

# 2008 Commitment to Action

## GENERAL INFORMATION

<b>*Commitment By:</b>	Carlos Moreira, Founder, Chairman, CEO, WISEKey
<b>*Commitment Name:</b>	Development of a Mobile Payment Telco Platform
<b>*Focus Area:</b>	Poverty Alleviation
<b>*Committing Entity:</b>	Corporation
<b>*Geographic Region:</b>	Initially the Mediterranean region but may expand quickly to Africa or other regions, depending partners and users. ) The target for the first two years is mainly Mediterranean countries and the African countries bordering the Mediterranean.
<b>*Geographic Scope:</b>	Initial Phase EU and Mediterranean Countries- The countries covered during the first two years are: The region includes the Northern countries such as: Albania, Bosnia-Hergovina, Croatia, France, Greece, Italy, Malta, Monaco, Serbia-Montenegro, Slovenia, Spain; and the South-Eastern Countries such as: Algeria, Cyprus, Egypt, Israel, Lebanon, Morocco, Libya, Palestinian Authority, Syria, Tunisia, and Turkey.
<b>*Estimated Total Value:</b>	\$20 million
<b>*First Year Costs:</b>	Minimum of \$5,000,000
<b>Fundraising:</b>	\$5 million provided by WISEkey as seed funds required to launch the initiative. This includes the organization of the Mediterranean Summit in Malaga in October, the development of the technology platform, hosting services for two years, over 150 million digital and m-payment processors and travel, marketing, promotion and fund raising activities.
<b>*Commitment Duration:</b>	2 years
<b>Nature of Commitment:</b>	[If you mark more than one box, please indicate, approximately what percentage of your commitment falls into each category] <input type="checkbox"/> Grant/Donation                      [30%] Investment                      [10%] Program Expenditure <input type="checkbox"/> [60%] In-Kind Contribution (professional services, goods, volunteerism, etc.)
<b>*Partner(s):</b>	International Organization for Secure Transactions (OISTE) (Geneva, Switzerland); WISEKey also has a wide variety of partners that it works with worldwide and involves in its projects on a regular basis. Among these partners WISEKey involves local telecommunications companies, financial institutions, as well as companies such as Microsoft.

## OBJECTIVE

WISEKey will provide the platform that will enable any individual with a mobile phone to conduct mobile payments and transactions including access to government and private services that otherwise are inaccessible, require traveling large distances, spending large amounts of time on bureaucratic procedures, or are excessively priced (e.g. money transfers) whilst also enabling the development of or reinforcing existing communities through communication.

The initial focus of the project will target over 150 million people in the Mediterranean region still unbanked but already connected via voice with their mobiles phones. WISEKey will provide the secure and interoperable m-payments platform required to operate the system in selected geographical areas in partnership with financial institutions, telecommunications and technology companies with the objective of leveraging our combined expertise to collaborate on

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industry requirements and maximize the opportunity for m-payments in disadvantaged areas of the world. Our target for the two first years of this commitment is to reach 100 million disadvantaged people in 25 countries primarily in the Mediterranean Region including Africa.

#### BACKGROUND:

M-Payments is emerging as an important link that could bring the most basic financial services to billions of unbanked cellphone users around the world. Bringing the unbanked into the formal economy and allowing them to use their mobile phone as identification and payment devices is a key element of this commitment.

In battling poverty in the developing world with affordable financial services, there is nothing quite as democratizing and ubiquitous as mobile phones. Similarly, few proponents of economic growth would quibble with the belief that banking is an integral component to the foundation of that society is built on, but a full 1 billion of the 5 billion mobile phone owners have no access to financial services despite having the technological possibility of activating this service with their mobiles. That makes mobile banking and mobile-payments the perfect way to bring the unbanked and underbanked into society fold.

To reach our targets described above, we will work in partnership with the Telcos from whom we already have relations and commitments and others that already have in their membership poor communities and users. We are also in the process of embarking on a project on a mobile banking initiative to be launched this year, targeting 175 million unbanked across the 13 nations in South America including a very large community of migrants in the USA. In this region of the world 65 percent of the population has no access to banking services, although mobile-phone penetration is about 70 percent of those unbanked.

Deploying the platform in cooperation with Telcos will enable us to reach unbanked base of the pyramid consumers. For this commitment we are mainly cooperating with Telcos using our technology to adapt with technology that allows the mobile phone to be used as a financial tools useful for even the illiterate using this technology for very services such as avoiding theft after payday check cashing.

For BoP consumers our experience is that the main applications in place now are for micro-credit and remittances. The BoP community needs to be treated specifically due the fact that they are limited in how much they are able to buy things or trade operating on an income of below \$2 a day. Our experience is that this community requires a new business model which could be based on their participation in the mobile economy. It could provide them advertising revenue if they can opt-in to receive advertisements, credits, coupons and transaction offers. The private sector needs to play a key role in poverty alleviation by viewing the poor as producers, and emphasize buying from them, rather than selling to them.

#### COMMITMENT TO ACTION

**WISeKey is committed to leading the development of a mobile payment infrastructure to enable a new approach to m-payments using local mobile operators and Mobile Virtual Network Operators (MVNOs) to provide services to upstream service providers and end-stream end-users by granting access to an “M-Payment Telco platform.”**

The M-Payment Telco platform would predominantly be used to distribute third-party services such as cash transactions, mobile applications, mobile-Services, information and advertisement.

In order for upstream and downstream users of the M-Payment Telco Platform to connect to each other in an efficient manner, WISeKey is seeking to introduce the concept of the e-Identity in the Mobile world. The WISeKey e-Identity can reside on the SIM of the phone, be embedded in an application, be associated with an online authentication mechanism or other innovative approach that can be enabled through WISeKey’s technologies. The end-customer will be able to set his profile and connect to upstream sought-for value-added services, by uniquely and easily identifying their self with the e-Identity. The e-Identity technology will also allow the upstream providers to target very specific user groups. An example can be the notification of travelers when their plane or train is delayed. Of course, the public transport operator wants only to notify the right persons, and looks for more cost efficient ways when sending an sms. Other applications can be targeted advertising, government services, loyalty points management, physical access control linked to the eID, etc.

WISeKey’s M-Payment Telco Platform technical solutions would enable the following functionalities:

- M-banking
- M-payments
- M-cash
- Mobile digital signatures
- M-egovernment

The combination of these elements would also facilitate the creation of a new initiative WISeKey is embarking on called “WISeCities” which focuses on the creation of high-tech services as part of the infrastructure of cities that open completely new models for interaction among the persons in cities as well as between the public and private sectors. As an example, the deployment of a wireless infrastructure enables new services to persons on the go, be they government services or private sector services. These types of WISeCities projects accelerate the deployment of M-Banking

applications among citizens. WISEkey and Microsoft already have concrete deployment cases as the one just concluded with the Biscayan Local Government (north part of Spain) connecting 2 million citizens.

This new Mobile Payment Telco Platform commitment goes in line with the previous commitment announced by WISEKey to expand the use of Digital Identification with the aim of increasing digital connectivity and secure transaction services. The partners aim to include 1 billion users by 2015.

In the past, WISEKey has focused its CSR initiatives mainly on the establishment of identity infrastructures in developing country environments. With the new technological infrastructures being put in place by telecommunications operators, financial services companies, WISEKey is expanding its focus to the services that can be provided on top of those infrastructures and has found a series of synergies encompassing physical and logical infrastructures, content, public information (e.g. advertisements, emergency services), and transactional services. With the clear preponderance of mobile phones in developing countries as the prime communications and online interaction tool, providing the necessary security and authentication tools for these systems is essential in order to spread the benefits of those synergies.

In addition, WISEKey is working closely with a series of partners for the development of community services platforms around specific communities (e.g. cities, geographical regions, migrants, linguistic groups, etc.) that enable interactions among the end users as well as with governments, services providers, international organizations and other public and private sector groupings.

Embracing the financial services ecosystem with m-banking gives poor people an unique opportunity to leverage their existing income, to plan for the future better, to save resources and to interact outside of their neighborhood,. Unlike the developed world, where mobile banking is an organized, heavily regulated affair, the turf in most developing nations is awkwardly shared by a jostling array of banks, mobile phone companies, telecommunications operators and payments firms. That leaves a yawning opportunity for financial-services firms to jump in to serve the unbanked and underbanked who show growing promise to move into the middle class. With M-Payment poor people will be empowered to send remittances; pay salaries; reimburse suppliers; pay bills; and act like a debit card in buying groceries or clothes. What it does not do well yet in the developing world and can be improved with this commitment is allow these people to save in interest-bearing accounts, buy insurance, obtain business or personal loans, use it as a credit card, or buy stocks and other investment products.

This commitment allows WISEkey to use its technology for poverty eradication. The Poverty Track's m-banking endeavor constitutes the required platform to make sure this initiative will succeed.

Awareness Building

Direct Services

Research

Capacity Building

Policy Dialogue &  
Advocacy

New Business Models

## IMPLEMENTATION STRATEGY

October 2008 with first milestone in September 2009

II. \*Please provide a description of the action(s) that will be taken to implement your commitment including implementation period for each action and who will be affected by these action(s). *Please limit your response to 300 words or less.*

Action	Timing	Impact
Launch of the M-Services Telco Platform in the context of the Digital Mediterranean Space Project	October 2008	Gain Mediterranean governments backing and establish PPP with private sector represented.
Coordination with governments in the Mediterranean Region	Oct.2008 – Oct. 2009	Development work with specific government service and policy areas.
Development work with Partners in the Mediterranean Region	March 2009	Develop business models and gain private sector backing and funding.
Initiate deployment of services through partners out to end users	Sep 2009	First deployments with pilots in the region.
Ongoing deployment across the region and service sectors.	Dec. 2009 Oct. 2010	Mass-deployment of Mobile Payment services via the M-Mobile Telco Platform to tens of millions of users.
Expansion beyond the Mediterranean Region	Oct. 2009 -	Expand beyond the region to hundreds of millions and add other m-services to the platform.

As the first concrete milestone of this M-Services Telco Platform in the context of the Digital Mediterranean Space Project WISEKey and partner OISTE.ORG will help the government of Malaga become the new Euro-Mediterranean Hub, with the aim of optimizing economic-social-cultural relations between Europe and the Mediterranean Countries. This will be accomplished using the infrastructure of the Technology Park of Malaga and Malaga Valley and its unique geopolitical location. The project will be financed by the private sector, the European Union (EU) and the Spanish government.

Spain is eager to increase support to its continental neighbor, and the establishment of a Euro-Mediterranean Hub is a logical and essential step. The Hub will become both a super-platform for optimizing commercial, technological and cultural links between the European Union and Africa, and also meeting-point and a place for research and study. Its location in Malaga is the work of the International Organization for the Security of Electronic Transactions (OISTE), the provincial government and the local business sector. The Hub is a natural step following the significant investments already deployed to convert Malaga into a leader of Euro-Mediterranean initiatives. The provincial government of Malaga, with the help of Madrid and Brussels, has the firm objective to instantiate this new Hub as one of the major superhighways of Information Technology and Worldwide Communications (ICT).

To make the most of the potential of this project, the signatories intend to transform Malaga with this important technological Hub, which includes Internet technologies, M-Services Telco Platform for the new generation of mobile technologies, to provide sustainable electronic solutions, where security barriers and trust related to the use of public networks can be discussed. The identification of requirements for security services and the cost effective and the profitable aspect of this platform will ensure the provision of highly innovative services.

The Euro-Mediterranean Hub will operate in a first phase from Geneva, in the highly protected buildings of WISeKey. The subsequent transfer to Malaga will take place once the on-site infrastructure is fully operational. This innovative system will combine multiple physical and electronic security systems utilizing PKI solutions within a "zero risk" secure environment, thanks to the extensive use of VPN (private data network) systems.

During the first two years the commitment targets to cover a regional population of 427 million people in the mediterranean region. This will be divided in two areas : The population of the northern-rim nations will represent around 192 million and the population of the southern- and eastern-rim nations of 235 millions which is the main target of the commitment due the concentration of poor people.

The annual number of global mobile banking transactions will rise from 2.7 billion in 2007 to 37 billion by 2011 which credits the anticipated growth to the increasing variety of mobile financial information services, funds transfer, bill payment and presentation, account management and customer service solutions. More than 816 million consumers will access mobile banking services and products by 2011, a tenfold increase over 2007 numbers. The main reason for this increases due to the consumer confidence bolstered by improved security safeguards like the one promoted in this commitment which will be crucial to m-banking's growth, but hurdles like financial regulation, payment transaction costs, revenue share issues and customer support snafus remain. Number of people expected to obtain access to information and communication technology (i.e. cell phones, mobile banking, internet, etc).

Number of people expected to obtain access to information and communication technology (i.e. cell phones, mobile banking, internet, etc). From this community it is expected that this commitment will allow a minimum of 20 million people to obtain access to IT and M-Payments in the Mediterranean Region. The proliferation of mobile communications in the Mediterranean Region has the potential to bring a wide range of financial services to an entirely new customer base. The present commitment based on the proliferation of mobile-enabled financial services, or m-Banking, can address a major service gap in these countries that is critical to their social and economic development.

We expect major milestones, particularly in rural areas, from where access to financial services is limited. In the poor countries of the Mediterranean region a large proportion of the population are excluded from formal banking systems and make payments entirely using cash, which is far less secure and flexible than electronic payment mechanisms.

We expect that over 20 million people in less than two years will start using the m-payment service that allows them to transfer money over at least the two major mobile networks in the region. This type of mobile-enabled financial services has the capability to bring advantages to all stakeholders on a win-win approach :

- For users: an opportunity to become engaged in the formal banking sector, to facilitate and reduce the costs of remittances, and to enable financial transactions without the costs and risks associated with the use of cash, including theft and travel to pay in person;
- For operators: a significant increase in text messaging revenues and a large drop in customer churn
- For consumers: m-commerce is more secure and flexible than cash, allowing consumers to make payments remotely
- For banks: an increase in their customer reach and the added cash float available to the bank
- For retailers: added business opportunities through the sale of prepaid account credits
- For micro-finance institutions: the ability to advance funds into remote areas and have regular repayments that do not significantly inconvenience the user
- For service industries and utilities: the ability to get payments electronically from a significant portion of the overall population

## **PARTNERSHIP OPPORTUNITIES**

\*CGI encourages partnership-building among members. Please describe resources or assistance you are seeking or offering in relation to your Commitment to Action, for example: investment capital, donations, grants, volunteers, partners, or n-kind professional services. *Please limit your response to 300 words or less.*

WISeKey is seeking partners to develop and deploy the Mobile Payment Telco Platform and, due to the fact that it is necessarily a multidisciplinary initiative, the nature of the involvement of the partners can be of many types including political support, logistics support, policy declarations and changes, investments, collaboration with research teams (academic or in the private sector), in-kind contributions, and others.

The type of partners WISeKey is initially seeking are telecommunications companies, financial institutions, government departments, municipalities (or other government structure) seeking to provide improved services to their citizens, as well as funding agencies.

<b>POINT OF CONTACT</b>
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