



UGANDA  
COMMUNICATIONS  
COMMISSION

# Mobile Money: Should NRAs be concerned?

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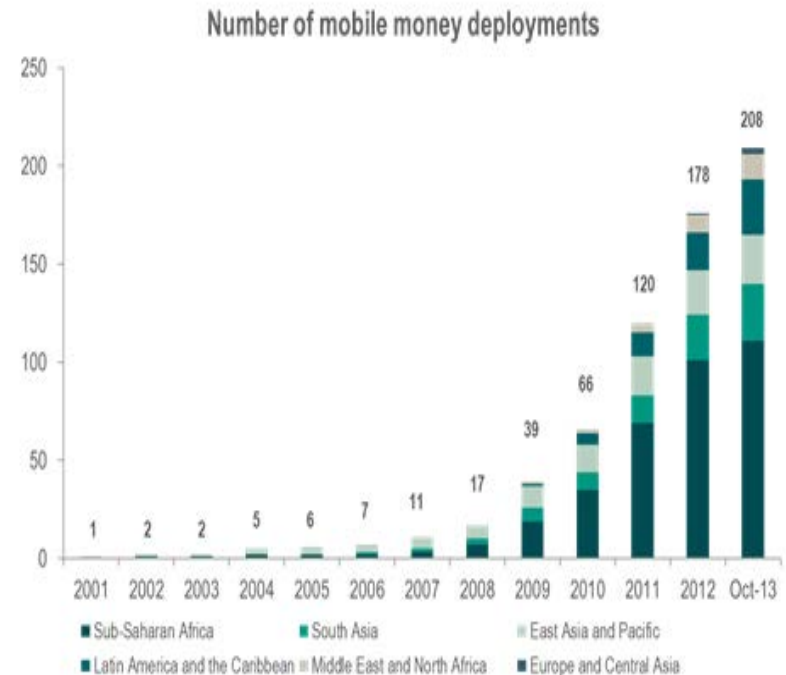
# Putting MM in Context

- The mobile money train is an unstoppable
- Almost all SSA African markets have more than one Mobile Money Deployment



# Global Mobile Money Landscape

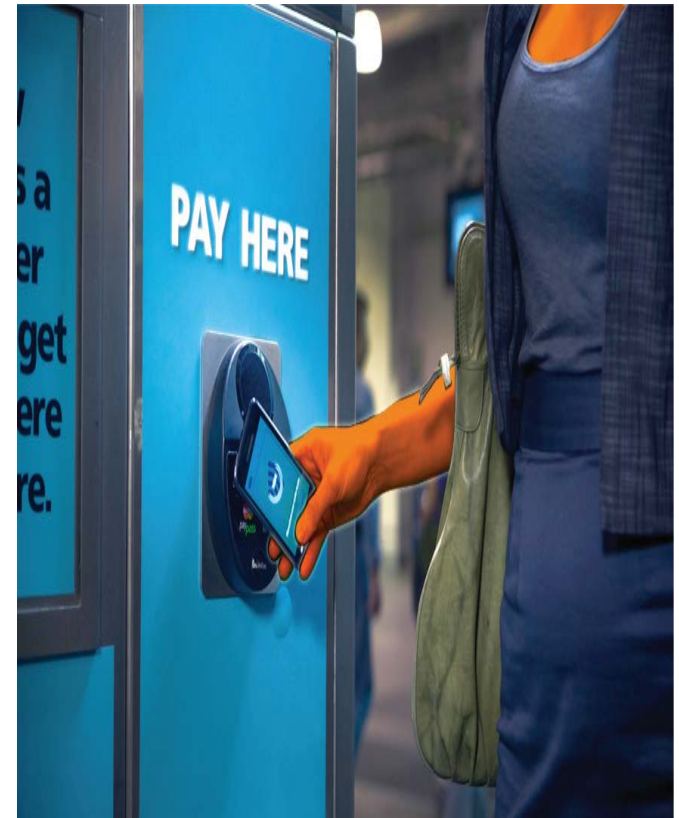
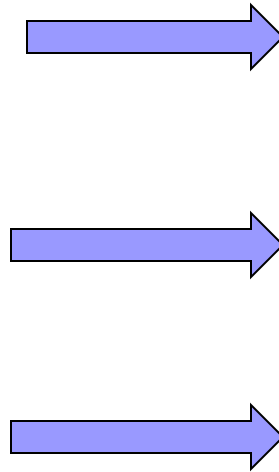
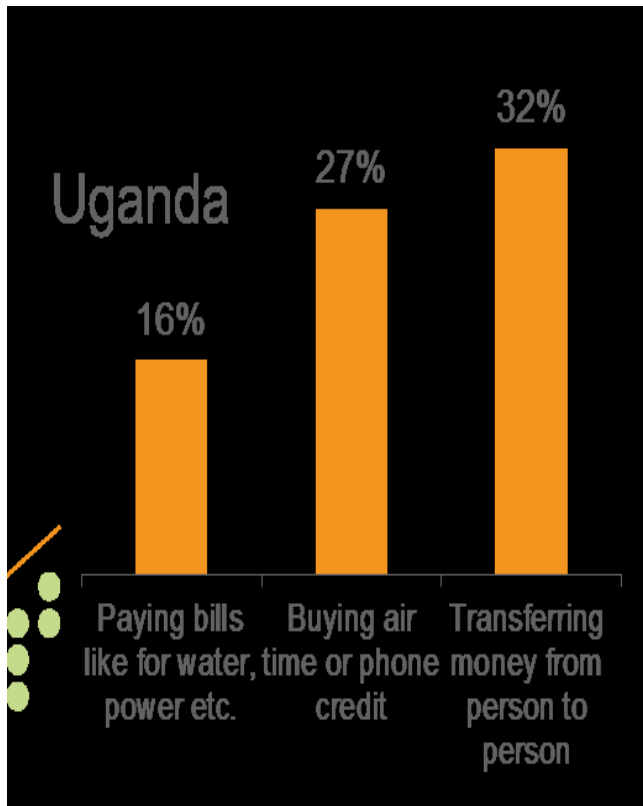
- According to the GSMA's Global Mobile Money Survey;
  - More than 200 live MM deployments in 2013
  - 53% of these are in Sub-Saharan Africa
  - MM is becoming a mainstream service for the African MNO
  - MM Agents outnumber traditional bank access points in Sub saharan Africa
  - East Africa has more MM Accounts than deposit Accounts with Commercial Banks



# The Case of Uganda

	30 June 2014
No of MM Deployments	5
Live Deployments	MTN Mobile Money, UTL M Sente, Airtel Money, Ezee Money, Orange Money
No of Registered MM Agents	186,000
No of Registered MM Subscriptions	17,600,000
Av %age Annual Subscriber Growth Rate in Last two Calender years	45%
Quarterly - Value of MM Transactions (Apr – June 2014)	USD 2.3 Bn
Quarterly - No of Transactions (Apr – June count)	127,000,000

# From Basic p2p to NFC Payments



# The MM Product Mix

- In Africa, Mobile Money has evolved from basic p2p remittances to include;
  - Merchant payments through aggregators like Kopo Kopo in Kenya and Uganda
  - Bulk payments
  - Air time top ups
  - Micro Insurance Payments
  - Bill payments (Water, electricity)
  - As well as international p2p remittances and payments through collaborations with international remittance firms like Western Union and more recently WorldRemit

# Where does the African NRA fit

- NRAs have largely played the part of observers
- One school of thought has argued that this is a financial service that should be the Central Banks' concern
- On the other hand, NRAs have vague oversight in VAS over telecommunications platforms/infrastructure alongside the broad competition regulation mandate
- VAS is loosely interpreted to include MM services



# Net Effect of Regulatory Indecision

- Consumer outcry on fraud
- Public angst against Regulatory inactivity
- Agents remain largely unregulated
- Fraud --- Millions of USD reported missing
- Mobile money charges remain high worsened by high offnet/ onnet differentials
- Most importantly, a bundled Mobile Money service has become a key differentiator in the Mobile voice space
- In EA telecom markets, the quality, reach and on/offnet money remittance price differentials are probably just important as voice prices in retail telco purchase decisions
- This undermines any NRA attempts to enhance competition in traditional voice services





# Reasons for Continued Regulatory Inadequacy

- A lack of consensus on what Mobile Money is.
- A line has to be drawn between mobile money, m-banking and m-payments
- Vague definitions ultimately lead to problems in any attempts in regulation
- Specifically jurisdictional issues with Financial Sector regulators. (Central Banks)
- Limited international precedent for comparable benchmarks
- MM in the discussion that follows should be viewed in the context mobile wallets where one's SIM card is the primary store of value
- Note the difference from mobile banking/payments where the primary store of value is one's bank account

# Collaboration with Central Banks

- Limited precedent on Central Bank – NRA Collaborations
- An MOU would be a good start
- Conscious decision has to be made on how we would like to interact with the Central Bank
- Note different regulatory instruments – FI & Communications Act



# NRA – Central Bank MOUs

What should be addressed in NRA – CB MOUs

- Scope – clarity where the buck stops
- Goals of the partnership, what is most important to each party. KYC, Money Laundering, Competition, QoS?
- Emphasis on issues like expert opinions and staff exchanges
- Information sharing frameworks
- Licensing and approvals
- On going contact and reviews
- Confidentiality and third party NDAs



# Independent mandates and NRA – CB Collaboration

- Before we collaborate we may need to have clarity on our mandates
- What are the limits of the Competition regulation mandate by communications regulators
- This broad mandate can only be stretched if the NRA is alive to competition abuses and able to approach them as abuses of competition under the law
- Identification and classification of MM pain points into classic competition abuses like;
  - Refusal to supply
  - Excessive prices
  - Exclusionary practices/raising barriers to entry

# Other Related NRA Mandates

- How about the Consumer Protection mandates, could they be extended to MM agents and fraud mitigation?
- General oversight provisions in our parent legislation
- How about the Value Added Service regulations

An appreciation of our competition/QoS/VAS mandates is central to the success of any attempt at effective joint MM oversight by NRA and Central banks

# Central Bankers' Concerns

- In partnering with CBs we ought to be alive to their fears and concerns
- Jurisdictional matters have to be addressed from the word go.
  - Financial Institutions Acts
  - National Payments Laws and policies
- A line has to be drawn between mobile banking and the traditional mobile money services
- Key in getting this right may be identifying the store of value (SIM vs Bank Account)

# Probable Areas of CB - NRA Interest in MM Regulation

# Joint Approvals/ Licensing Framework

- Consider a two step approval regime that may necessitate MNOs to be preapproved by NRA prior to CB licensing
- This may over come the jurisdictional issues in cross sector service regulation while maintaining NRA interests

NRA

- Qos
- Wholesale communication pricing
- Network Security
- Interoperability
- KYC/ Sim Reg.

CB

- Management of E value
- KYC
- Anti Money Laundering
- Counter Financing of terrorism
- Agent management



# MM Interoperability

- Interoperability is only a means to an end
  - Competition promotion (reduction of entry barriers)
  - Enhanced Consumer choice & Convenience
  - Reduced cost of remittance
  - Enhance Financial Inclusion (A deeper value proposition)
- May have a few undesired effects
  - Dampen Agent MNO agent investment incentives

A managed Multi stage approach may be optimal with key milestones for platform, agent interoperability

# Supervision & Oversight

- Essential for evidence-based regulatory interventions
- Agreement on indicators and monitoring indices
- ITU in the last WTIS has committed in developing monitoring index for MM
- Monitoring indicators may include;
  - Registered accounts
  - Remittance fees (on and cross fees)
  - Agent numbers and coverage
  - Value of transactions (monthly, Quarterly)
  - Number of transactions

# NRA oversight in Commercial MM Agreements

- A review (and approval) framework for MNO partner Financial institution agreement may be valuable
- May help identify competition concerns like; exclusive FI – MNO contracts and the predation of MM deployments and other Bank led remittance systems
- Identify incidents of service bundling and discrimination among corporate entities using MM as a payment platform
- Agent agreements may also be reviewed paying emphasis to Revenue share and exclusive dealings

## Other Probable Areas of Mutual Interest

- MNOs providing MM communication channels should be obliged to meet minimum QoS & E
- Other areas may include
  - Anti money laundering and Financing of terrorism initiatives
  - KYC Requirements
  - Cross border transfers
  - Consumer education
  - Agent Lock ins

# Alternative Independent NRA Approach

- Consider an independent approval framework for MNOs providing USSD/SMS (Communication Channels) channels for both own or third party MM deployments
- This must be preceded by a clear definition and assessment of the Upstream USSD and Whole sale markets that are central in the MM eco system
- An appraisal of SMP within these markets and abuses may inform the extent of ex ante regulation that may be necessitated

## Critical MNO USSD/SMS Access

- Wholesale USSD/SMS identified as a relevant market in Uganda's latest SMP Assessment
  - Must Carry Must Offer obligations for MNOs and Utilities
- Regulatory proposals to among others address key MM enablers
  - FRAND terms for third party service access
    - Abuse of third party trade secrets
  -

# Probable MNO Obligations

- In the independent MNO approach, the SMP-holding players in the Upstream USSD and SMS markets may be obliged to;
  - Have must offer obligations for entities seeking MM communication channels
  - Meet Enhanced Quality of service requirements
  - Subjected to price regulation if need be (something akin to the wholesale termination market)
  - Have regular system audits
  - Price transparency
  - Probable Account separation
  - Competitor foreclosure

# Positives

- General good will by legislators to enact MM legislation.
- The time to Act is now





What next for SG3 – AFR?

