

SUB REGIONAL WORKSHOP ON MOBILE MONEY
FINANCIAL SERVICES

***STATUS OF MOBILE MONEY FINANCIAL
SERVICES IN WEST AFRICAN
COUNTRIES- SIERRA LEONE***

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OUTLINE OF PRESENTATION

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- ❑ **Financial environment in Sierra Leone**
- ❑ **Mobile Money in Sierra Leone**
- ❑ **Some Useful Data**
- ❑ **The Maya Declaration and progress made so far**
- ❑ **Regulatory environment**
- ❑ **Mobile Money Financial Services Guidelines**
- ❑ **Prospect for growth**
- ❑ **Challenges and possible solutions**

BACKGROUND

- ❑ Sierra Leone is a West African country with a population of about 6 million.
- ❑ In 2006, a Joint IMF/World Bank assessment of the financial sector under the Financial Sector Assessment Program (FSAP) identified various weaknesses and challenges in the financial system
- ❑ This led to the development of a Financial Sector Development Plan (FSDP)

Background Cont'd

- ❑ This led to the development of a Financial Sector Development Plan (FSDP)
- ❑ The components of FSDP included the establishment of key market infrastructure, product development and enhancement of the institutional and enabling environment to support **access to financial services**.

CURRENT FINANCIAL ENVIRONMENT IN SIERRA LEONE

a.	Commercial banks	13
b.	Commercial bank branches	99
c.	Forex bureaux	45
d.	Community banks	17
e.	Financial services associations	51
f.	Credit –only MFIs	10
g.	Deposit-taking MFIs	2
h.	Mobile money providers	3
i.	Mobile network operators	4

CURRENT FINANCIAL ENVIRONMENT IN SIERRA LEONE Cont'd

- Note that there are 10 insurance companies that are regulated by a different regulatory body (the Sierra Leone Insurance Commission).

THE MOBILE MONEY IN SIERRA LEONE

- ❑ The mobile money business started in 2009 with ZAP ,with less than a thousand customers. It was only used to top- up cell phones.
- ❑ It partnered at that time with Zenith Bank (SL) Limited.
- ❑ Today there are three mobile money financial Services providers(MMFSPs).
- ❑ They are: Airtel Money, Splash and Africell Mobile money

THE MOBILE MONEY IN SIERRA LEONE Cont'd

□ **Airtel money**

- Formerly Zap, is the largest mobile money system in Sierra Leone.
- It has a customer base of 372,419 and 3,584 agents.
- Its products include money transfers, Payment of bills (DSTV and Electricity bills), payments for fuel in certain gas stations;

THE MOBILE MONEY IN SIERRA LEONE Cont'd

- It rides on the platform of Airtel.
- It now partners with Zenith Bank, GT Bank and Ecobank.

Splash

- It allows customers to send money to other mobile users using their phones
- The products of Splash include money transfer, bill payments, airtime top-up and corporate disbursement.

THE MOBILE MONEY IN SIERRA LEONE Cont'd

- ❑ Splash has 240,000 customers and 450 agents.

Africell mobile money

- ❑ Africell mobile money is not yet commercially launched.

- ❑ It has 13,000 customers and 200 agents.

SOME USEFUL DATA

- ❑ Mobile phone penetration 3.3million
- ❑ Registered SIMs (52%)
- ❑ Unique subscribers 2.7million (40%)
- ❑ mobile network coverage 82%
- ❑ money transfer 31% of household

Some useful data Cont'd

- ❑ Informal channels 8% (banks: 3%)
- ❑ Western Union, etc: 5%)
- ❑ Payment for merchandize, bills, etc less than 1%
- ❑ Level of patronage and acceptability of mobile money is very low mainly because of low public awareness and lack of corporate institutional interest (G2P) to provide the leadership required

THE MAYA DECLARATION

- ❑ Bank of Sierra Leone became a principal member of AFI on August 14, 2009. It then established the Financial Inclusion Working Group (FIWG)
- ❑ In December 2012, the BSL made the following commitments under what is referred to as the Maya Declaration:
 - To develop a framework for collecting financial inclusion data by end 2013, this will be followed by the setting up of a data base to monitor FI indicators by the end of 2014.

The MAYA Declaration Cont'd

- *To develop a regulatory framework with specific guidelines on mobile financial services by mid 2013*
- To provide an enabling environment for a private sector driven rural financing penetration by establishing (FSAs) from 42 to 65; community banks (CBs), from 13 to 22 and commercial bank branches from 87 to 120
- To modernise the national payment systems and Go live by the end of the second quarter of 2014.

The Progress Made

- ❑ An upgraded Electronic Financial analysis and surveillance system (Efass) known as V-RegCoSS (Valtech Regulatory compliance and Surveillance System)
- ❑ The Modernisation of the payment system for Sierra Leone has been rolled out. The national switch will go live by the end of 2016.
- ❑ The number of FSAs has increased from 42 to 51, and the number of community banks has increased from 13 to 17 and commercial bank branches have also increased from 87 to 100.
- ❑ The Mobile Money Financial Services Guidelines were launched on 17th November, 2015.

REGULATORY ENVIRONMENT: DEVELOPMENT OF OVERSIGHT FRAMEWORKS

- This has been a huge development in the Legislative and regulatory frameworks which are responsive to the need for developing the mobile money market safely in Sierra Leone and for broadening financial inclusion.
- The Banking Act, 2011, the Other Financial Institutions Act, 2001, the National Payments Systems Act and the Guidelines for Mobile Money Financial services, 2015 empower the Bank of Sierra Leone to supervise and regulate MMFSPs

REGULATORY ENVIRONMENT: DEVELOPMENT OF OVERSIGHT FRAMEWORKS Cont'd

- The objective of the guidelines is to create an enabling regulatory environment to promote mobile financial services and help the stakeholders in the mobile financial services ecosystem to understand their roles and responsibilities.
- The operators were given up to the end of January to apply for licence
- At present, only one operator has applied to the BSL for Licence.
- Immediately after this workshop, the BSL will send reminder letters to the others to do so or else the it will use its powers.

THE MOBILE FINANCIAL SERVICES GUIDELINES Cont

□ The Guidelines address the following major areas:

- a. Acceptable Models*
- b. Application for licence*
- c. Permissible Activities*
- d. Mobile money agents*
- e. Customer protection and recourse*
- f. Anti- Money Laundry/ countering the financing of Terrorism (AML/CFT)*
- g. Supervision*
- h. Prohibited activities*

ANY PROSPECT FOR GROWTH?

- At present, banks have partnered with solution providers and have applied to the BSL to be granted permission to commence granting loans using mobile money.
- The MMFS are also collaborating with merchants for customers to purchase goods from their stalls using mobile money.
- Some banks have applied for permission for their customers to withdraw deposits and transfer funds from their bank accounts.

ANY PROSPECT FOR GROWTH? Cont'd

- ❑ An application has been received by the BSL from a group of Sierra Leoneans to introduce a product called “pay me next”. This will allow the public to use this product to pay taxi service, buy gas, pay bills etc.
- ❑ Requests are also coming for cross border remittances.

CHALLENGES

- **Low Trust and High Resistance to Change**
 - a. The transition from cash to mobile money is a huge leap for many, especially given the low literacy rate in Sierra Leone
 - b. Existing formal and informal channels may be inefficient, but they have been used for a long time and people are resistant to change

CHALLENGES FACED IN THE MOBILE MONEY SPACE Cont'd

□ Limited Institutional Support

- a. There is limited partnership or linkage between the stakeholders in the mobile ecosystem to promote mobile financial services
- b. There is no national agenda on mobile money, and more institutional support to educate the market about the benefits of this technology

CHALLENGES FACED IN THE MOBILE MONEY SPACE

❑ Agent Liquidity

- a. Agent network consists mainly of private shops and small businesses who do not always have the liquidity to support customers
- b. Some parts of the country do not have agents

❑ The level of consumer education and empowerment.

- a. Very little campaign by the operators on the products and services
- b. No structure for complaint handling and redress

CHALLENGES FACED IN THE MOBILE MONEY SPACE Cont'd

- ❑ **Technological challenge-**
 - a. System not continuously up and running
 - b. Poor network coverage
 - c. Frequent power cuts
- ❑ **Identification of customers**
- ❑ **Interoperability**
- ❑ **Little or no cooperation among MNOs**
- ❑ **Little or no cooperation among regulators**

POSSIBLE SOLUTIONS

□ **Low Trust and High Resistance to Change**

- a. Work to promote financial literacy in Sierra Leone
- b. Improve mobile financial services and promote their advantages
- c. Leverage institutional support to encourage trust.

□ **Limited Institutional Support**

- a. Enhance partnerships with banks, MNOs, government, NGOs and regulators
- b. Build a national agenda through the National Financial Inclusion Committee to help educate the market.

POSSIBLE SOLUTIONS Cont'd

□ Agent Liquidity

- a. Strengthen linkages among stakeholders
- b. Increase partnership network to improve liquidity.

□ Technological challenge

- a. The Bank of Sierra Leone to sign an MOU with the National Telecommunications Commission (NATCOM) for jointly regulating the mobile ecosystem.
- b. Encourage cooperation among MNOs

POSSIBLE SOLUTIONS Cont'd

□ Identification of customers

- a. MNOs to register subscribers
- b. MMFSPs and their agents to register Account holders

□ Consumer Education and Empowerment

- a. The Bank of Sierra Leone has embarked on serious consumer sensitisations through radio and TV discussions. The print media will soon be used.
- b. The BSL will also encourage the operators to increase their level of consumer education campaigns

POSSIBLE SOLUTIONS Cont'd

❑ Interoperability

- a. The national switch will go live by the end of 2016. This will facilitate interoperability and also make provision for cross border remittances.

- ## ❑ Organising workshops, seminars and training would help stakeholders learn from the experiences of the other countries



THE END

THANK YOU FOR YOUR ATTENTION