



THE RULE OF LAW IN A DIGITAL WORLD

FINTECH DEVELOPMENTS IN BOTSWANA

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Presentation Outline

- Legal Framework
- Regulatory Authorities
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- Regulatory Developments/Initiatives
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- Fintech Benefits
- Fintech Challenges and Emerging Regulatory Risks
- Barriers to Financial Inclusion and Efforts to Overcome Them
- Conclusions



Legal Framework

- Robust and sound laws and regulations of broad applicability
- Ensure alignment between payments and other related laws
- Laws and regulations applicable to payments systems
- Rules, standards, guidelines, policies and procedures agreed to by payment system participants
- New broad-scope national payments system law to be enacted



Regulatory Authorities

- Bank of Botswana (BoB)
- Botswana Communications Regulatory Authority
- Non-Bank Financial Institutions Regulatory Authority
- Financial Intelligence Agency
- Competition Authority
- Collaborative effort between regulators



Market Dynamics

- Population: 2.1 million (2011 census)
- % of Population with access to formal financial services and products: 50%
- % of Population with access to informal financial services and products: 26%
- % of Population excluded from formal and informal financial services and products: 24%
- 3 Mobile Network Providers, Banks, BotswanaPost, Retailers
- At least 95% of the population have access to mobile telephony networks with capabilities of 2G, 3G and 4G



Regulatory Developments

- Electronic Payments Services provide opportunities to address three key inhibitors to development of payment services and products
- Revised National Payments System Strategy Framework
- Electronic Payments Services Regulations
- Mobile Network Operators, commercial banks , BotswanaPost, Retailers cleared to provide money transfer services
- Smartswitch (Botswana)



Regulatory Developments cont

- Electronic Communications and Transactions Act 2014 and Electronic Records (Evidence) 2014
- Electronic Cyber Crime and Computer-related Fraud Act
- Data Protection Act 2018
- New National Payments Law under discussion
- Retail payments systems



Product Initiatives

- Electronic-money (e-money) instruments
- Internet and mobile payments support an expanding range of payment services
 - e.g., person-to-person transfers (ewallets, bank-to-mobile)
 - Bill payments
 - Basic deposit and withdrawal activities (traditional or carefully designed non-traditional accounts)
- Banks actively partnering with Mobile Network Operators to increase market outreach



Product Initiatives cont

- E-Commerce
- Other e-commerce related products
- E-Government services
- Exploitation of Big Data Analysis, Internet of Things, Artificial Intelligence to come up with new products and services



Fintech Benefits

- Extension of financial services and products to the traditionally unbanked and under-served
- Inclusion in financial services sector and broader economy
- Reduced cost of product and services
- Convenience and real time availability
- Broadens the demand for an increase and sophistication of ICT-based financial services
- Agro-processing; enhances agricultural sector productivity; value adding effect
- Domestic resource mobilisation: maximising revenue streams by enhancing tax collection, broadening deposit base



Fintech Challenges and Emerging Risks

- Interoperability issues, affecting all providers
- Slow evolution of regulation and legislation promulgation process
- Mobile telephony infrastructure; limited availability and reliability in rural areas
- Cyber Security and Breach
- Little or poor market analysis by start-up companies



Fintech Challenges and Emerging Risks cont

- Financial products launched without proper research
 - Is the offering already available?
 - is it really necessary?
 - Does it actually solve a problem?
- Some products create a solution to a non-existent problem
- Solutions already created by another vendor (redundancy)
- It is important to assess what the competition is engaged in
- Lack of access to funding by start-up companies



Barriers to Financial Inclusion

- Access to physical banking facilities is limited and concentrated in urban and peri-urban areas
- Access through modern ICT requires a level of sophistication and access to infrastructure that are usually available only in urban areas
- Rigid KYC regime
- Rural communities incur high costs to access services including transport and time



Barriers to Financial Inclusion cont

- High minimum balance requirements, account maintenance fees and bank charges.
- Self exclusion, for various reasons, which could include religion, culture, or availability of alternatives, often informal.
- Information asymmetry inhibits access to credit for individuals and entities with no credit history or formal employment.
- Solutions?



Conclusions

- Facilitation key e.g., risk-based and proportionate application of KYC requirements
- Regulation must be forward looking and suitable for the environment
- Regulation must be geared specifically towards overt Fintech facilitation
- Incubation centres, sandboxes are necessary to support start-ups and ensure regulatory compliance



Conclusions cont

- Financial inclusion is a real enabler and contributor to socio-economic development
- Botswana may not fit the “model” experience and is by no means a Kenya and M’pesa but there are many success stories to share
- Especially for small population markets with reasonably high financial inclusion rates