

Payment Systems and Fintechs Development in Ghana



**CONFERENCE ON FINTECHS AND FINANCIAL
INCLUSION, GABORONE, BOTSWANA**

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Outline



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Why develop the payment systems



- To improve on the efficiency and safety of payments
- To have a payment system environment that support digitisation of society
- To enhance the effectiveness of monetary policy transmission.
- To support government fiscal operations (enhance transparency, disclosure and accountability)
- To promote financial inclusion.

The role of legal and regulatory framework



- Provide regulatory anchor for the payment system space.
- Address potential market failure and reduce the risk of negative externality.
- Provide regulatory certainty to stakeholders and encourage compliance to laws, rules and regulations.
- Protect payments ecosystem from dysfunctional behaviour of participants

The role of legal and regulatory framework



Legal framework underpinning the payment system include:

- Bank of Ghana Act, 2002 Act 612
- The Payment Systems Act, 2003, Act 662
- Electronic Money Issuers Guidelines (EMI)
- Agency Guidelines
- Payment Systems and Services Bill 2017
- Electronic Transactions Act 2008 Act 772

Major Developments



- **Establishment of Payment Systems Advisory Committee (PSAC)**
- **Development of Web Based Data Collection Portal**
- **Migration to EMV Technology**
- **National Identification System**
- **Domestic settlement of Visa Transactions**
- **Mobile Money Interoperability**
- **Payment of Interest on Mobile Money Float**
- **Financial Technology Companies (Fintechs)**

Financial Technology Firms (Fintechs)



- Provided services to the banks and specialised deposit taking institutions before the passage of the Branchless Banking Guidelines (2008) and Electronic Money Issuers (2015).
- Existing legislations did not address the operations of Fintechs in the financial and payment system.
- Initially provided back-end applications to financial institutions to enhance efficiency.
- Fintechs have extended their services to Front-end services to banks.

What is driving Fintechs?



- **Mobile money services and provision of other payment solutions to banks**
- **High mobile phone penetration rate**
- **Talented IT workers exploring their potential**
- **Technological innovation and advances in data analytics**
- **Financial inclusion and cash-lite agenda**

What is driving Fintechs?



- National Financial Inclusion and Development Strategy (NFIDS) supports Government's vision of *“the availability of a broad range of affordable and quality financial services that meet the needs of all Ghanaians and are provided by sound, responsible and innovative financial institutions.”*



What is driving Fintechs?



- **NFIDS supports Financial Technology Firms (Fintechs) to drive financial inclusion in Ghana.**



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Roles of Fintechs in Ghana



There are currently 71 Fintechs who have contractual relationships with banks. Services offered include

- Payments aggregation
- P2P funds transfer
- Electronic statements, transaction alerts and SMS notification
- Card printing, personalisation, issuance, hosting and processing
- Data analytics, storage and archiving
- Credits

Regulatory Implications



- Compliance with data privacy and security
- AML/CFT standards
- Cyber security
- Consumer protection issues

Regulatory Proposals



- **Bringing Fintechs under regulatory purview**
- **Cooperative supervisory arrangements**
- **Continuous training and leveraging on expertise of other entities**
- **Ensure robust consumer protection and data protection regimes**

Conclusion



From the prudential perspective

- As fintech steps up its presence, it might be useful to place increasing emphasis on regulating them rather than doing nothing.

From a consumer and investor protection perspective

- It is key that financial investors and consumers fully understand the implications of the fintech services, including credit risk, cybersecurity and protection of privacy risks.
- The need to strengthen policies of information and financial education regarding fintech services.

FINALLY



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