



BRANCHLESS BANKING & MOBILE PAYMENTS REGULATORY FRAMEWORK IN GHANA

ORGANISED BY EFINA

PRESENTED BY: DELA SELORMEY
FORMER HEAD OF SUPERVISION



AGENDA

- PRINCIPLE
- BRANCHLESS BANKING GUIDELINESS
- LICENSING REQUIREMENTS
- GHIPSS INTEROPERABILITY ARRANGEMENTS
- PROGRESS BY GHIPSS
- PROGRESS BY OTHER PROVIDERS



PRINCIPLE

- Premised on the principle that payment and remittance services are core banking services.
- That technology service providers and telecom companies are facilitators that provide the platforms for delivering remittance and payment services.
- That banks could partner telecom and other technology service providers to serve their products to bank customers.

BRANCHLESS BANKING GUIDELINES

Model and Activities

- Bank-based model i.e. branchless banking is only allowed to be undertaken by licensed deposit-taking financial institutions (bank and non-bank) or their agents.
- It could be implemented either by using agency arrangements or by creating a partnership between a FI and Agent company (e.g. Telco)
- All customers of FIs undertaking BB activities must be uniquely identified.
- BB can be done using agents like telcos, fuel distribution companies, merchants, post Office, etc. and using technologies not limited to mobile phone (like GPRS, POS terminals etc.).
- Customer account relationship must reside with some FI and each transaction must hit the actual customer account.
- The **Many-to-Many Model** is the only permissible model in Ghana for mobile phone banking.
- Exclusive partnerships are not allowed.
- The model is to facilitate the maximum connectivity and hence maximum outreach and is closer to the desired situation where all FIs and all telcos should be able to entertain each other's customers (Just like the existing ATM network being developed in the country where customer of any bank will be able to use ATM of any other bank).

BRANCHLESS BANKING GUIDELINES(CONT.)

OBJECTIVES

- Bank of Ghana guidelines aimed at achieving a number of objectives:
 1. Promoting financial inclusion without risking the safety and soundness of the banking system.
 2. Extending core banking services to the domain of everyday transactions.
 3. Ensuring that the common platform for the payments and settlement system (e-zwich) established for deposit taking financial institutions (FIs) extends to branchless banking.
 4. Ensure that banking services provided under branchless banking are provided by regulated deposit-taking financial institutions or their agents.
 5. Ensure compliance with Ghana's Anti-Money Laundering Act as well as the Anti-Money Laundering and Financing of Terrorism (AML/CFT) standards as set by the Financial Action Task Force (FATF).
 6. Ensure a wide participation of deposit-taking financial institutions (i.e. banks and non-banks) including commercial banks, rural banks, savings and loans and microfinance institutions in the provision of branchless banking services.
 7. Ensure that all branchless banking transactions are cleared through the settlement system.
 8. Ensure that all customers using branchless banking services can be uniquely identified.

OBJECTIVES (CONT)

9. The **Many-to-Many Model** is to ensure maximum connectivity and outreach as well as Interoperability.
10. FIs and Telecom operators expected to join hands to offer mobile banking services to the public with central processing of transactions through the Ghana Interbank Payment and Settlement System (GhIPSS) which will:
 - i) settle all transactions on real time basis or through a regulated clearing arrangement,
 - ii) store all proofs of transactions and
 - iii) provide a day end reconciliation to all member FIs.
11. Ensure all new switches, ATMS, Points of Sale (POS), card or mobile phone payments products issued or deployed by banks and deposit taking financial institutions are e-zwich compliant or interfaced with the e-zwich platform.
12. Approval must be obtained from the Bank of Ghana for the deployment of new switches, ATMS, Points of Sale (POS), card or mobile phone payments products.

GUIDELINES (CONT.)

Permissible Activities

- **Opening and maintaining a BB Account.**
 - a. A BB account is an account opened and operated by a customer with a bank.
 - b. Banks may associate such account with a particular branch or to a centralized branchless banking unit.
 - c. Account capabilities/limits are commensurate with the level of customer due diligence (CDD) and KYC procedures the customer has undergone. Risk based KYC and CDD structure is explained in the relevant section of these guidelines.

- **Account-to-account Fund transfer:**
 - a. transfer funds to/from their BB account
 - b. Transfer from/to their other pre-registered accounts (current/saving bank accounts, loan limit accounts, credit card accounts etc.)

GUIDELINES (CONT.)

Permissible Activities

- **Person-to-person Fund Transfers;** Customer can transfer funds from their account to BB or regular accounts of other customers of same or some other bank (depending on the model capabilities).
- **Cash-in and Cash-out:** Customers may deposit and withdraw funds to/from their BB account using a variety of options including bank-branch counters, ATM machines and authorized agent locations.
- **Bill Payments:** A BB account can also be used to pay utility bills (e.g. Gas, Electricity, Phone etc.)
- **Merchant Payments:** Customers can use a BB account to make payments for purchases of goods and/or services.
- **Loan Disbursement/Repayment:** FIs, particularly Microfinance institutions may use BB accounts as a means to disburse small loan amounts to their borrowers having BB accounts. The same accounts may be used by customers to repay their loan installments.

LICENSING REQUIREMENTS

Technical and Financial Feasibility

- The proposal to branchless banking system shall include the following:
- technical feasibility and financial viability of the branchless banking system
- quality of risk management and measurement techniques
- existence of fraud and forgery determination and prevention mechanisms
- quality of security infrastructure
- appropriateness of system rules and regulation
- agreements between parties in collaboration
- any other issue that the Bank of Ghana may consider pertinent to the establishment and operation of the branchless banking system

LICENSING REQUIREMENT (CONTD.)

Transactions Settlement

- For purposes of clearing and settlement among banks on a common switch/payment system platform, the participating banks should agree on the clearing arrangement among themselves subject to approval by the Bank of Ghana. Settlement shall be over Central Bank funds through GHIPSS. The Bank of Ghana shall exercise oversight responsibilities over these systems.

Interoperability

- Any switch or payment system platform set up by banks or banks in conjunction with service providers must be interoperable with the e-zwich platform
- To facilitate interoperability an operator has to be proposed by at least three banks.

Customer Identification and Know Your Customer (KYC) Principle

- Users of branchless banking products who are customers of regulated deposit taking financial institution should meet the Bank of Ghana's KYC requirements.
- For customers who do not have bank accounts or customers who wish to transmit money by mobile phones without passing it through their bank accounts the following conditions should apply:
 1. A single transaction should not exceed GH¢50.00 per customer
 2. Daily aggregate transactions should not exceed GH¢200.00 per customer

LICENSING REQUIREMENT (CONTD.)

Bank Based Transaction

- All branchless banking products can only be deployed through collaboration with banks.

Pin Based Cards

- Cards that are pin based would have to demonstrate reliability and credibility of security features.

LICENSING REQUIREMENT (CONTD.)

Mobile Phone Companies

- For Telecommunication Companies wishing to enter into an agreement with banks for branchless banking, the following conditions will apply:
- Telecommunication Companies will open accounts with banks out of which payments would be effected.
- Telecommunication Companies in collaboration with banks will select the agents which must be submitted to the Bank of Ghana for approval.
- Selected agents must be institutions/organisations that are properly registered by the Registrar General Department or under any other statute.
- Telecommunication Companies are to enter into agreements with the selected agents.

GHIPSS (NATIONAL SWITCH) INTEROPERABILITY

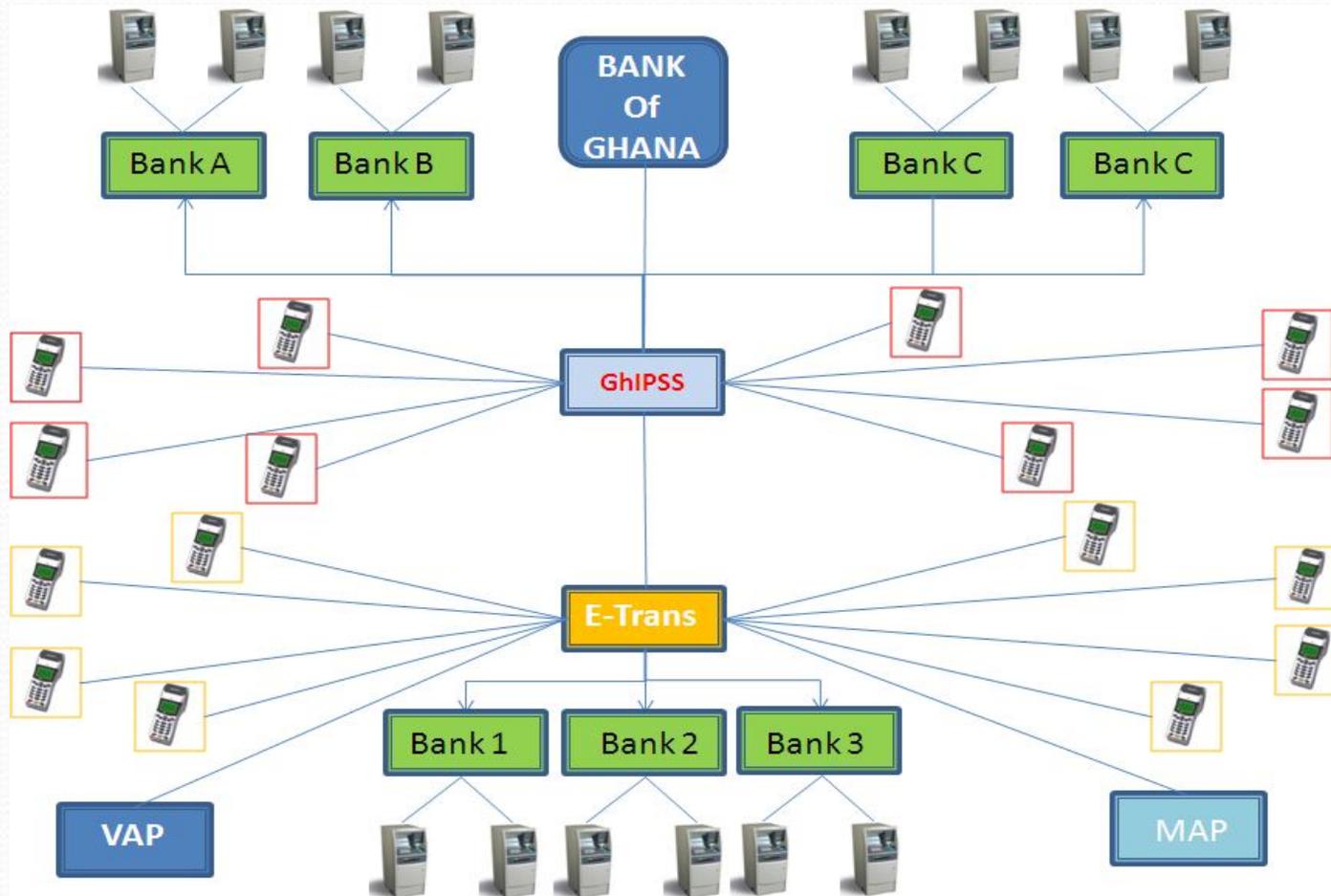
Interfacing between GhIPSS 'E-zwich' and the Other Platforms

- GhIPSS has set up a National Switch with a market focus on the unbanked and under-banked.
- Initial implementation is focused on "Smart Cards" that act as an electronic purse for undertaking financial transactions without requiring access to a bank's Central Host computer.
- GhIPSS will deploy POS terminals nationwide to enable the unbanked and under-banked access to banking facilities through the use of the 'Smart Card'.
- Smart Cards being issued by the Ghanaian banks to operate with the GhIPSS network of ATMs and POS terminals (shown in red).
- In addition GhIPSS has secure links to the Bank of Ghana for interbank settlement.
- Other networks would be made up of POS and ATMs (bordered in orange) that banks may wish to connect to the these networks.
- E.g. the E-Trans Processing Centre has secure network connections to all participating Banks that wish to use on-line Debit and Credit cards as well as the added value services available from that company including connection to the Visa settlement network (VAP) and the MasterCard settlement network (MAP).

PROGRESS BY GhIPSS

TRANSACTIONS	FLOWS FOR 1ST MAY TO DECEMBER AND STOCKS AS AT 31ST DECEMBER, 2008	FLOWS FOR SIX MONTHS TO 30TH JUNE, 2009 AND STOCKS AS AT THAT DATE	FLOWS FOR SIX MONTHS TO 31ST DECEMBER, 2009 AND STOCKS AS AT THAT DATE.
Purchase by card holders(value)	95,239.33	272,632.64	470,705.83
No. of Purchases.	3,820	1,741	1,861
Cash Deposit (Value)	434,707.12	783,302.17	1,837,385.44
No. of Cash Deposits	4,648	11,404.00	8,272
Cash withdrawals (Value)	353,360.59	553,456.93	1,396,480.35
No. of Cash withdrawals	2,887	4,328	8,629
Card 2 Card transfers (remittances)	26,940.22	32,117.84	34,771.90
No. of Card 2 Card transfers	122	171	245
Cumulative Enrolment	138,970	228,326	322,907
Number of Cards with value	41,006.00	67,462	101,170
Total Amount on Cards	748,142.68	1,098,620.82	1,651,559.70

PROPOSED INTEROPERABLE MODEL



BASIC STATISTICS ON GHANA

Population	23.9 million
Registered Voters	12.5 million
No. of Valid votes	8.5 million
Rural Population (60%)	14 million
No. of Bank Accounts	4 million
Total Mobile Subscriptions	13 million
MTN Subscribers	8 million
Other Mobile Subscribers	5 million
MTN Mobile Money Subscribers (in 5 months)	200,000

- From indications people with only one subscription should be more than 8 million.
- Two other mobile phone operators (ZAIN & GLO) are being considered for approval for mobile money services.
- With competition and wider publicity coverage mobile money transfers will become very popular.

PROGRESS MTN

Total mobile subscribers	13 million
Subscribers for MTN	8 million
Mobile money subscribers in 5 months	200,000

- Note: Other mobile phone operators have not yet commenced mobile money services.
- There are three other operators (Vodafone, Tigo and Zain) and another major operator (GLO) due to commence operations soon.
- Participation of these in mobile money services will accelerate growth.



RISKS ASSOCIATED WITH BRANCHLESS BANKING

- Operational Risk: (including)
including efficiency of system, integrity of customers/staff /agents, adequacy of data protection.
- Reputational Risk: (including)
 1. systems inefficiency (electronic/mobile network service)
 2. lack of integrity of staff /agents.
- Legal/Regulatory Risk: (including)
 1. associated with breach of laws and regulations (anti-money laundering, kyc, licensing)
 2. breach of service contract with agents.
 3. customer confidentiality issues.
- Strategic risk
arising out of inability to achieve reasonable outcomes (return, critical mass, market share) for investments in the product



RISK MANAGEMENT

1. Board and senior management oversight:

- policy on risk appetite, target market share, market penetration, resource allocation, e.t.c.
- capital charge for Operational Risk (fraud, systems failure and business disruptions e.t.c.)
- board and senior management oversight (delegation, procedures, reports)
- establishment of a comprehensive security control process
- comprehensive due diligence and management oversight process for outsourcing relationships and other third party dependencies.
- contracts to be well formulated and executed (use of legal experts)
- ensure effective contingency plan

2. Operational management effectiveness (adequacy of training, resources, targets) report to senior management



SECURITY CONTROL

- Authentication – to reduce risk of identity
- Proof of origin or delivery
- Segregation of duties: Authorisation and access privileges
- Clear audit trails as appropriate:
 - a) Opening, modification or closing of customer accounts
 - b) Any granting, modification or revocation of access rights
 - c) Confidentiality of information to prevent unauthorised persons



CONCLUSION

- Mobile Money services has great potential to accelerate remittances and payment services.
- It is innovative in character but will become popular among the unbanked population
- Technology innovation is gradually being accessed in the provision of quick and reliable services in the banking sector. However this has with it certain risks which require comprehensive management and supervisory actions to minimise the effect. The banking industry has introduced certain electronic based products/services which require a lot of public education for the desired impact to be achieved.

THANK YOU