



# **Mobile Payments and Fintech Developments in Mauritius**

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Disclaimer: Views expressed here do not necessarily represent the views of the Bank of Mauritius

# Outline

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- Financial Access in Mauritius & Relative to Selected Countries
- Mobile Payments – Network & Services
- Issues & Challenges
- Current Regulatory Framework
- A New Architecture
- Fintech Developments



# Financial Access – Finscope Consumer Survey 2014

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- 21 Banks
  - 15 providing retail banking
  - 1 bank having 45% of market share
- 6 Non-Bank Deposit Taking FIs;
- 85% of adult population having a bank account;
- Relatively small geographical size & ease of access
- Only 10% of adult population financially excluded
- 88% of adult population possessing a mobile phone



# Financial Access – Selected Indicators 2016

<b>Bank branches per 1,000 km<sup>2</sup></b>	<b>91.2</b>	<b>Bank branches per 100,000 adults</b>	<b>14.7</b>
No. of ATMs per 1,000 km <sup>2</sup>	223.5	ATMs per 100,000 adults	36.1
Banks' Deposits (HH & Corporates only) (% of GDP)	91.6	Banks' Loans to HH & Corporates only (% of GDP)	65.7
No. Deposit A/cs in Banks per 1,000 adults	2,346.6	No. Loan A/cs with Banks per 1,000 adults	411.7



# Financial Access – IMF Fin. Access Survey 2016

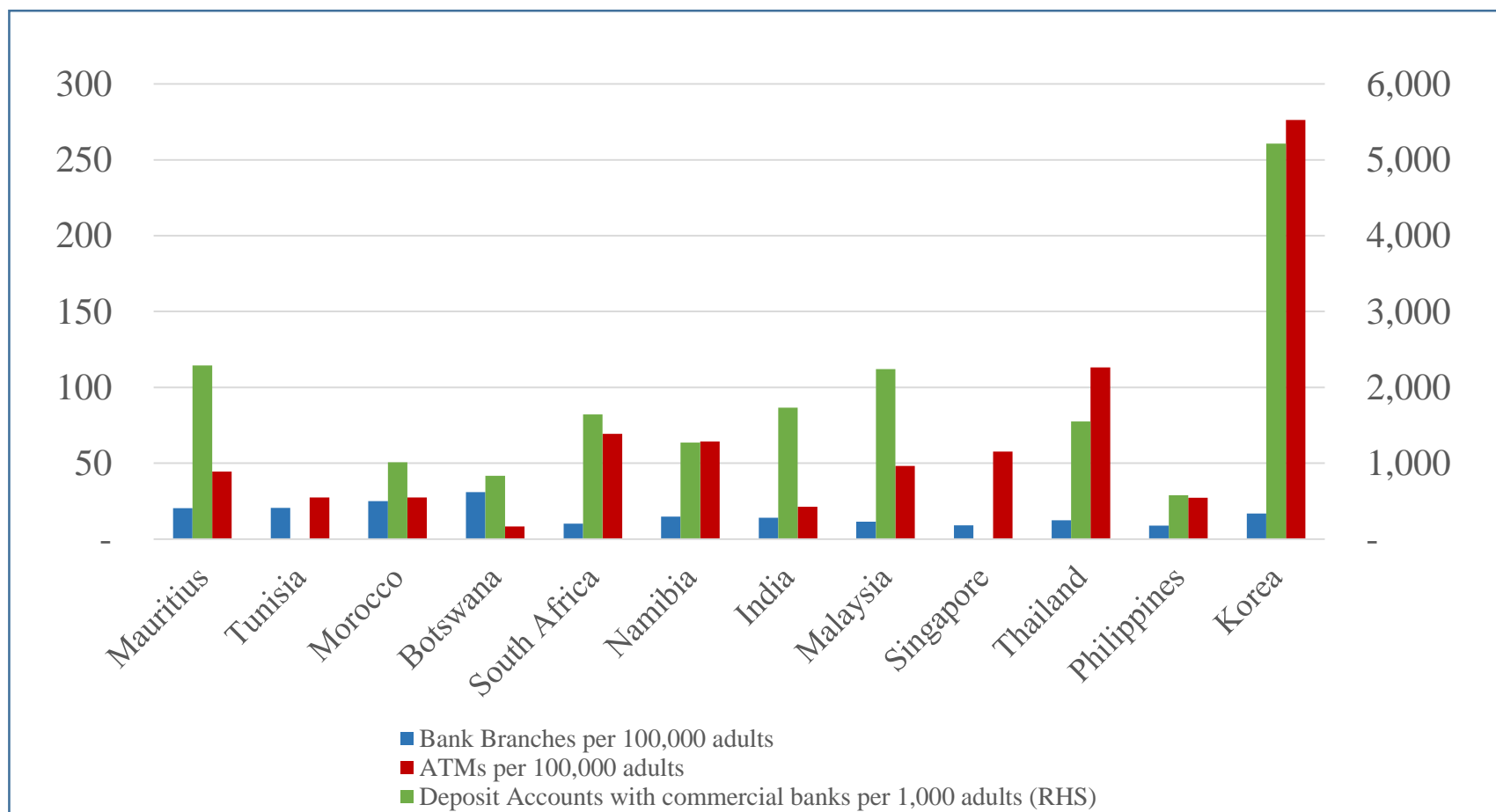


Fig 1: Access to Banking Services in Mauritius & Selected countries



# Financial Access – Payment Channels 2015-2017

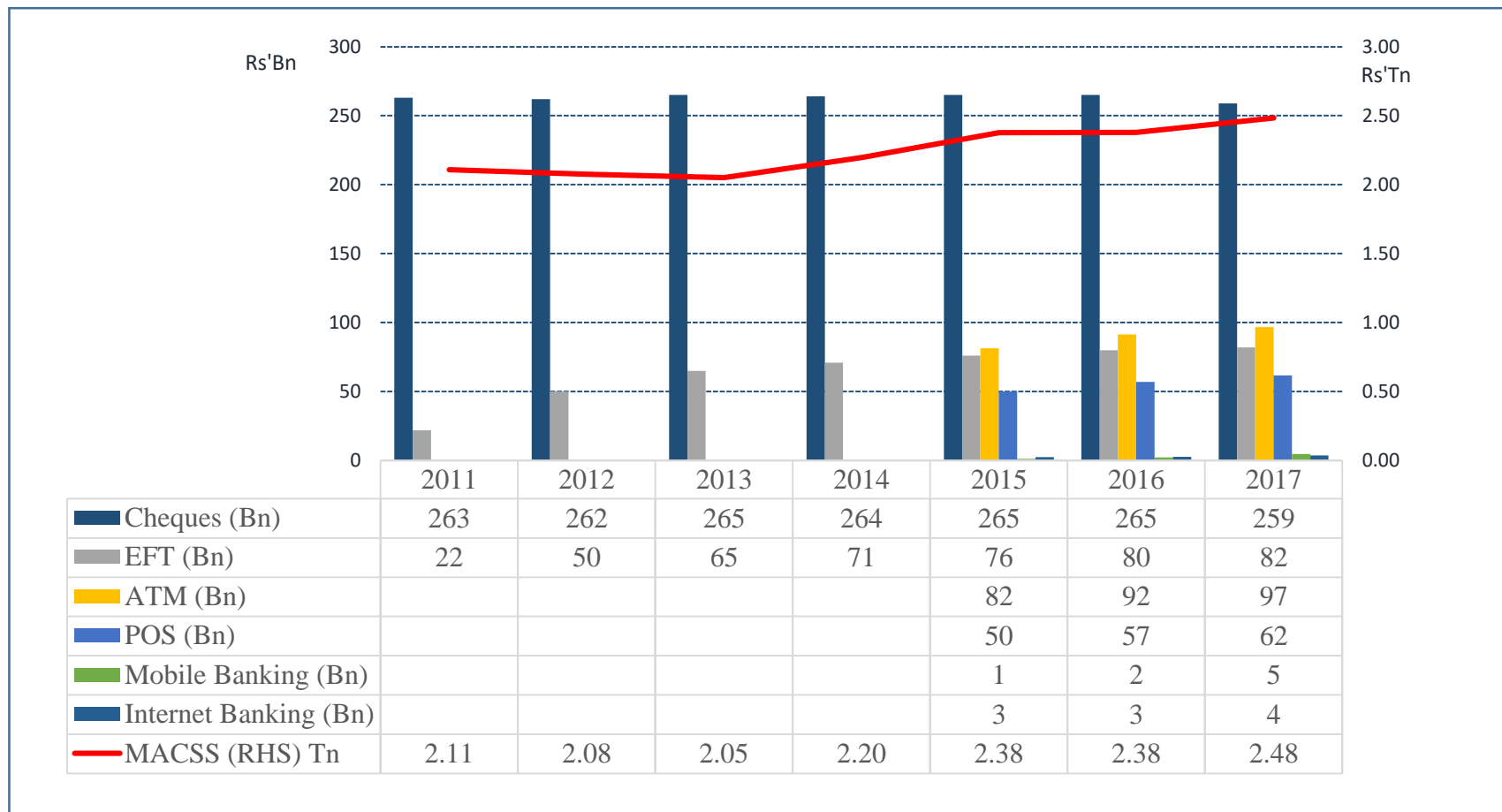


Fig 2: Different payment channels between 2015 and 2017



# Mobile Payments – Networks & Services [I]

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- 3 Mobile Network Operators [4G in most areas]
- Mobile Phone Density: 145.38 per 100 inhabitants
- Banks leading the way
  - Skew towards mobile banking rather than mobile payments
  - Mobile phone as an access device replicating IB services
- 1 bank-led model
  - Using QR code technology
  - Proprietary mobile payment applications
    - Bill payments | Purchase of airtime | Payments at merchants



# Mobile Payments – Networks & Services [II]

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- 1 Collaborative bank-MNO model
  - Using SMS
  - Payment for utility bills
  - Mobile phone top-ups
- 1 MNO led mobile wallet
  - Using USSD
  - 400 active retail agents
  - Less than 1% of total retail electronic transactions





# Issues & Challenges [I]

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- Relatively low proportion of adult population unbanked
- Informal economy relatively small
- Could be considered as over-banked
- Card technology well developed and high utilisation of cards
- Bank-led: Incentive to drive mobile payments weak
- MNO-led: Commercial viability of mobile wallets questionable
- No interoperability between banks and MNOs
- Sustaining product development financially prohibitive



# Issues & Challenges [II]

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- Over-banked and Efficiency
  - Do they go along together?
- Social Welfare
  - Can mobile technologies be used to drive down transaction costs?
  - How to harness the economic potential of the unbanked and informal sectors?



# Current Regulatory Framework

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- Bank of Mauritius Act 2004 and Banking Act 2004
- Bank of Mauritius Guideline on Mobile Banking and Mobile Payment Systems
- Mandatory for any PSP to apply for authorization
- Provision for electronic money through Store Value Accounts
- Restriction on usage of airtime as mode of payment
- Guidelines for technology, security & consumer protection
- Trust Account mandatory for wallet based services



# A New Architecture – Motivation

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- Status Quo: Not an option
- Appraisal of domestic payments system done in 2014
  - Banks more focused on product development
  - No standardized payment ecosystem for Mauritius
  - Driving down transaction costs low priority for banks and MNOs
  - Multiple privately-owned payment ecosystems not conducive for Fintech start-ups to thrive



# A New Architecture – Strategy

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- Separate legislation on National Payments
- Setting up of National Payment Switch
- Implementation of Instant Payments through API
  - Improving interoperability



# A New Architecture – National Payment Switch

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- Principal infrastructure for domestic routing of card based transactions
- All card issuers and domestic processors invited to connect to the NPS
- Objectives:
  - Provide a level playing field to all banks and non-bank operators
  - Common platform to encourage use of electronic forms of payments
  - Drive down operational costs for issuers of proprietary cards
  - Allow direct credit of Government payments and transfers



# A New Architecture – Instant Payments thru API

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- Open payments landscape to Fintech start-ups
- Integrated to National Payment Switch
- Features:
  - Instant Person-to-Person payments
  - Person-to-Wallet and Wallet-to-Person transfers
  - Fund transfers through centrally managed Aliases
  - Bill payments
  - QR code based payments



# FINTECH DEVELOPMENTS





# Fintech Developments – Regulatory Sandbox

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- Fintechs operating with regulatory sandbox license since 2016
- Application for sandbox license required when:
  - No existing legal provision or adequate provision in existing legislation
  - Product/Solution/Service is innovative
  - Product/Solution/Service having potential to contribute to development of Mauritian economy
- License issued by Economic Development Board
- Requires vetting from Bank of Mauritius & Financial Services Commission
- Sandbox approach as a controlled experiment



# Fintech Developments – No. of RSLs

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- 50 Proposals for RSL received
  - 4 RSLs granted
    - 1 to a Film Guarantee Bond project
    - 1 to a crowd lending project
    - 2 Blockchain technology projects
- 20 Projects of Cryptocurrency and ICOs put on hold



# Fintech Developments – Recent

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- Setting up a National Regulatory Sandbox Licence Committee mentioned in Budget speech of 2018/2019
  - Will comprise representatives of the Bank of Mauritius, Financial Services Commission, Economic Development Board and the Financial Intelligence Unit
- Setting up a Mauritius Artificial Intelligence Council mentioned in Budget speech of 2018/2019
  - To spearhead and drive AI related activities
  - To advise Government on the way forward



Thank you for your attention