

Emmanuel Tumusiime-Mutebile: Effective regulation will further enable ICTs to promote financial inclusion

Speech by Mr Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda, at the Digital Impact Awards Africa, Kampala, 13 August 2015.

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Management and Staff of Cyberplc and HiPipo (U) Ltd.

Invited Guests

Ladies and Gentlemen

It gives me great pleasure to address you today on the topic of “**Effective Regulation will further enable ICTs to promote Financial Inclusion**”. Let me once again express my gratitude to Cyberplc and Hipipo (U) Limited for organizing the **Digital Impact Awards** event, and for giving me the opportunity to make remarks at this event for the second year running.

Last year, I dwelt on mobile money transfer and banking services as an ICT-driven development that had had a positive impact on financial inclusion, and the approach that the Bank of Uganda has taken from a regulatory stand-point. My remarks then may be summarised as follows:

1. Mobile money transfer and banking services have had a transformative effect on access to financial services since they were first introduced in Uganda in 2009. The number of citizens with mobile money accounts far outstrips those that have bank accounts.
2. Financial regulation has two objectives – the mitigation of systemic risk in the financial sector, and the protection of consumers of financial services.
3. The stock of mobile money deposits and the value of mobile money transactions remain a small percentage of total deposits and transactions respectively, and as such they do not pose any systemic risk to the financial system. There is therefore no basis, at this time for the introduction of special regulations for mobile money transfer and banking services to mitigate systemic risks.
4. On the other hand, consumer protection concerns are valid, and motivated the Bank of Uganda to adopt the regulatory model in which mobile money operators are required to collaborate with supervised financial institutions and maintain an escrow account with sufficient deposits to cover the mobile money that has been sold to their customers.

These conclusions remain relevant today. Nevertheless, the Bank recognises that developments in the industry must be monitored to ensure that emerging risks are identified and mitigated before they are realised. Because mobile money transfer and banking services straddle two regulated sectors – that is the financial and communications sectors, the Bank of Uganda and the Uganda Communications Commission agreed a Memorandum of Understanding and established the Joint Working Group for Mobile Financial Services (JWG-MFS). This MOU formalises the relationship between the two regulators on matters regarding the approval, regulation and supervision of mobile money services in Uganda.

The Bank of Uganda also recognises the potential for technological innovation to contribute positively to financial inclusion. Thus “**Financial Innovation**” is one of the four focus areas under the Bank’s Financial Inclusion Project. Under this Project:

- The Bank of Uganda developed Mobile Money Guidelines to provide clarity to stakeholders in this sector. These Guidelines were issued in October 2013 and are available on the Bank of Uganda Website.

- The Bank of Uganda has proposed amendments to the Financial Institutions Act, 2004 to facilitate the introduction of Agent Banking. Agent Banking is the mechanism under which banking services are provided by a third party (the agent) on behalf of a licensed financial institution. Because of their relatively low costs of operation, the agents are able to serve sections of the public that cannot be viably served by traditional financial institutions. Licensed financial institutions typically exploit information and communication technologies to extend their services through their agents. It is expected that the percentage of the population that is “financially excluded” will be further reduced when Agent Banking is widely adopted.

Mobile money transfer and banking services have continued to grow. In the year between June 2014 and June 2015, the number of registered mobile money customers increased from 17.6 million to 19.5 million. The number of agents that served them grew from 64,000 to 94,000. The monthly average value of mobile money transactions for the quarter ending 30 June 2015 was about UGX 2.5 trillion, up from a monthly average of about UGX 2.0 trillion for the corresponding period last year. Mobile money operators have introduced new products, for example in the area of international remittances and integration with customer bank accounts. This is evidence that the current regulatory regime encourages growth and innovation.

In summary, the Bank has, as one of its key objectives, the establishment of a regulatory environment that enables financial services providers to utilise new technologies to increase access to financial services, while at the same time protecting consumers.

I wish to congratulate all the recipients of the Digital Impact Awards today, and wish you success in commercialising your innovations. We particularly look forward to innovations that will promote financial inclusion, as well as the efficiency and safety of financial transactions. I once again, thank Cyberplc and Hipipo (U) Limited for making the arrangements for these awards.

Thank you for listening to me.