Islands and Samoa, it's often the first formal service for households outside banking networks. Limited branch access and weak infrastructure mean a platform failure can cut off communities, highlighting the need for liquidity and trust mechanisms.



Sri Lanka Man looking at his mobile phone / Helene Rogers, Alamy.com

Remittances as a lifeline

Remittances are vital to Pacific economies, making up 40% of GDP in Tonga, 20% in Samoa, and increasing in Fiji during economic stress (GSMA 2021). Mobile channels now handle more of these inflows because they are cheaper and faster than traditional cash remittances. A prolonged failure in mobile money would stop household income flows, limit foreign exchange, and harm macroeconomic stability. The GSMA states that mobile remittance transactions are usually processed instantly and are 3-6% cheaper than over-the-counter options, highlighting their importance.

Government, social, and humanitarian payments

Mobile money systems are vital for G2P and humanitarian transfers across the Pacific, especially during disasters. Outages or insolvency can delay emergency relief and hinder fiscal transfers to remote areas. The IMF notes that small Pacific nations are highly vulnerable to disasters and lack resilient financial infrastructure.²² Ensuring mobile payment continuity is essential for resilience and social stability protection.

Merchant and agent network fragility

The Pacific's merchant and agent networks are small and concentrated. Agents are vital for cash-in/out, utility payments, and remittances. GSMA states that low population, few liquidity points, and supply issues hinder network reliability.²³ A mobile money failure could quickly disrupt local trade, SMEs, and the cross-island supply chain.

Interconnected impact on credit, commerce, and connectivity

Mobile wallets serve as key access points to digital credit, savings, and micro-insurance, especially where traditional banking is limited, supporting Asia-Pacific's digital economy, which the GSMA (2025) reports contributes over 5.6% of GDP.²⁴ For small islands relying solely on mobile, a system failure could disrupt credit, commerce, and connectivity, increasing vulnerability and weakening public resilience trust.

22 IMF. 2024. *Rise of Digital Money: Implications for Pacific Island Countries*. <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2024/02/21/Rise-of-Digital-Money-Implications-for-Pacific-Island-Countries-543239>

23 GSMA Intelligence. 2025. *Mobile investments gaps (Pacific Islands)*. https://www.gsma.com/about-us/regions/asia-pacific/wp-content/uploads/2025/07/280425-Investment-gaps-Pacific-Islands_rev2.pdf

24 GSMA Intelligence. 2025. *The Mobile Economy Asia Pacific 2025*. <https://www.gsma.com/solutions-and-impact/connectivity-for-good/mobile-economy/wp-content/uploads/2025/08/The-Mobile-Economy-Asia-Pacific-2025.pdf>

TABLE 3: REASONS MOBILE MONEY FAILURES IMPACT MORE SMALL ISLANDS

Impact channel	Nature of dependency	Implications of Mobile Money failure	Illustrative example (PIRI)
Remittances	Primary inflow of household income Up to 40 percent of GDP in Tonga	Loss of external income, liquidity shortages, FX pressure	Samoa and Tonga diaspora transfers disrupted
Government & Social payments	Use of mobile channels for G2P, emergency, and disaster-relief transfers	Delay in welfare delivery Inability to reach remote communities	Fiji's mobile-enabled COVID cash support (AFI 2022 ²⁵)
Commerce & Trade	Mobile payments link MSMEs, markets, and tourism	Transaction paralysis Supply-chain slowdown	Vanuatu mobile merchant ecosystems
Agent networks	Sparse liquidity points Limited redundancy	Cash-in/cash-out freeze in rural areas	Solomon Islands agents servicing outer islands
Credit & Savings access	Wallets act as gateway to digital financial products	Loss of customer data and repayment channels	Fiji and Samoa DFS pilots (GSMA 2021)
Disaster response & Recovery	Mobile networks used for rapid relief disbursement	Humanitarian delays Higher vulnerability to shocks	Tonga 2020 cyclone response via mobile funds transfer (IMF 2020)

25 AFI. *Case Study on Women's Financial Inclusion, Digital Financial Services and Covid-19 Policy Response*. https://www.afi-global.org/wp-content/uploads/2024/10/Womens-Financial-Inclusion-Digital-Financial-Services-and-COVID-19-Policy-Response_Fiji.pdf



Young woman in Port Vila fruit and vegetable market, Vanuatu / Mike Robinson, Alamy.com

2 RISKS TO USERS' FUNDS

2.1 INTRODUCTION

The risks to customers' funds can be understood by considering the experience of a typical mobile money user. A mobile money account generally involves four defining features:

1. Customers exchange physical cash for an equivalent amount of e-money credited to their mobile money account.²⁶
2. Once the funds are credited, customers can use the service to deposit, store, transfer, and withdraw money. In most PIRI countries, regulations require mobile money firms to maintain a strict 1:1 ratio between the value of e-money issued

²⁶ This paper uses the words 'e-money' and 'mobile money' interchangeably. However, in practice, 'mobile money' as a service, is broader in scope than the former. E-money refers to the electronic value of cash. It is the monetary value that is stored electronically on receipt of funds, and which is used for making payment transactions. However, mobile money includes a range of financial services that can be offered across the mobile phone. See Janine Firpo, E-Money — Mobile Money — Mobile Banking — What's the Difference? (2009) World Bank Private Sector Development blog.

(customer balances) and the underlying float held in safe, liquid assets.²⁷

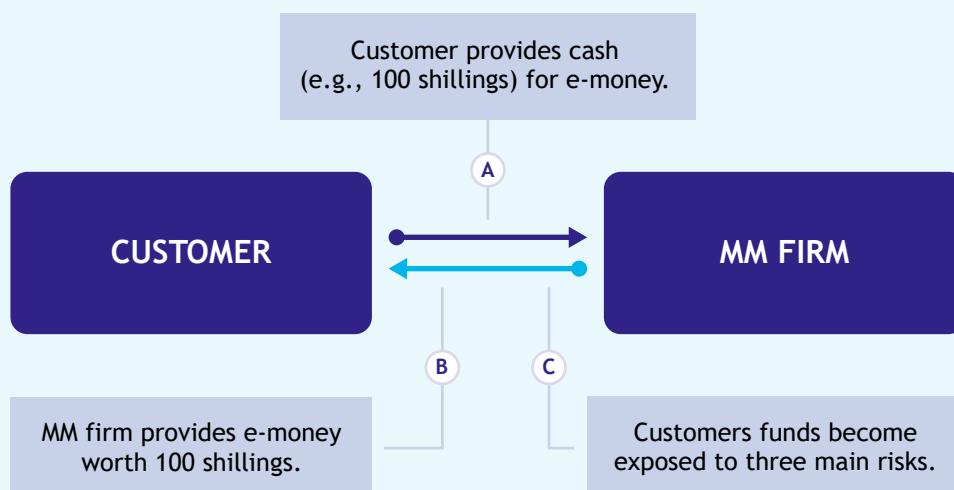
3. Once stored within the mobile money system, customers' funds become exposed to three primary risks²⁸: liquidity risk, bankruptcy risk (comprising loss of value and illiquidity), and systemic risk (further examined in the sections that follow).
4. These risks arise because mobile money firms — while performing similar payment and settlement functions as banks — do not benefit from the same regulatory instruments and safeguards designed to ensure continuity of banking services during periods of institutional distress.²⁹

²⁷ This is central to the disclosure in M-Pesa, namely that all of users' cash is held 'on trust' and can be redeemed: see M-Pesa Terms and Conditions, Clauses 1 ('[E]-money' means the electronic monetary value depicted in your M-Pesa account representing an equal amount of Cash held by the Trustee and which may be redeemed through an M-Pesa Cash Merchant for an equal amount of Cash' and 'Trust Deed' means together the Declaration of Trust dated 23rd January 2007 and the M-Pesa Amendment Deed dated 19th June 2008 executed by the Trustee constituting the trusts under which the Trustee holds all amounts of cash received for your Account') and 2.9 ('Your cash represented as e-money is held in trust for you'). For Nigeria, see: Guidelines on Mobile Money Services in Nigeria', Clause 7.5(f). For Kenya, see: 25(3)(b) ensure all monies received are held in a Trust Fund; and 25(3)(c) that Trust balances be no less than total money balances at all times. Rwanda: E-money issuers must retain 100 percent of e-money float in liquid assets (Article 17, Regulation governing e-money issuers, 2016); Bangladesh: MFS Regulations, Section 7.5(i).

²⁸ Other issues such as operational risk (arising from fraud on the mobile money firm by employees or third parties), cybersecurity etc have become increasingly important for policymakers. See for example Paul Makin, Cybersecurity for Mobile Financial Services: A Growing Problem, (2018) CGAP blog <https://www.cgap.org/blog/cybersecurity-mobile-financial-services-growing-problem>.

²⁹ Dan Awrey and Kristin Van Zwieten, The Shadow Payment System. 2017. 43 Journal of Corporation Law, Forthcoming, Oxford Legal Studies Research Paper No. 55/2016, at pg. 101.

FIGURE 1: CUSTOMERS ACCESS TO MOBILE MONEY



2.2 LIQUIDITY RISK

Liquidity risk refers to the possibility that customers may experience delays in cashing out their funds from a solvent but temporarily illiquid mobile money firm due to the storage function performed by mobile money firms on behalf of their customers.

In most PIRI countries, mobile money firms are required to hold customers' funds in safe, liquid assets – typically cash or cash equivalents – that can be readily converted into cash. However, depending on the type of asset selected, mobile money funds may still be *indirectly* exposed to liquidity risk.

This exposure occurs because the so-called “safe” assets, such as bank deposit accounts or government securities, in which mobile money firms commonly place customers' funds may not always provide adequate safeguards for those funds.³⁰ For example, banks themselves could become a source of liquidity risk if the funds deposited by a mobile money firm are used by the bank to finance its own operations, similar to any other non-mobile money deposit.³¹ As a result, customers may be temporarily unable to access their funds during such periods of liquidity stress, as outlined in points (a) to (c) on page 13.

30 For example, in M-Pesa, the M-Pesa Holding Company ('MPHC') is required to invest customers' funds in commercial bank accounts and/or Government of Kenya securities; see M-Pesa Amendment Deed, cl 6.1. See also regulation 25(3)(f), Kenya National Payment Services Regulations, 2014. In practice, at the request of the Central Bank of Kenya, Safaricom has directed the MPHC to store customers' funds in a bank. However, in other countries, the mobile money firm or its trustee agent has greater discretion and can store customers' funds across a range of different liquid, low-risk assets which can include one or more of the following: a central bank account, government or corporate bonds, or a commercial bank.

31 Jonathan Greenacre. 2020. New Thinking for Institutional Distress of Mobile Money Firms. Digital Pathways at Oxford Paper Series, No 6, at pg. 9. This is contrary to the assumption that many policymakers appear to have that storing funds in a bank account is a 'safe' approach. See Michael Klein and Colin Mayer, Mobile Banking and Financial Inclusion: The Regulatory Lessons (2011), World Bank Policy Research Working Paper, No. 5664, 16.

2.3 BANKRUPTCY – LOSS OF VALUE RISK

Customers risk losing funds if a mobile money firm goes bankrupt because, during proceedings, the liquidator may use customer funds to settle debts owed to others parties).

Bankruptcy-loss of value risk emerges primarily for two reasons:

1. Mobile money customers are classified as unsecured creditors of the mobile money firm.³²
2. Under most national bankruptcy regimes, unsecured creditors share in any distribution of the debtor's assets on a pro rata basis. In such cases, customers – as unsecured creditors – are repaid only after other classes of creditors have been settled and may therefore recover only a fraction of their funds. This risk is applicable across PIRI countries.³³

The scale of bankruptcy-loss of value risk depends on the proportion of funds that unsecured creditors (which is likely to include mobile money customers) recover during insolvency proceedings. This risk can be significant in several jurisdictions due to structural limitations within bankruptcy regimes across many developing economies, including PIRI countries.

Available data suggests that secured creditors in these markets have recovered, on average, between 18.6 to 46.5 cents on the dollar. Consequently, unsecured creditors – such as mobile money customers – typically recover even less.³⁴

32 The classification will depend upon a range of factors including the nature of the funds being deposited, the terms of the relationship between customers and the mobile money firm, and domestic law that governs these terms. The legal consequences of alternative classifications also require additional research.

33 Across all PIRI countries, the insolvency frameworks establish that unsecured creditors rank below secured and preferential creditors in the order of claims distribution. In all cases, non-preferential, unsecured creditors only share in the residual pool of assets on a pro rata basis after higher-ranking claims have been settled. Since mobile money customers generally do not hold any form of security over the assets of the service provider, they are treated as unsecured creditors under this regime. As a result, their ability to recover any part of their funds depends on whether surplus assets remain after secured and preferential creditors have been satisfied, exposing them to substantial loss of value risk.

34 Secured creditors usually recover very little during bankruptcy proceedings and so unsecured creditors are likely to recover almost nothing. For example, secured creditors lose almost 80 percent of their funds during insolvency proceedings in sub-Saharan Africa. Unsecured creditors are likely to recover little, if any. These average secured creditor recovery rates are based on the specific case outlines in the Resolving Insolvency Doing Business Methodology (<https://www.doingbusiness.org/en/methodology/resolving-insolvency>). Across PIRI countries, secured creditor recovery rates range from 18.6 to 46.5 cents on the dollar, meaning unsecured creditors are likely to obtain very little.

FIGURE 2: LIQUIDITY RISK

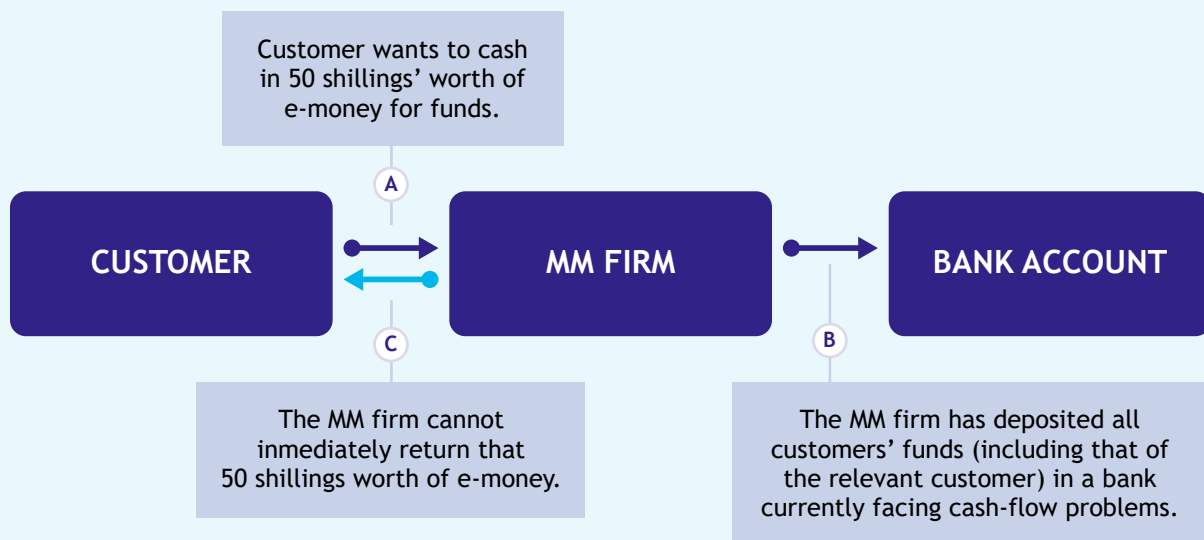
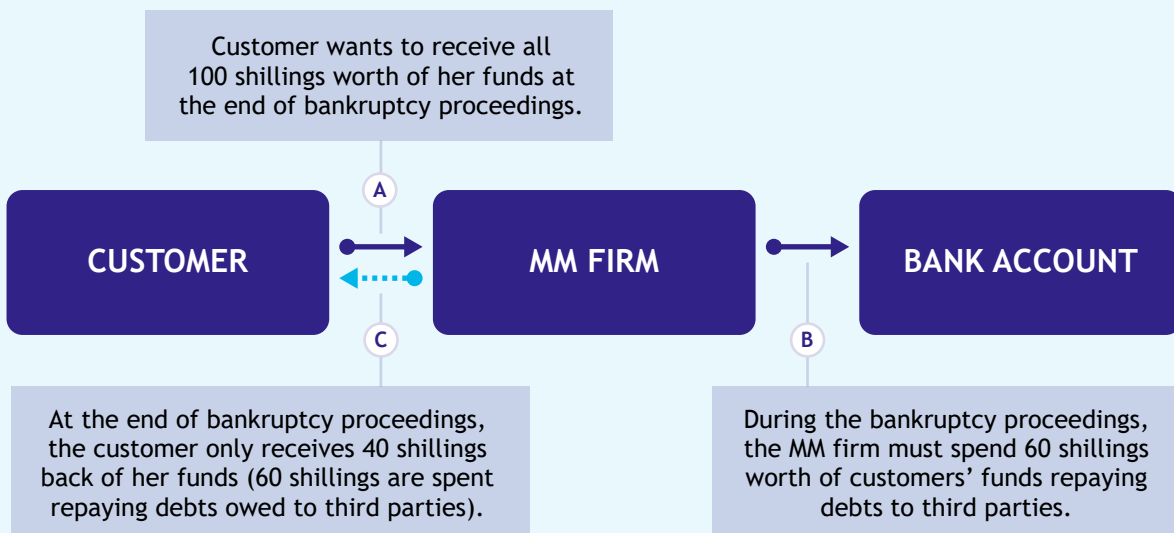


FIGURE 3: BANKRUPTCY – LOSS OF VALUE RISK



2.4 BANKRUPTCY – ILLIQUIDITY RISK

Bankruptcy-illiquidity risk refers to the possibility that customers experience significant delays in recovering their funds from an insolvent mobile money firm during bankruptcy proceedings. This risk arises because customers can only access their funds once the bankruptcy process has been completed, a process that, in many jurisdictions, can take several years.

Bankruptcy-illiquidity risk arises for two main reasons:

1. Mobile money customers are classified as unsecured creditors of the mobile money firm; and
2. National bankruptcy regimes often contain provisions that suspend enforcement actions against the assets of a debtor once insolvency proceedings commence. This means that customers, as unsecured creditors, must wait until the process concludes before regaining access to their funds. Such provisions are applicable in PIRI countries.³⁵

The scale of bankruptcy-illiquidity risk depends on the average duration of insolvency proceedings, which takes approximately 2.14 years in PIRI countries.³⁶

Several factors contribute to this delay, including protracted judicial processes, extended intervals between procedural steps, limited availability of experienced insolvency professionals, delays in customer claim filings due to procedural complexity or capacity constraints, and administrative inefficiencies in disbursing recovered funds.

³⁵ In PIRI countries, enforcement actions by creditors are suspended once insolvency proceedings begin, subject to the specific provisions of each jurisdiction.

³⁶ Bankruptcy proceedings across PIRI countries take approximately 2.14 years from default to distribution to secured creditors. In Fiji, the process takes approximately 1.8 years. In Papua New Guinea, it takes 3.0 years. In Samoa and Seychelles, the duration is estimated at 2.0 years. Solomon Islands has the shortest duration at 1.0 year. In Tonga, the process takes 2.7 years, while in Vanuatu, it is estimated at 2.5 years. These estimates are based on World Bank data: World Bank, Doing Business 2019: Training for Reform (31 October 2018) https://archive.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf.

2.5 SYSTEMIC RISK

Systemic risk within mobile money ecosystems remains underexplored but can arise from major illiquidity events. While loss of value risk may not pose widespread economic harm, extensive illiquidity could have significant macroeconomic repercussions in PIRI countries where mobile money firms process millions of transactions daily.

If such a firm were to enter insolvency proceedings, these transactions would abruptly cease, disrupting commerce, public payments, and household financial flows.

Evidence from developed economies indicates that even temporary disruptions to core payment systems can generate substantial economic instability.

Systemic risk may also originate from other interconnected financial institutions or instruments within the broader financial system. As highlighted below, the ‘high degree of interconnection’ between mobile money firms and other financial entities means that the failure of a linked institution could adversely affect customers’ funds. This vulnerability arises because mobile money float accounts are often held in, or backed by, assets managed by other financial entities. Should these counterparties fail, or the instruments lose value, customers’ funds would likely be negatively impacted.

FIGURE 4: BANKRUPTCY — ILLIQUIDITY RISK

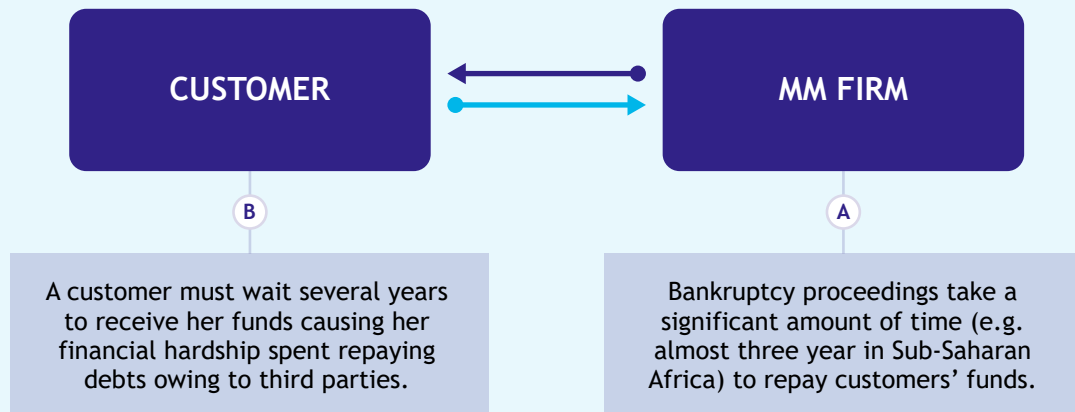
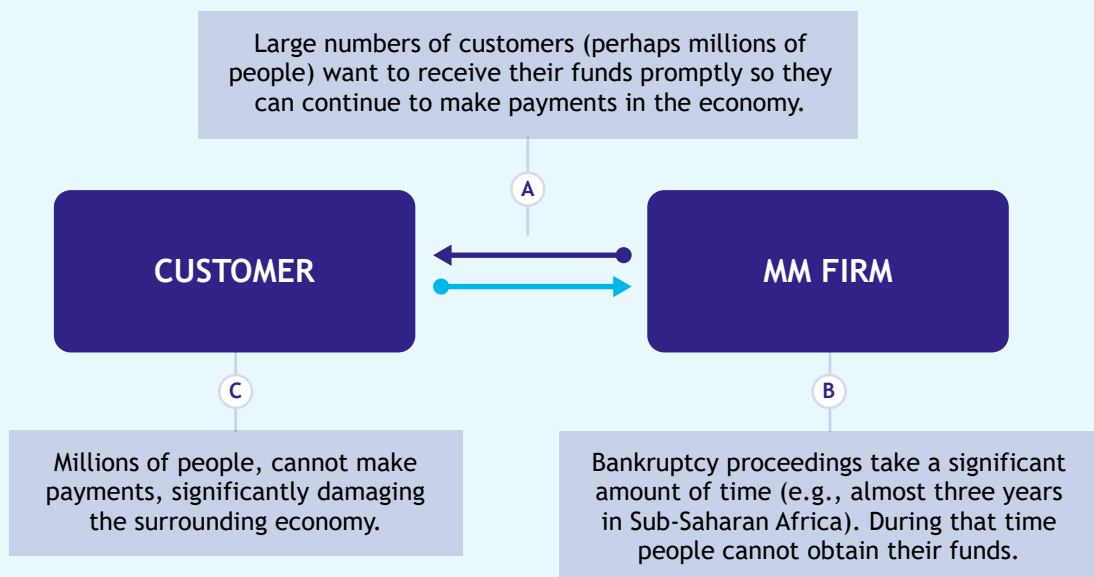


FIGURE 5: SYSTEMIC RISK



Currently, there is no universally accepted criterion for determining systemic risk in mobile money schemes. However, emerging research suggests that three variables are particularly relevant:

1. **Substitutes:** the availability of alternative methods for storing and transferring money.
2. **Scope of impact:** the range of economic sectors and actors that could be affected by the failure of a mobile money firm.
3. **Interconnections:** the degree of linkages between mobile money firms and other components of the financial and economic system.

TABLE 4: RISKS TO USERS' FUNDS IN PIRI COUNTRIES

Risk type	Description	Root causes	Scale/Magnitude	Implications for Policy & Regulation
Liquidity risk	Temporary delay in customers accessing funds from a <i>solvent but illiquid</i> mobile money firm	<ul style="list-style-type: none"> Funds stored in assets may not be immediately liquid (e.g. bank deposits, government securities) Exposure if banks use mobile money deposits to fund their own operations 	Varies based on asset composition and counterparties' liquidity. Customers may face temporary inaccessibility of funds	<ul style="list-style-type: none"> Strengthen prudential requirements for asset selection Diversify counterparties and ensure adequate safeguards. Enhance monitoring of float accounts and liquidity management
Bankruptcy – Loss of value risk	Partial or total loss of customers' funds when a mobile money firm becomes insolvent	<ul style="list-style-type: none"> Customers classified as <i>unsecured creditors</i> Bankruptcy laws distribute assets <i>pro rata</i>; unsecured creditors repaid last 	Potentially severe, unsecured creditors often recover less than secured ones (secured creditors recover ~18.6 to 46.5 cents per dollar)	<ul style="list-style-type: none"> Consider legal reforms to prioritize customers' claims. Introduce ring-fencing or trust arrangements for customer funds Review insolvency regimes to strengthen consumer protection
Bankruptcy – Illiquidity risk	Significant delay (average 2.14 years) in customers recovering funds from insolvent firms	<ul style="list-style-type: none"> Unsecured creditor classification Legal suspension of enforcement actions during proceedings Procedural and administrative inefficiencies 	High – prolonged access delays due to lengthy judicial processes, procedural gaps, and limited capacity	<ul style="list-style-type: none"> Streamline insolvency procedures Build institutional capacity (judiciary & administrators) Develop fast-track or special resolution frameworks for payment institutions
Systemic risk	Broad economic disruption from major mobile money firm failure or interlinked institutional distress	<ul style="list-style-type: none"> High transaction volumes and role in daily payments Interconnections with other financial institutions or instruments Lack of substitutes for digital transactions 	Potentially macro-critical – widespread disruption of commerce, public payments, and household financial flows	<ul style="list-style-type: none"> Identify systemically important mobile money providers Develop contingency and crisis-management frameworks Strengthen monitoring of interconnections and systemic exposures

3 REGIONAL FINDINGS – PROTECTING CUSTOMER FUNDS IN MOBILE MONEY SCHEMES IN THE PACIFIC

3.1 THE ASSESSMENT METHODOLOGY

This report provides an estimate of the quality of PIRI countries' regulatory frameworks for protecting customers' funds using a two-step approach. The first step applies a **functional approach**, which focuses on *the risks associated with the actual functions being performed rather than the legal classification of the entity performing them*. Under this approach, a firm's label – whether “mobile money firm,” “payment provider,” or “FinTech” – is secondary to the economic activities it undertakes.

The functional approach analyzes a business model by identifying the following elements:

- > Economic functions performed by financial services firms and markets
- > Risks arising from the performance of these functions
- > Regulatory tools that could mitigate (or respond to) such risks; and
- > Effectiveness of the available tools and the trade-offs involved with using these tools.

A functional approach reduces confusion among policymakers by linking firm activities to appropriate regulations, such as mobile money functions being governed by customer-fund protection rules. This approach aligns with international best practices from organizations like AFI, Gates Foundation, and the World Bank, with countries like Kenya and Tanzania adopting similar frameworks.³⁷ The PIRI country rankings on customer-fund protection are indicative, not definitive, as no universal standard exists; they serve as directional guides rather than absolute measures metrics.

³⁷ See National Payment Systems Regulations, 2014; Tanzania: E-Money Regulations, 2015.



People in the local market, Fiji. / gg-foto, Shutterstock.com

The methodology used to generate these indicative rankings comprises the following steps:

- > **Step I:** Identify and list principal (“best practices”) regulatory tools aligned with international best practices for protecting customer funds in the event of mobile money firm failure (see Table 2 below).
- > **Step II:** Assign points to countries based on the extent to which they have adopted these tools. Each implemented tool earns the country one point (e.g. a country employing a basic trust setup scores one point).

- > **Step III:** Aggregate points to obtain an overall score. For example, a country implementing two tools scores 2, whereas a country adopting seven tools scores 7.

The main international best-practice tools assessed in this study are summarized below.

TABLE 5: INTERNATIONAL BEST PRACTICE REGULATORY TOOLS FOR PROTECTING CUSTOMER FUNDS

Tool	Target firm and risk	Legal effect	Example countries
Basic trust setup	MM firm insolvency	Funds are legally separated from the firm’s own assets through a trust structure, protecting them from claims during insolvency	Kenya ³⁸ , Paraguay, Namibia ³⁹ , Malawi ⁴⁰
Trust account at regulated bank	MM firm and partial bank insolvency	Trust funds are stored in a licensed bank, adding oversight though still exposed if the bank fails	Ghana ⁴¹ , Tanzania ⁴²
Spread across multiple strong banks	Systemic bank failure	Float is distributed across multiple banks to reduce exposure if one institution fails	Kenya
Trust governance rules	MM firm insolvency	Ensures trusts are managed prudently, including <i>fit and proper</i> criteria for trustees	Tanzania, Kenya ⁴³
Capital requirements	MM firm insolvency	Requires shareholders to absorb losses before customer funds are affected	Tanzania ⁴⁴
Custodian arrangement	MM firm insolvency	Funds are held by a licensed custodian, enhancing legal separation from the provider	Kenya (Safaricom)
Funds’ dispersal mechanisms	Mobile money firm insolvency	Enables faster return of customer funds, avoiding lengthy corporate bankruptcy proceedings	Kenya, Tanzania, Ethiopia ⁴⁵
Deposit insurance (Direct or pass-through)	Bank insolvency	Provides reimbursement to users if a partner bank fails, either directly or via pooled account insurance	EU, India, Colombia, Kenya and Nigeria ⁴⁶
Float held at Central Bank	Liquidity or insolvency of mobile money firm	Funds are stored at the Central Bank, eliminating commercial bank risk	Colombia, Brazil, El Salvador ⁴⁷
Full oversight and reconciliation	Holistic prudential protection	Regulators conduct daily reconciliations, audits, and capital reviews to minimize all risks	Brazil, Kenya, India
Emergency regulatory tools	Systemic risk and complete protection	Macroprudential tools, stress tests, or accelerated bankruptcy regimes for systemic resilience	None reported ⁴⁸

38 See rules about that trust arrangement in NPS Regulations, e.g. section 26.

39 Article 6, Guidelines for Electronic Money Issuers in Namibia

40 Article 8, Guidelines for Mobile Payment Systems of Malawi

41 Article 7 (4), the Guidelines for E-Money Issuers in Ghana

42 And that a regulator supervises such diversification, though, for example reconciliation strategies. See Tanzania E-Money Regulations s 14.

43 Tanzania 27(2)(d). Kenya section 10(d)(9).

44 See Tanzania E-Money Regulations s 14.

45 Kenya, Tanzania, and Ethiopia use such a tool, albeit there are many unclear areas with its use. See Kenya’s National Payment System Regulations (2014), Tanzania’s Electronic Money Regulations, (2015), and Ethiopia’s Licensing and Authorization of Payment Instrument Mobile money firm’s Directive (2020).

46 Kenya, Section 29 of the Kenya Deposit Insurance Act of 2012; See, in Nigeria, NDIC’s Framework for the Establishment of Pass-Through Deposit Insurance for Subscribers of Mobile Money Operators in Nigeria (2015), and NDIC’s Deposit Insurance Guidelines on Mobile Payments System (2016); See Deposit Insurance Act (including 2011 amendments) and Joint, Trust and Nominee Accounts Regulations of 2014.

47 See, for example, in El Salvador: Ley para Facilitar la Inclusión Financiera.

48 Implementing these tools would strengthen protection of customers’ funds, as discussed Section 3.1.

3.2 FINDINGS

The scoring framework outlined above (see Table 5) was applied across all PIRI member jurisdictions to assess their alignment with international best practices in protecting mobile money customers' funds. The resulting analysis provides an indicative measure of regulatory maturity, highlighting areas of strength, emerging progress, and opportunities for further enhancement.

This report assigns an indicative score of 3 out of 10 to PIRI countries' collective regulatory frameworks when benchmarked against international best practices. This score serves as a diagnostic arbitrary indicator, intended not as a definitive ranking but as a tool to underscore the significance of identified regulatory gaps and to encourage timely reform and action.



The relatively low score reflects that PIRI countries maintain foundational protections, most commonly the requirement to store customer funds in trust accounts with licensed banks, but have yet to adopt advanced safeguards seen in more mature markets.

Limited monitoring and enforcement further constrain the effectiveness of these basic tools, leaving customer funds potentially exposed to four key categories of risk:

- > **Liquidity risk:** Insufficient attention to how bank regulations accommodate mobile money, including limited use of pass-through deposit insurance.
- > **Loss of value risk:** Limited use of capital buffers, custodial safeguards, and trust governance mechanisms.
- > **Illiquidity risk:** Absence of accelerated funds dispersal systems to return customer funds quickly following insolvency (following the collapse of a mobile money firm).
- > **Systemic risk:** Lack of emergency regulatory powers to contain spillovers from a failing mobile money firm.

The following sub-sections expand on each of these areas, referencing examples of international best practices (e.g. Kenya, Tanzania, Nigeria, Jamaica)⁴⁹ and assessing, to the extent which, their application exist across PIRI member jurisdictions.

3.2.1 LIQUIDITY RISK

Portfolio rules

Across PIRI countries, mobile money customer fund safeguards vary significantly. Most, including Papua New Guinea, Samoa, Solomon Islands, Tonga, and Vanuatu, require funds in commercial banks, offering basic custody but lacking dedicated regulation or best practices. These frameworks often lack formal diversification, reconciliation, and supervisory protocols, leaving funds vulnerable to concentration risk if a bank fails. Fiji has more advanced safeguards under the National Payment System Act 2021 and Regulations 2022, mandating trust accounts with licensed banks and fiduciary duties, but without multiple-institution diversification. Seychelles requires funds in at least two licensed institutions, reducing single-bank risk, but limits to banks and credit unions, missing tools like liquidity insurance. Fiji and Seychelles show leadership but may fall short in diversification and resilience. Other jurisdictions—Papua New Guinea, Samoa, Solomon Islands, Tonga, and Vanuatu—would benefit from stronger diversification rules, real-time reconciliation, and better oversight to enhance resilience.

To align with international best practices for mobile money liquidity risk management, PIRI members should:

- > Establish **legal frameworks** for fund safeguarding that extend beyond basic custodianship.
- > Mandate **diversification** across multiple licensed institutions or low-risk asset classes.
- > Require investment in **highly liquid, low-risk instruments** only.
- > Introduce **regular reconciliation audits, real-time reporting leveraging SupTech**, and **stress testing** to assess exposure.

While Fiji and Seychelles are comparatively advanced, all PIRI members would benefit from formalizing and institutionalizing these safeguards.

49 Kenya: National Payment Systems Regulations, 2014; Tanzania: E-Money Regulations, 2015.

Pass-through deposit insurance

Pass-through deposit insurance treats funds in pooled mobile money accounts as individual deposits, ensuring each account's full protection under the insurance scheme, addressing deposit ceiling risks.⁵⁰ Countries like Solomon Islands partially implement these principles through escrow accounts, maintaining fund segregation and safeguarding against liquidity risks, but face operational challenges such as lack of formal recognition and verification mechanisms. Others, including Fiji and Papua New Guinea, do not currently offer pass-through coverage, leaving customers exposed to aggregate ceiling risks, especially where high-value floats are common concentrations.

To strengthen consumer protection, PIRI institutional members could consider reforms to:

- > Legally recognize mobile money users as beneficial owners of funds in pooled accounts.
- > Mandate detailed, real-time recordkeeping enabling deposit insurers to identify and reimburse customers in the event of bank failure.
- > Coordinate with deposit protection agencies to extend coverage explicitly to mobile money accounts.

In addition, PIRI institutional members could implement stress-testing frameworks, scenario analyses, and revised deposit ceilings that reflect mobile money fund structures, ensuring comprehensive and proportional protection.

3.2.2 LOSS OF VALUE RISK

Capital

Capital serves as a safeguard, allowing shareholders to absorb losses before customer funds are at risk. This first-loss buffer is used in many jurisdictions like Tanzania⁵¹, aiming to protect consumers and reduce insolvency risks. However, PIRI countries such as Papua New Guinea, Samoa, Tonga, and Vanuatu lack specific capital rules for mobile money providers, creating prudential gaps and exposing customers to higher risks. Fiji enforces general capital requirements but lacks sector-specific measures, while Solomon Islands is developing a framework under its 2022 Payment Systems Act and 2024 Draft E-Money Regulations. Seychelles has set a minimum capital requirement of SCR 1,000,000 under its 2022 regulations, aligning somewhat with international standards but without risk-based scaling or proportionality.

⁵⁰ The pass-through approach does not require the MM firm to become a member of a deposit insurance system, but requires the deposit-taking institution holding the float account to join a deposit insurance system.

⁵¹ See Tanzania E-Money Regulations 14.

To strengthen customer fund protection and institutional resilience, PIRI members should establish capital requirements that extend beyond generic financial sector obligations. These should:

- > Function as a first-line defender, ensuring shareholder equity absorbs losses before customer funds are affected.
- > Be risk-sensitive and scalable, reflecting provider size, operational complexity, and systemic importance.
- > Be subject to regular supervisory review, including periodic capital adequacy assessments and reporting.

For Seychelles, refinements could include proportionate thresholds and dynamic capital calibration based on firm-specific risk assessments. For countries without existing capital provisions (Papua New Guinea, Samoa, Solomon Islands, Tonga, and Vanuatu), the introduction of basic, mobile money-specific capital buffers would represent a foundational step toward improving prudential oversight. Fiji, meanwhile, could further strengthen its framework by formalizing mobile money-specific capital thresholds and integrating capital adequacy into its broader supervisory regime.

Trusts

Storing customers' funds in a trust arrangement remains one of the most effective mechanisms for mitigating loss of value risk, as it legally separates customer assets from the mobile money firm's own funds. When properly structured and recognized under national law, a trust ensures that customer funds are ring-fenced and unavailable to third-party creditors in the event of insolvency.⁵² However, the protective effect of a trust depends on two essential requirements:

1. **Legal validity:** The trust must be recognized under corporate and insolvency law as creating a distinct legal title that shields customer assets from claims by other creditors.
2. **Effective design and implementation:** The trust must be structured and administered in accordance with sound fiduciary principles, including:

⁵² A trust is a legal arrangement that imposes a duty on one party (the trustee) for the benefit of another (a beneficiary). When applied to mobile money, a trustee will hold customers' funds (trust assets) on behalf of customers (as beneficiaries of the trust). Effectively drafted and implemented, a trust has asset segregation effects – it ring-fences customers' funds from the assets of the mobile money firm. This means creditors cannot access customers' funds during bankruptcy proceedings: See a discussion of this point in Jonathan Greenacre and Ross Buckley, 'Using Trusts to Protect Mobile Money Customers', (2014) Singapore Journal of Legal Studies, 59-78. In turn, this means customers' funds will retain their full value during corporate bankruptcy proceedings and will be available for customers at the conclusion of those proceedings.

- > Clear expression of intent (clear evidence of an intention to store customers' funds) through a formal trust deed.
- > Complete segregation of trust assets (customer funds) from the mobile money firm's operational accounts (assets of the custodian).⁵³
- > Robust governance provisions, such as fiduciary duties, fit and proper requirements for trustees, and regulatory oversight of compliance.

Among PIRI countries, Fiji is the only jurisdiction with a trust framework that fully meets legal and operational standards. It requires formal trust deeds, asset segregation, fiduciary duties, and oversight by the Reserve Bank of Fiji. Trusts in Fiji are enforceable under insolvency law, protecting customer funds during bankruptcy. Papua New Guinea also has a trust system that largely meets key requirements, including asset segregation and regular reporting. However, the trust is managed by the mobile money firm acting as trustee, which could cause conflicts, and insolvency law doesn't explicitly protect trust assets from third-party claims. Seychelles, Solomon Islands, and Samoa have partial frameworks with limited fund protection. Seychelles uses custodian accounts but lacks formal trust deeds or fiduciary appointments. The Solomon Islands employs escrow accounts with some legal basis for fund protection, while Samoa has no formal trust infrastructure. Tonga and Vanuatu do not use trust arrangements, leaving customer funds vulnerable in insolvency.

To strengthen protection against loss of value risk, PIRI institutional members could:

- > Mandate formal trust deeds clearly expressing the intent to hold customer funds in trust.
- > Require independent trusteeship, assigning legal title to a custodian bank or regulated fiduciary entity.
- > Amend insolvency laws to recognize and protect trust assets from creditor claims.
- > Establish supervisory mechanisms such as periodic audits, segregation checks, and fit and proper assessments for trustees.

Implementing these reforms would enable countries such as Papua New Guinea, Solomon Islands, Samoa, and Seychelles to evolve partial arrangements into fully compliant trust regimes, while providing Tonga and Vanuatu with a blueprint to develop trust-based protections from the ground up.

Custodian

Another tool for mitigating loss of value risk is requiring mobile money firms to store customer funds with a separate **custodian** institution. This ensures that customer funds are protected if a mobile money firm goes bankrupt, as assets are held by an independent entity. It also allows regulators to intervene more effectively during institutional distress by transferring or managing funds through a solvent intermediary.

Seychelles has the most advanced custodial regime among PIRI countries, aligned with international best practices. Under the 2022 Electronic Money Regulations, mobile money providers must store customer funds in pooled, legally segregated custodian accounts across multiple licensed banks or credit unions. They must also formalize custodian agreements, perform daily reconciliations, and undergo annual audits.

Seychelles' Civil Code supports asset segregation and creditor protection, but the framework could be improved by clearly defining custodian responsibilities and procedures in case of a custodian bank's failure.

Papua New Guinea and Solomon Islands have implemented partial custodial arrangements through escrow accounts. These accounts, while separate from operational funds, do not constitute a full custodial model. Key limitations include the absence of:

1. a legal designation of custodian status
2. defined fiduciary accountability
3. targeted supervisory oversight over the custodian function

In the Solomon Islands, banks holding escrow accounts are regulated under the Financial Institutions Act and subject to general prudential standards, but they are not explicitly recognized or supervised as custodians for mobile money funds. As such, dedicated fiduciary duties and safeguarding obligations do not yet apply.

In Fiji, Samoa, Tonga, and Vanuatu, no formal custodial frameworks currently exist. In these jurisdictions, mobile money providers typically deposit customer funds directly in bank accounts under their own name, without engaging an independent custodian entity. This structure exposes customer funds to potential risk in the event of the provider's insolvency, as the assets may form part of the bankruptcy estate. Moreover, the absence of a distinct custodial role limits the regulator's ability to intervene or transfer safeguarded funds promptly during crises.

⁵³ Without complete separation, customers are still exposed to co-mingling of assets, which means a court may not recognize the existence of a valid trust arrangement.

To enhance protection against loss of value risk, PIRI members could develop comprehensive custodial frameworks that:

1. Mandate the use of independent third-party custodians for all mobile money float holdings.
2. Define the legal status, fiduciary duties, and accountability of custodian institutions.
3. Require formal custodial agreements outlining terms of safekeeping, reporting, and liability.
4. Embed supervisory oversight mechanisms, including regular audits, reconciliations, and compliance reviews.

Seychelles provides a strong foundation upon which the region can build, yet further refinements are needed to ensure custodians themselves are subject to explicit prudential and fiduciary standards. Other PIRI members, particularly those relying solely on escrow or self-custody models, can benefit from adopting legally defined, independently supervised custodial structures to safeguard customer funds and support swift resolution in the event of provider distress.

3.2.3 BANKRUPTCY – ILLIQUIDITY RISK

Bankruptcy-illiquidity risk refers to the possibility that mobile money customers experience significant delays in recovering their funds from an insolvent provider once bankruptcy proceedings commence.⁵⁴ Unlike loss of value risk, which concerns a reduction in balance, **this risk centers on timing and access**, customers may ultimately recover their full funds, but only after lengthy judicial and administrative processes.

This challenge arises because customers, as unsecured creditors, are required to wait until insolvency proceedings are complete before their claims can be settled. In PIRI countries, these processes can be prolonged, with an estimated average duration of 2.14 years. Such delays not only affect individual households but can also disrupt business operations, cash flow, and payment system stability, particularly in economies where mobile money plays a critical role in daily transactions.

Insolvency proceedings' length depends on complex court processes, limited practitioners, capacity issues, inefficiencies, and procedural barriers delaying filings. Regulators should explore accelerated tools for timely customer fund recovery.

International experience offers guidance on this front. Jurisdictions such as Kenya, Tanzania, and Ethiopia have implemented funds dispersal tools designed to facilitate early repayment to customers⁵⁵, ideally before formal bankruptcy proceedings conclude. These tools are intended to minimize liquidity disruptions and sustain public confidence in mobile money ecosystems.

However, several unresolved policy and legal questions continue to shape the design and implementation of such tools:

- > **Trigger conditions** – On what grounds should the mechanism be activated?
- > **Timing of activation** – Should the trigger occur before or after formal bankruptcy proceedings commence?
- > **Regulatory alignment** – How can the mechanism be structured to avoid conflict with existing insolvency and corporate laws?

Within the PIRI region, Solomon Islands and Seychelles have taken steps toward partial implementation of funds dispersal mechanisms. In the Solomon Islands, mobile money providers are required to return unused e-money balances to customers in the event of insolvency or operational termination. Nonetheless, the tool's operational scope is constrained by (i) unclear activation triggers, (ii) its foundation in subsidiary regulation rather than primary legislation, and (iii) uncertain interaction with national insolvency frameworks, which may limit enforceability or create procedural conflicts.

Seychelles has established a more structured statutory basis under Regulation 7(5) of the National Payment System (Electronic Money) Regulations, 2022, mandating that segregated customer funds be returned in full upon liquidation, outside the general insolvency estate. While this represents an important step forward, further clarity is needed regarding operational triggers, coordination with insolvency administrators, and timing of disbursements to ensure consistent implementation.

⁵⁴ Doing so by-passes the hurdles of normal bankruptcy procedure. Generally, this tool is designed to enable a regulator or another actor (which may include another Mobile money firm) to return funds to customers once the original Mobile money firm's license is revoked or if such firm intends to wind up its affairs as a going concern.

⁵⁵ See Kenya's National Payment System Regulations (2014), Tanzania's Electronic Money Regulations, (2015), and Ethiopia's Licensing and Authorization of Payment Instrument Issuer's Directive (2020).

In other PIRI countries (Fiji, Papua New Guinea, Samoa, Tonga, and Vanuatu), no such mechanisms exist. As a result, mobile money customers in these jurisdictions remain subject to conventional insolvency timelines, with no accelerated process for accessing safeguarded funds.

To strengthen resilience and enhance consumer confidence, PIRI members could consider developing tailored funds dispersal frameworks that:

- > Establish clear and transparent criteria for activation (e.g. liquidity shortfall thresholds or cessation of operations).
- > Provide a legal basis in primary legislation, ensuring full enforceability.
- > Integrate with national insolvency laws, either by granting priority to customer claims or embedding the mechanism within the broader resolution regime.

By adopting these tools helps members reduce fund recovery delays, lessen consumer hardship, and build trust in digital finance. For Solomon Islands and Seychelles, targeted improvements would enhance existing frameworks, while other PIRI members can develop new instruments aligned with global best practices.

3.2.4 SYSTEMIC RISK

Systemic risk Systemic risk in mobile money remains underexplored but has major economic implications. It involves the **potential for a major firm's failure to disrupt the financial system, payment networks, or economic activity**, as mobile money is vital for transactions, wages, remittances, and government transfers.

In most PIRI countries, the smaller mobile money sector is increasingly connected to core financial systems. A major illiquidity event or collapse of a key provider could cause cascading effects, stopping transactions, straining liquidity, and eroding public confidence. While value loss may be limited, widespread disruptions pose greater systemic risks.

Developed economies show that temporary payment system disruptions can lead to significant economic losses due to deep digital integration. Small, interconnected economies like PIRI could face worse outcomes, especially without backup channels.

Currently, **no PIRI country has an emergency tool for systemic fallout from a mobile money firm collapse**. However, international examples from the UK, USA, EU, and emerging markets offer resolution mechanisms that could be adapted, such as:

- > **License transfer tools**, allowing an insolvent mobile money firm to transfer its operating license to a solvent entity.
- > **Sale of business tools**, enabling the rapid transfer of the firm's mobile money operations (including customer funds) to a viable private purchaser.
- > **Bridge institution tools**, where regulators temporarily transfer services to a newly established entity while searching for a suitable buyer.⁵⁶
- > **Bail-in tools**, which convert debt or unsecured claims into equity to stabilize a failing institution.
- > **Special administration regimes**, allowing expedited asset liquidation and customer fund recovery, modeled after investment bank special administration frameworks.

While these mechanisms vary in design, they share a common objective: **to preserve continuity of service, protect customer funds, and contain contagion risks within the payment system**. Their adaptation to mobile money would, however, require careful alignment with national insolvency, financial stability, and payment system legislation.

Beyond resolution-specific tools, macroprudential instruments may also play a role in mitigating systemic risk, although such tools are not yet developed for mobile money ecosystems. A macroprudential framework could help regulators:

- > Assess the systemic footprint of mobile money firms.
- > Identify potential transmission channels of financial distress.
- > Implement preventive safeguards such as liquidity buffers, interoperability mandates, or stress-testing protocols.

Currently, no PIRI member has implemented such emergency or macroprudential instruments specifically targeting mobile money. This highlights an important gap in crisis preparedness and financial stability planning across the region.

⁵⁶ See UK's Banking Act 2009 (section 12), USA's Dodd-Frank Wall Street Reform and Consumer Protection Act [section 210(1)(d)], and EU's Bank Recovery and Resolution Directive (Article 40).

In response, PIRI members may consider developing national contingency frameworks for mobile money resolution by:

- > Defining systemic risk triggers and criteria for intervention.
- > Establishing coordination protocols among regulators, ministries, and financial stability committees.
- > Integrating with broader Financial Sector Development (FSD) Resolution Frameworks.
- > Identifying legal reforms and institutional arrangements necessary for swift, minimally disruptive interventions.

The Financial Stability Board (FSB)'s Key Attributes of Effective Resolution Regimes for Financial Institutions serve as a valuable guide for creating such frameworks. By applying these principles, PIRI members can promote cross-agency collaboration, unified oversight, and proactive planning for systemic risk events, thus advancing from reactive responses to proactive stability management.

Creating contingency and resolution plans offers several advantages: it clarifies legal processes, lowers uncertainty during crises, and ensures PIRI countries are prepared to protect customer funds, sustain payment systems, and uphold macroeconomic stability if mobile money firms face distress or failure.



Natives selling products, Solomon Islands / WaterFrame_edu, Alamy.

TABLE 6: DIAGNOSTIC OVERVIEW OF RISKS AND REGULATORY RESPONSES

Risk type	Nature of risk	Key findings from PIRI diagnostics	Existing regulatory tools	Gaps identified	Recommended strategic actions
Liquidity risk	Delay in fund redemption due to inability to convert assets into cash during stress	<ul style="list-style-type: none"> Customer funds mostly held in single commercial banks Limited diversification Weak reconciliation protocols 	<ul style="list-style-type: none"> Basic custodianship in most countries Partial diversification in Seychelles Trust accounts in Fiji 	<ul style="list-style-type: none"> No diversification mandates Absence of liquidity insurance Limited oversight 	Introduce diversification rules, real-time reconciliation, stress testing, and liquidity protection instruments
Loss of value risk – Capital	Reduction in customer balances if firm becomes insolvent	<ul style="list-style-type: none"> Limited or no capital adequacy for mobile money firms (except Seychelles' SCR 1M threshold) Fiji & Solomon Islands have general or emerging provisions 	<ul style="list-style-type: none"> General financial sector rules Specific capital floor in Seychelles 	<ul style="list-style-type: none"> No risk-based capital rules No link between exposure size and capital 	<ul style="list-style-type: none"> Adopt mobile money-specific, proportional capital requirements Embed supervisory review
Loss of value risk – Trusts	Customer funds exposed to creditors if trust not recognized or implemented	<ul style="list-style-type: none"> Fiji fully compliant PNG substantial compliance Seychelles, Solomon Islands, Samoa partial Tonga, Vanuatu none 	<ul style="list-style-type: none"> Formal trust deeds (Fiji, PNG) Fiduciary provisions (Seychelles Civil Code) 	<ul style="list-style-type: none"> No uniform trust laws Limited fiduciary oversight Unclear insolvency protection 	<ul style="list-style-type: none"> Mandate trust deeds Independent trustees Explicit insolvency protection Governance rules
Loss of value risk – Custodian	Customer funds exposed to provider's insolvency due to lack of independent custodian	<ul style="list-style-type: none"> Seychelles mandates pooled custodial accounts across banks PNG & Solomon Islands use escrow (partial) 	<ul style="list-style-type: none"> Custodial rules (Seychelles) Escrow accounts (PNG, SI) 	<ul style="list-style-type: none"> Lack of fiduciary status Unclear custodian accountability No framework in Fiji, Samoa, Tonga, Vanuatu 	<ul style="list-style-type: none"> Create independent custodian frameworks Define fiduciary duties Enforce reporting & audits
Illiquidity risk	Long delay in returning funds during insolvency proceedings	<ul style="list-style-type: none"> Insolvency proceedings average 2.14 years Limited use of funds dispersal tools 	<ul style="list-style-type: none"> Partial funds dispersal tools in Solomon Islands & Seychelles 	<ul style="list-style-type: none"> Unclear triggers, weak legal basis, misalignment with insolvency law 	<ul style="list-style-type: none"> Develop pre-bankruptcy dispersal tools in law Clear triggers Integrate with insolvency regime
Systemic risk	Widespread disruption to payment systems affecting economy	<ul style="list-style-type: none"> No PIRI country has emergency tools High concentration in few providers Increasing interconnection 	<ul style="list-style-type: none"> General prudential oversight No systemic frameworks 	<ul style="list-style-type: none"> Lack of contingency plans No macroprudential tools No crisis simulation 	<ul style="list-style-type: none"> Design national resolution regimes Use FSB Key Attributes Establish inter-agency coordination & risk mapping

3.2.5 SUMMARY - MATURITY AND READINESS MATRIX

This summary distills the core diagnostic findings on liquidity, loss of value, illiquidity, and systemic risks in mobile money fund safeguarding frameworks across PIRI countries. It highlights policy readiness, regulatory maturity, and strategic reform pathways.



YouSave customer and customer service / Central Bank of Solomon Islands & AFI

TABLE 7: MATURITY AND READINESS MATRIX

Dimension	Current regional position	Maturity level	Strategic priority	Indicative next steps
Legal recognition of customer funds	Most PIRI countries legally require fund safeguarding, but legal treatment during insolvency unclear	● Emerging	Clarify legal treatment of e-money funds in insolvency	Amend insolvency laws to prioritize safeguarded funds
Trust and custodial structures	<ul style="list-style-type: none"> Partial trust compliance Strong example in Fiji Seychelles leads in custodial diversification 	● Developing	Expand trust regimes and custodial oversight	<ul style="list-style-type: none"> Mandate trust deeds Assign fiduciary roles Diversify fund storage
Capital and prudential safeguards	<ul style="list-style-type: none"> Capital rules minimal or absent Seychelles sets flat threshold 	● Emerging	Introduce risk-sensitive capital adequacy	Develop proportional, mobile money-specific capital rules
Liquidity protection and diversification	<ul style="list-style-type: none"> Funds held in single banks Seychelles partially diversified 	● Limited	Reduce concentration risk	Mandate diversification across multiple licensed banks
Deposit insurance coverage	<ul style="list-style-type: none"> No full pass-through mechanisms Seychelles DGS in development 	● Emerging	Extend insurance to pooled accounts	<ul style="list-style-type: none"> Recognize customers as beneficial owners Coordinate with DGS
Funds dispersal tools (Pre-bankruptcy)	Partially implemented in Seychelles & Solomon Islands	● Developing	Accelerate fund return to customers	Establish statutory triggers and legal precedence
Systemic risk and crisis preparedness	No dedicated resolution or macroprudential frameworks	● Nascent	Build system-wide contingency frameworks	<ul style="list-style-type: none"> Align with FSB Key attributes Stress-test sector exposures
Supervisory oversight and monitoring	Inconsistent reconciliation, stress testing, and audit practices	● Limited	Strengthen real-time oversight	Institutionalize reporting standards and regular audits

CASE INSIGHT: BUILDING CLIMATE AND DISASTER RESILIENCE INTO PAYMENT INFRASTRUCTURE

Strengthening the resilience of mobile money systems to climate and disaster shocks is fundamental to effective systemic risk mitigation.

Mobile money ecosystems across the Pacific rely on vulnerable digital infrastructure, including telecommunications, agent networks, and cloud-based financial systems. Small island economies with limited redundancy face service disruptions that can halt payments, remittances, government transfers, and emergency cash when needed most. Climate disasters in Tonga (2020), Vanuatu (2015), and Fiji (2016) show floods, cyclones, and infrastructure failures can isolate communities for days or weeks. Without proper business continuity and data recovery plans, these shocks risk turning into systemic liquidity and confidence crises, undermining customer protection frameworks.

Integrating **climate-resilient payment infrastructure** into regulatory and supervisory design is therefore critical by:

- > mandating continuity-of-operations and data-backup requirements for mobile money providers
- > promoting network redundancy and offline transaction capabilities; and
- > embedding climate-risk assessments within prudential stress testing and crisis-management plans.

From a policy perspective, climate resilience should be a core part of systemic-risk management, supporting safeguards in liquidity, loss-of-value, illiquidity, and resolution planning. By climate-proofing digital infrastructure for mobile money, regulators keep fund-protection mechanisms working when communities need them most.



4 RECOMMENDATIONS

The assessment assigns an indicative score of 3 out of 10 to PIRI countries' regulatory frameworks when benchmarked against international best practice.

This score is not a ranking, but rather a diagnostic signal highlighting the magnitude of existing gaps and the opportunity for collective action. It underscores the need for structured, sequenced reforms that can transform current fragmented regimes into cohesive, risk-responsive, and inclusive frameworks.



4.1 CONTEXT AND RATIONALE

The diagnostic findings underscore that PIRI countries have laid a foundational regulatory base, primarily through requirements to hold customer funds in bank trust accounts. However, the frameworks remain fragmented, narrowly scoped, and reactive, leaving significant vulnerabilities across four key risk dimensions:

- 1. Liquidity risk:** Limited integration of mobile money structures within broader banking and prudential oversight, and absence of mechanisms such as pass-through deposit insurance to safeguard against custodial bank failure.
- 2. Loss of value risk:** Partial or inconsistent application of trusts, custodian regimes, and capital requirements, resulting in insufficient legal ring-fencing and financial buffers.
- 3. Illiquidity risk:** Lack of instruments such as funds dispersal or accelerated resolution mechanisms that could expedite customer fund recovery during insolvency.
- 4. Systemic risk:** Absence of macroprudential and emergency powers to manage spillovers, mitigate contagion, and ensure continuity of essential payment services.

Collectively, these gaps indicate that while first-generation protections are in place, second-generation frameworks, those combining legal precision, operational governance, and resolution planning, are now essential for a maturing mobile money landscape.

4.2 STRATEGIC REFORM PATHWAY

The report proposes a three-step reform pathway, focused on **strengthening legal instruments**, **deepening governance frameworks**, and **building systemic resilience**:

STEP 1: STRENGTHEN LEGAL AND STRUCTURAL PROTECTIONS THROUGH TRUSTS

PIRI members should adopt comprehensive trust frameworks that explicitly ring-fence customer funds under insolvency law. Drawing on AFI knowledge product and peer experiences (e.g. Fiji's trust-deed model), reforms should:

- > Mandate formal trust deeds with clear fiduciary intent and segregation clauses.
- > Embed fit-and-proper requirements for trustees and fiduciaries.
- > Ensure statutory enforceability under national bankruptcy regimes.

This step addresses loss-of-value risk directly and establishes the legal foundation for more advanced instruments.

STEP 2: ENHANCE GOVERNANCE, PRUDENTIAL, AND SAFEGUARDING MECHANISMS

PIRI members should develop second-tier governance tools that reinforce financial soundness and operational integrity by:

- > Establishing capital adequacy requirements tailored to mobile-money operations
- > Introducing custodian frameworks to separate storage from operational risk
- > Mandating portfolio diversification across multiple financial institutions
- > Embedding regulatory-oversight protocols—including reconciliation audits, stress tests, and real-time reporting

Together, these reforms mitigate liquidity and loss-of-value risks, while promoting confidence among consumers and financial partners.

STEP 3: DEVELOP RESOLUTION AND CONTINGENCY MECHANISMS

PIRI members should adopt proactive resolution tools that enable swift, orderly responses to institutional distress, such as:

- > Pass-through deposit insurance to protect individual mobile-money users
- > Funds-dispersal tools to accelerate customer repayment before formal insolvency
- > Accelerated-bankruptcy or bridge-institution mechanisms to preserve service continuity
- > Macroprudential stress testing and contingency plans to anticipate systemic disruption.

These instruments transform crisis management from reactive liquidation to pre-emptive resolution, aligning with global principles for effective financial-sector recovery.

4.3 FOUNDATIONAL ENABLERS

To support implementation, technological and institutional enablers are critical. PIRI members should invest in:

- > A comprehensive SupTech solution, potentially a regional shared platform, that delivers foundational capabilities for automated data collection, reconciliation, and intelligence generation, enabling near-real-time supervisory analytics, transparency, and smart, evidence-based policy decisions.
- > Capacity building for regulatory and judicial actors to interpret and enforce new safeguards.
- > Collaborative peer learning through AFI to adapt successful models (e.g. from Kenya, Tanzania, or Seychelles) to Pacific contexts.

By advancing this sequenced, risk-based reform agenda, PIRI members can progressively evolve from baseline compliance to regional leadership in inclusive, resilient mobile-money regulation, reinforcing AFI and PIRI members' collective vision of innovation for inclusion and stability.

4.4 PATH FORWARD - FROM DIAGNOSTICS TO DESIGN

This report provides a strategic foundation for transforming diagnostics into coordinated actions by identifying gaps in legal, prudential, and contingency areas. The next step is to operationalize these insights through targeted policy development, supervisory

innovation, and peer collaboration. Implementation should be led by a Regional Technical Working Group (RTWG), supported by AFI groups like the Digital Financial Services Working Group (DFS WG) and the Global Standards Proportionality Working Group (GSPWG). This approach encourages global peer learning, experience-sharing, and a knowledge platform for small island developing states, especially PIRI members. The RTWG will serve as a hub for coordinating and co-creating reforms following the three-step pathway.

4.4.1 KEY ACTIONS

1. Policy development & Capacity building

- > Develop harmonized regulatory templates and guidelines, covering trust frameworks, custodian standards, capital requirements, and funds-dispersal protocols, to support coherent and consistent adoption across PIRI members.
- > Deliver targeted training and technical assistance for regulators, trustees, and custodians, ensuring local adaptation and implementation readiness.
- > Integrate SupTech-enabled supervision, using a shared or interoperable platform to automate data collection, reconciliation, and compliance monitoring, directly addressing supervisory capacity constraints highlighted in the diagnostics.
- > The next phase of the project will take forward detailed and country-specific reforms through a bottom-up, consultative process with PIRI members and associated national authorities, localizing global and regional guidance into each jurisdiction's regulatory and operational environment.
- > These reforms may include: (i) revision of national mobile money regulations and trust-account rules; (ii) institutionalization of national crisis-response protocols for mobile-money failures; and (iii) development of local SupTech implementation roadmaps aligned with regional data-exchange and oversight frameworks.

Justification: *The diagnostics revealed fragmented frameworks, varied capacity levels, and limited real-time oversight. A harmonized rulebook and shared supervisory toolkit will foster consistency, reduce compliance burden, and enable proactive risk management.*

2. Regional roadmap & Contingency framework

- > Co-design a Regional Contingency and Resolution Framework incorporating early-warning indicators, cross-agency communication protocols, and resolution procedures to expedite customer fund recovery and maintain payment continuity.
- > Explore options for establishing a regional liquidity backstop or risk-mitigation arrangement, ensuring financial safety nets for mobile money customers in the event of institutional failure.
- > At the national level, each member Central Bank will adapt these regional instruments to its legal and supervisory context, e.g. domestic implementation of payout mechanisms or designation of national crisis-coordination focal points. At the regional level, the framework will promote coordinated response, data sharing, and mutual technical assistance during cross-border or systemic incidents.

Justification: *The diagnostics identified an absence of contingency tools, long insolvency durations, and no emergency powers. A regional roadmap will enhance readiness, enable collective action, and reduce systemic vulnerabilities.*

3. Peer learning & Global leadership

- > Institutionalize AFI-led peer learning across the network, complemented by structured exchanges with frontrunner countries such as Kenya, Ghana, Tanzania, and Jamaica.
- > Conduct regional knowledge exchanges and technical missions on implementing reforms, developing SupTech capabilities, and building crisis-response capacity.
- > Within the national agenda, capacity-building will focus on embedding learned practices within central-bank operations and supervisory teams; at the regional level, AFI and the RTWG will facilitate collective benchmarking, shared learning repositories, and the dissemination inclusive financial-sector safeguards with both PIRI technical and leadership teams.

Justification: *Findings revealed that capacity and knowledge asymmetries hinder policy uptake. Structured, continuous peer engagement will accelerate diffusion of good practices and position the Pacific as a global reference point for inclusive mobile money regulation.*



Woman selling fruits and vegetables in a market, Taveuni Island, Fiji. / Robert Szymanski, Shutterstock.com

4.4.2 KEY DELIVERABLES

- > **Regional Regulatory Harmonization Framework:** providing model provisions, templates, and guidance to standardize regulatory treatment of mobile money across PIRI members.
- > **Regional Contingency and Resolution Plan:** outlining early-warning triggers, crisis-management protocols, and accelerated fund-return procedures.
- > **Early Warning and Information-Sharing Platform:** leveraging SupTech tools for automated data exchange, risk detection, and coordinated supervisory response.

- > **Peer Knowledge Exchange and Capacity-Building Programme:** comprising four to five regional trainings, technical missions, and peer-learning events led by AFI and the RTWG.

Operationalizing diagnostics enables PIRI members to move from identifying regulatory gaps to implementing evidence-based reforms. This enhances resilience, protects consumers, and positions the region as a global leader in collaborative, tech-enabled regulation, justifying ongoing support from AFI, partners, and funders.

TABLE 8: PATHWAY FROM DIAGNOSTICS TO DESIGN AND DELIVERY

Diagnostic insight	Proposed action	Key deliverable	Expected outcome/Impact
Fragmented regulatory frameworks with inconsistent treatment of trusts, custodians, and capital requirements	Policy Development & Capacity Building <ul style="list-style-type: none"> Draft harmonised regulatory provisions, templates, and supervisory guidance Deliver targeted capacity building for regulators, trustees, and custodians 	Regional Regulatory Harmonisation Framework	<ul style="list-style-type: none"> Coherent, risk-based legal and prudential frameworks across PIRI members Enhanced consumer protection Predictable regulatory environment for providers
Limited supervisory capacity and manual data oversight leading to delays in identifying and managing risks	SupTech-Enabled Supervision Develop and deploy a comprehensive, possibly shared regional SupTech platform for automated data collection, reconciliation, and risk analytics	Early Warning & Information-Sharing Platform	<ul style="list-style-type: none"> Enhanced supervisory efficiency, timely insights, and data-driven decision-making Improved transparency and proactive risk mitigation
Absence of contingency tools to accelerate fund return and maintain payment continuity during insolvency events	Regional Roadmap & Contingency Framework Co-design early-warning systems, resolution protocols, and explore options for a liquidity backstop to protect users during provider distress	Regional Contingency & Resolution Plan	<ul style="list-style-type: none"> Reduced systemic disruption Faster customer fund recovery Strengthened financial-stability preparedness and crisis-management capacity
Asymmetric capacity and limited peer learning slowing adoption of best practices and innovation	Peer Learning & Global Leadership <ul style="list-style-type: none"> Institutionalise AFI-led peer learning and exchanges with Kenya, Ghana, Tanzania, and Jamaica Conduct 4-5 technical missions and regional trainings 	Peer Knowledge Exchange & Capacity-Building Programme	<ul style="list-style-type: none"> Continuous knowledge transfer, peer mentorship, and technical excellence Strengthened regional expertise and global visibility for PIRI

ABBREVIATIONS

AFI	Alliance for Financial Inclusion	SI	Solomon Islands
BPNG	Bank of Papua New Guinea	SIDS	Small Island Developing States
CGAP	Consultative Group to Assist the Poor	SMEs	Small and medium-sized enterprises
DFS	Digital Financial Services	SupTech	Supervisory Technology
DFSWG	Digital Financial Services Working Group (AFI)	UK	United Kingdom
DGS	Deposit Guarantee Scheme	USD	United States Dollar
EU	European Union		
FinTech	Financial technology		
FSB	Financial Stability Board		
FSD	Financial Sector Development (Resolution Frameworks)		
G2P	Government to Person		
GDP	Gross Domestic Product		
GSPWG	Global Standards Proportionality Working Group (AFI)		
KES	Kenyan Shilling		
MFI	Microfinance Institution		
MM	Mobile Money		
MNO	Mobile Network Operator		
PIRI	Pacific Islands Regional Initiative		
PNG	Papua New Guinea		
RBF	Reserve Bank of Fiji		
RTWG	Regional Technical Working Group		
SCR	Seychellois Rupee		

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Fiji

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- > Regulation of the Minister of Finance No. 136/PMK.05/2005 dated 30 December 2005
- > Bank of Indonesia Regulation No. 8/1/2006 dated 3 January 2006
- > Bank of Indonesia Regulation Number 20/6/BI on Electronic Money (Mobile money Regulations)
- > Bank of Indonesia Regulation Number 16/8/PBI/2014 concerning Amendments to Bank of Indonesia Regulation Number 11/12/PBI/ 2009 concerning Electronic Money
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Papua New Guinea

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