

# Improving the distribution of financial services

## A Southern African perspective

FPC Conference: "The financial revolution in Africa: mobile payments services in a new global age"  
London, 28 March 2012

# About FinMark Trust



- Independent trust working across Africa with specific SADC mandate
- Created with initial funding from the UK's Department for International Development
- Purpose:
  - Financial inclusion
    - Nationally representative FinScope financial inclusion surveys 15 countries
    - Housing finance
    - Credit
    - Insurance
    - Rural finance
    - Policy, regulation & consumer empowerment
    - Retail payments
  - Regional financial integration in the Southern African Development Community (SADC)
- How?
  - Catalytic role
    - Research to identify systemic constraints
    - Advocating for change on the basis of findings
- [www.finmark.org.za](http://www.finmark.org.za)

# More than just mobile: regulatory issues in distribution



1. Key **retail payment issues** in Southern Africa impacting on distribution
  - Regulatory responses: case studies from Malawi, Mozambique and Zimbabwe
2. The **cross-border remittances angle**: first and last mile distribution challenges
  - What role can regulation play?
3. The role of alternative channels including mobile payments in **insurance distribution** and the insurance regulatory response

# Issues in retail payment distribution



## Malawi

- **Regulatory:**
  - No NPS Act (yet)
  - No definition of e-money or stored value
  - Agency rules for MNOs vs. banks (proposed)
  - Tiered KYC rules – and different application to MNO and bank agents
- **Market:**
  - Infrastructure, cash distribution
  - Liquidity management, partnership management
  - Additive interconnectivity

## Mozambique

- **Regulatory:**
  - Lack of regulatory certainty
  - No dedicated standards for e-money issuers
  - Incomplete regulation for use of agents (MNOs, MFIs only)
  - Wider array of documents accepted for identity verification for AML/CFT
- **Market :**
  - Limited reach of payment infrastructure, lack of interest
  - Limited interoperability
  - Poor network services, basic infrastructure

## Zimbabwe

- **Regulatory:**
  - No framework for e-money or stored value
  - No rules on the development and management of agent networks
  - No tiered KYC rules
  - Insufficient certainty on electronic services in NPS Act
- **Market:**
  - Business rules for interconnection still evolving
  - Distribution networks only urban
  - Liquidity management for distribution networks

## Cross-cutting

- Regulatory certainty vs. ad hoc
- Level playing field, openness
- Agency rules
- Clear definitions



- Extending footprint, agents
- Cash-in, cash-out management
- Reliable services, network connectivity
- Interoperability

# Cross-border remittances

**Estimated more than ZAR 10bn (\$1.3bn) per year in remittances from SA to SADC, two thirds of it informal**

- First mile challenges:
  - Cost, including cost of KYC
  - Access to the financial system for migrant workers
  - *Distribution*: Access to foreign exchange outlets
    - Who may be a forex agent
- Last mile challenges *almost all about distribution*
  - Financial sector footprint, interoperability
  - Cash distribution
- What can regulators do?
  - Addressing first mile challenges, regional harmonisation
  - Rules for agent networks, incl. forex agents
  - Interoperability
  - KYC thresholds

# Insurance distribution

- Mobile phone as tool for communication, marketing, sign-up and payment
  - Examples in Africa incl. Ghana, Tanzania, Kenya, South Africa
- Regulatory issues:
  - E-contracting/digital signatures
  - Who may sell and provide other distribution services?
  - What consumer disclosure requirements should be met?
  - The danger of protecting consumers out of the market