

## **Emmanuel Tumusiime-Mutebile: The development in mobile banking in Uganda**

Remarks by Mr Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda, at the meeting with Parliamentary Committee on Information and Communication Technology, Kampala, 25 February 2015.

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### **Mobile money**

Mobile money was introduced in Uganda in 2009. The business model involves a partnership between a mobile money operator and a commercial bank. The services offered have so far been restricted to domestic remittances, basic retail payments and money storage services. The growth in mobile banking has been phenomenal. As of December, 2014, there were over 18 million registered mobile money customers, and the average monthly number of transactions in the last quarter was 46 million while the average monthly value of the transactions was UGX 2.1 trillion. Mobile money therefore has a high potential to foster financial inclusion in Uganda.

### **Mobile money regulation**

Money transmission is a regulated financial institutions business under the Financial Institutions Act, 2004 (FIA). Therefore, all mobile money operators have to get clearance from the Central Bank before they launch their services:

- If an operator is not a licensed financial institution, it must partner with a licensed financial institution.
- The licensed financial institution applies to the BoU for approval of the partnership with a mobile money operator to offer mobile money services.
- The financial institution must carry out a due diligence on the mobile money operator and must obtain proof of financial position, review the operator's business plan, risk management proposal, technology system and Anti Money Laundering (AML)/ Countering the Financing of Terrorism (CFT) measures.
- There must be an agreement between the financial institution and the mobile money operator. This agreement provides for the establishment of an escrow account in the financial institution where money is deposited before creation of e-value. Safeguarding customers' virtual money which they purchase with cash from mobile money agents has been the BoU's main concern. The BoU has only allowed mobile money operations when this is done in partnership with a supervised financial institution. Mobile money operators have to hold, in an escrow account in their partner financial institution, the equivalent in value of all the mobile money that they have sold to their customers. This means that the mobile phone operators, which are not licensed financial institutions, cannot themselves intermediate the funds that they have mobilised through the sale of mobile money. The parties must be able to reconcile the balances of the escrow account and the mobile money accounts.
- Once approval is obtained, mobile money is treated as a financial institutions business regulated under the FIA.

In 2013, the BoU issued mobile money guidelines which stipulate the approval process for the mobile money services, as well as the roles and responsibilities of all parties involved. They address interoperability, system standards, competition, AML/CFT, and supervision. They also stipulate the safeguards to protect customers among which are:

- Transactions must be real time and only carried out when the mobile money system is up and running, and must be authenticated by customers' PIN numbers. The customer must receive confirmation of execution of the transactions. In case of sending mobile money, the sender must be able to verify the recipient's name before completing the transaction.
- The customer obtains a copy of terms and conditions of the service at the time of registration and must be given a minimum of thirty days' notice before any changes.
- An agent must clearly display the identity and a dedicated telephone contact of the mobile money operator, the unique identification number of the agent, charges, notice that no charges are levied at the agent location, and a notice that the agent does not carry out transactions on behalf of customers
- Complaints handling and consumer recourse mechanisms.

### **Mobile money supervision**

BoU has the powers to supervise the mobile money services. However, the mobile money operator has the duty to supervise its agents to ensure that agents conduct the business in accordance with the mobile money guidelines. Periodic reports regarding the performance of the mobile money services are submitted to the BoU. The BoU developed a compliance matrix to assess the level of compliance and is developing supervision procedures for the mobile money services.

### **Collaboration with UCC**

The mobile money platforms ride on mobile networks and this called for regulatory collaboration with the Telecom regulator, the Uganda Communications Commission (UCC). First of all UCC has to allow telcos to provide mobile money as a value added service. Secondly, UCC is responsible for ensuring network availability (network system uptime), which is necessary for mobile money services to run. UCC has also to ensure that there is no unfair competition, i.e. that telcos do not lock out, nor unfairly charge other mobile money service providers who wish to use their networks. As is standard practice, regulators enter into Memorandum of Understanding (MOUs) to mainly exchange regulatory information and also provide for other regulatory issues in which they can collaborate. BoU and UCC are discussing the essentials to be included in the MoU.

### **Future developments**

We envisage that mobile money will become an integral part of the National Payment System. The Bank of Uganda Act is being amended to include powers of the Central Bank to regulate and supervise the payment systems, and a National Payment Systems Legislation is being developed whereby payment service providers will be licensed by the Central Bank. Once this legislation is enacted, payment service providers will be directly licensed as payment operators.