



Report of the Post Financial Services Working Group Report by the Co-Chairs (India and Vietnam)

<p>1.Subject:</p> <p>Report of the meeting of the Postal Financial Services Working Group held on 13 Aug, 2024</p>	<p>References/Paragraphs</p> <p>§ § 1 to 5</p>
<p>2. Decisions Expected</p> <p>The APPU-EC plenary is invited to take note of the report.</p>	

1. Opening of the Meeting and Adoption of the agenda:

- 1.1 The meeting of the APPU Postal Financial Services Working Group was held on 13 August, 2024 at Siem Reap, Cambodia. After the roll call by APPU Bureau, Vice-Chair of the EC invited the co-chairs, India and Viet Nam, to initiate the proceedings of the PFS WG. Following members of the WG were present during the meeting: China, India, Indonesia, Maldives (online), Philippines (online), Thailand and Vietnam. Nauru was absent.
- 1.2 Other member countries, not member of the WG, and observers were also invited to attend the meeting.
- 1.3 Viet Nam welcomed the members and thanked APPU Bureau for organizing the meetings in a successful manner. The co-chair from Viet Nam in his opening remarks shared a broad overview of the activities of UPU POC C4 on PFS with the member countries. Viet Nam then handed over the floor to India for presenting the status of UPU PFS activities.
- 1.4 India outlined the challenges being faced by UPU PFS which had experienced sharp decline in postal remittances due to a number of reasons including geo-political situations and the Legal, Operational and Technical limitations of the existing UPU Postal Payment services framework. emerging alternate channels of cross-border remittances. The emerging expectations and requirements of members as indicated by the study on UPU PFS Vision 2030 were also shared, which emphasized the need of innovative and market oriented PFS.
- 1.5 Concerns were also shared that the prominent deliverables under PFS work programme e.g. membership of PPS Multilateral Agreement and the Postal Payment Service User Group, expansion of World Wide Electronic Postal Payments Network (WEPPN) and interconnections with other Networks used by DOs, migration to UPU-IP, use of PPS collective trademark etc, had not been upto the mark.
- 1.6 India invited designated operators to participate in the preparation of the of the draft amendments for Dubai Congress.

1.7 India then presented the agenda of the meeting as follows which was adopted by consensus:

1. Opening of meeting and adoption of Agenda
2. Major outcomes of POC C4 Postal Financial services
 - a) Issues related to Regulations and Standards Group
 - b) Issues related to Postal Payment Services User Group
3. Best Practice sharing
 - a) Presentation by Viet Nam
 - b) Presentation by India
4. Any other business

2. Major Outcomes of POC C-4 Postal Financial Services (PFS) upto POC S5 (2024.1):

2.1 Issues related to Regulations and Standards Group (RSG):

2.1.1 Major decisions of 4th Extra-Ordinary Congress:

2.1.1.1 The WG was presented with a summary of the decisions and outcomes on PFS activities by the 4th Extra Ordinary Congress in Riyadh in October 2024. The Congress noted the Report of POC (Congress Doc-5) on the Future of Postal Financial Services which analyzed the gaps and way forward and put forth two proposals of General Nature as well as amendment proposals to the existing Postal Payment Services Agreement (PPSA) as part of a package.

2.1.1.2 The Congress adopted certain amendments to PPSA as a first step, as part of two step approach recommended by the PFS Task Force, to ‘open up the UPU for Wider Postal Financial Services Providers’. Four amendments to the PPSA in relation to enable interoperability and inter-connections, three amendments related to compliance of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) activities, three amendments on UPU centralized PPS*clearing, one about Remuneration Mechanism and one related to Pos*Transfer collective brand were adopted by the Congress.

2.1.1.3 Congress, adopted two Resolutions (Proposals of General Nature) on ‘Further work on the Union’s legal framework associated with postal payment and other postal financial services (Proposal-5) and ‘Creation of a UPU advisory knowledge centre for postal payment and other postal financial services (Proposal-6)’ at the UPU and instructed the Director General UPU to take steps in this direction. However, the proposals were adopted with the transfer of the requested funding from the regular budget to voluntary funding.

2.1.1.4 The objective of the UPU Advisory Knowledge Centre is to function as a knowledge base for DOs by providing data with reports, case studies, market based analytical insights and foresights, information on regulatory framework of different countries and trends in this regard.

2.1.2 Amendments to the Legal Framework associated with Postal Payment Services:

2.1.2.1 India presented the amendments to the legal framework associated with postal payment services resulted from the amendments made to the PPSA by the fourth Extraordinary Congress and the consequential amendments to the Regulations to the PPSA approved by the 2023.2 POC (S4), which have come into force on 1 July 2024. These amendments have addressed three different frameworks related to PPS-

- Multilateral Agreement for electronic postal payment services: mainly related to insertion of ‘eligible Wider Postal Financial Service Providers (WPFSPs), insertion of relevant AML/CFT provisions, mention of remuneration mechanism.
- Electronic postal payment services quality of service standards; role of IB in registering the post*transfer brand and PPS quality of service standards, relevant quality of service provisions of the Pos*Transfer licence agreement (Annex 5 to the trademark licence agreement) about addition of WPFSPs, service speed in terms of different types of postal payment orders i.e. ‘normal’ and ‘urgent’ for cash payments and ‘normal’ PPOs in case of account payments, definition of time-frame for revocation of PPO, and dealing of inquiries in accordance with UPU-Integrated Platform (IP) and API integration.
- Additional quality of service conditions for use of the Trademark.

2.1.3 Revision of the Postal Payment Service Agreement:

2.1.3.1 India updated the members on the important ongoing work for the revision of PPSA, which will shape the future of the Postal Financial services. The highlights of the feedback received from the Regulation & Standard Group members on international financial service regulations, which need to be taken into account for the revision of the PPSA, was also shared with the WG as follows:

- The applicable financial service legislation requires that any entity dealing with any type of money transfer, i.e. PPS, to obtain a licence from the financial services regulator (whereas existing postal regulations are no longer sufficient for DOs to offer their own PFS).
- Legislations are being developed to encourage the citizens to use bank accounts and make digital payments - DFS / cashless society (European Union (EU), India, Jordan or Tunisia, etc.).
- In many member countries, despite efforts to move towards a cashless society, cryptocurrencies and/or digital currencies may not yet be regulated or are even prohibited (Morocco, Nigeria or Oman).

2.1.3.2 The Principles and scope governing the revised PPSA for 2025 as per the feedback received by the RSG were presented as follows:

- Drafting of a single comprehensive treaty comprising two chapters, one for PPS and the other for additional postal financial services, instead of having two separate treaties.
- Addressing the financial inclusion issues in a better and comprehensive manner.
- Treaty to reflect DOs requirements for additional financial services: domestic remittances, bill payments, e-commerce payments, government-to-person (G2P) services, insurance services, e-wallets, card payments, account-based services etc.
- Refrain from defining domestic products, which are subject to the national regulations of each member country, and
- Deal with crypto currencies and digital currencies in a cautious manner or exclude from the scope.

2.1.3.3 After the approval from Riyadh Congress, a more comprehensive PPSA with wide ranging revisions has to be drafted for submission to the Dubai Congress, which includes following important actions:

- Development of contractual framework, the draft agreement template for other financial or payment services with non-postal payment service providers (Riyadh amendments to the PPSA).
- Review of the existing UPU treaty framework dealing with PPS for submission to the Dubai Congress.
- Review of the existing UPU treaty framework dealing with PPS.
- Draft contractual framework / licensing of WPFSPs.
- Draft WPFSP certification mechanism.
- Extension of the centralized UPU technical architecture with real-time connectivity for the connection of WPFSPs.

2.1.3.4 India also highlighted the limitation of resources in achieving these outputs, which require extra-budgetary resources. Despite approval by the Congress, with the condition of extra-budgetary resources, there is no contribution from member countries so far, either in cash or kind, except from Italy (remote expertise legal support).

2.2 Issues related to Postal Payment Services User Group (PPSUG):

2.2.1 The APPU PFS WG was informed that the Postal Payment Services User Group (PPSUG) during its General Assembly addressed the financial outcomes and proposed measures to ensure sustainability of the group beyond 2025, which were endorsed by the POC Committee-4.

2.2.2 While discussions on the PPSUG budget for 2024, it was underlined that the group's financial situation was a cause for concern which warrants measures to be taken to ensure the group's sustainability beyond 2025, as the budget approved for 2024 would require 161,100 CHF to be used from the group's reserve fund. In order to address the group's precarious situation, the PPSUG General Assembly decided to conduct an exceptional General Assembly in the second

half of 2024 to decide on a sustainable budget for 2025 and review the group's funding by its members.

2.2.3 The group was also updated on the following activities and business plan of the PPSUG:

- Recent status of the Pos*Transfer network (as of Feb 2024).
- Activities undertaken as part of 2024 Business Plan and the workshops organised.
- Status on the migration of IFS users to the UPU-IP.
- Development of a solution for AML/CFT compliance. It was informed by PPSUG to C4 that adoption of 'denied party' solution of Supply Chain was proposed to be expanded to the PPS, on the basis of minor per scan cost. POC approved next steps for the implementation of the AML/CFT compliance mechanism for postal payments.
- UPU Tech-Certification programme developed by the PTC UPU, which was approved by POC to validate the correct functioning of interfaces between UPU software and IT vendor products through a technical audit.

3. Best Practices in Postal Financial Services:

3.1 Presentation by Vietnam (EC 2024 Doc 12 Annex I):

- 3.1.1 Viet Nam Post (VN Post) made a detailed presentation on its experience of participation in Government Social and Health Security through Postal Financial Services.
- 3.1.2 VN Post disburses a large amount of money every month to more than 7.3 million citizens including pensioners and social workers.
- 3.1.3 VN Post uses more than 11,000 collection points and more than 18,000 people for such disbursement at large scales.
- 3.1.4 Upto July 2024, VN Post have total 92.51 million participants of health security and approximately 10 million participants of voluntary health security.
- 3.1.5 VN Posts is investing in frequent training on operational and commercial skills, digital applications and sharing network best practices through social media to further promote this service.
- 3.1.6 Indonesia asked about how the underbanked population is benefitted with the social security services which was explained by the presenter.

3.2 Presentation by India (EC 2024 Doc 12 Annex II):

- 3.2.1 Director, Financial Services of India Post, made a detailed online presentation on the journey of different financial services of India Post.

3.2.2 The highlights of the presentation included expanding the access of banking services to unbanked and underbanked citizens across the country, provision of door step digitally enabled services based on biometric enabled real time payments, provision of Government to Citizen (G2C) services, ensuring financial inclusion and achieving Sustainable Development Goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all). Representative from Fiji enquired about how the Postal Savings Bank Services are regulated and whether Profit and Loss is calculated for these services. Director (FS) responded to the query.

3.2.3 The PFS WG noted the presentations.

4. Any Other Business:

No item was raised under any other business.

5. The meeting of the APPU PFS WG ended with thanks to the Chair and Vice-Chair of the EC, APPU Secretary General and the APPU Bureau, Government of Cambodia and Cambodia Post, Members of the WG and India and Viet Nam for sharing the best practices.

Co-Chairs:

India (Represented by Mr. Prannoy Sharma)

Viet Nam (Represented by Mr. Phan Thảo Nguyễn)
