

GHANA WORKING GROUP PRESENTATION

ON

THEMATIC FOCUS AREAS

WEST AFRICAN SUB-REGIONAL WORKSHOP ON MOBILE
FINANCIAL SERVICES (14TH TO 16TH MARCH 2016)

Taxation

²Current Situation

• Mobile money services has been exempted from the Financial Services VAT Tax introduced 2 years ago. Thus transaction fees are not taxed.

• But Operators are paying Corporate Taxes under the Tax Law through their existing owner MNOs

• Agents earning GHS 500 (\$125) and above commissions are subjected to the existing 10% Withholding Tax

Way Forward/Recommendation

• Continue to delay taxes on transaction fees to encourage the financial inclusion and dev't agenda

• When to start taxing?
- Allow some 7 years for the service penetration and adoption;
- trxn values may have to hit 30% of GDP

• Operators as a separate legal entity must be allowed some period of Tax Holidays and/or Exemptions to enable them invest back into the business and deepen inclusion

• This is can continue since the agents reclaim the taxes annually using their Withholding Tax Certificates

Co-ordination for Customer Protection

³Current Situation

•New E-Money Issuing (EMI) and Agent Guidelines introduced since July, 2015 covers frameworks for privacy, transparency, data protection and business practices:

- display of prices at agent points
- disclosure and communications on transactions
- dedicated customer care structures for issues/complaints resolution, etc

•Growth in transaction volumes due to increased trust and confidence in the services

•Agents have formed Agent Associations to ensure their interest is protected and also encourage best practices and service quality

Way Forward/Recommendation

•Regulator co-ordinated efforts on ensuring effective implementation is critical

•All stakeholders joint effort is required to drive awareness, education and protection of the customer/agent

•The BoG is currently working on implementing a public education drive for mobile money in Ghana

•Constant initiatives aimed at increasing trust and confidence in the services is required

•Agents must be encouraged to use these groups positively to improve financial inclusion

Regulatory Frameworks

4 Current Situation

- **New E-Money Issuing (EMI) and Agent Guidelines introduced since July, 2015 have effectively set regulated frameworks for the mobile money business.**
- **Stakeholder commitments are available due to the BoG involving all stakeholders in the process of developing the Guidelines**

Way Forward/Recommendation

- **Ensure end-to-end enforcement of the regulation without ‘fear nor favour’**
- **Encourage stakeholder participation in the mobile money space and ensure customers are also in the picture**
- **Update or amend the Guidelines as and when stakeholders deem appropriate and in line with prevailing market learning and impact**
- **The Regulators (BoG and NCA) and other stakeholders must work together on an MoU that would set straight all grey-area roles and responsibilities as they may develop**

Agents & Cross-border Transaction Issues

Current Situation

•New Agent Guidelines introduced since July, 2015 and covers frameworks for agent operations/practices:

- no agent exclusivity
- defined Agent Categories or Models
- dedicated customer care structures for issues/complaints resolution, etc

•Agent Liquidity Management is still a critical pain area being addressed by stakeholders

•Operators continually engaging agents on Insurance that would cover their operations, etc

•Agents have formed Agent Associations to ensure their interest is protected and also encourage best practices and service quality

•Cross-border transactions are currently just allowed for Inward Remittances with limit of USD 500 per month per sender

Way Forward/Recommendation

•Regulator co-ordinated efforts on ensuring effective implementation is critical

•All stakeholders joint effort is required to drive awareness, education and protection of the agent

•The BoG is currently working on implementing a public education drive for mobile money in Ghana

•Insurance may have to be discussed further; mandatory or optional

•Agents must be encouraged to use these groups positively to improve financial inclusion

•Growing need for Outward Remittances; set limits; forex or platform constraint?

•Lessons from Nigeria, Cote D'Ivoire, etc

•Further studies recommended in this area

Check List of Successful MM Operation

Current Situation	Way Forward/Recommendation
<p><u>Success Factors:</u></p> <ul style="list-style-type: none">•Collaborating industry players•New EMI and Agent regulation: KYC, Account types and Tiers, Trxn Limts, Agent Model, etc•Tax (VAT) exemption•Active agent participation and engagement•Transaction trust and confidence•MMOs partnering Banks and Insurance companies for savings, investment, credit, insurance products, etc•Customer segmentation and products delivery•Improvement in MM Service platforms and sales distribution	<ul style="list-style-type: none">•Enabling environment for mobile money to thrive effectively and better serve the financial inclusion agenda
<p><u>Obstacles:</u></p> <ul style="list-style-type: none">•Lack of Centralised National ID System to aid effective KYC, etc•Liquidity mgt; Service Uptime and some fluctuations esp. at financially excluded districts and farming communities• Lack of government drive on mobile money education towards trust and security	<ul style="list-style-type: none">•Centralised ID data accessible by MMOs is required•Improvement in uptime and network connectivity in deprived areas•Lead role by government to educate Ghanaians on mobile money services and show unflinching support

Lending & Credit for MMOs

7Current Situation

- **New E-Money Issuing (EMI) Guidelines set the framework that allows MMOs to partner Banks and Insurance companies, etc on savings/investments, insurance, credit products, etc**
- **MMOs cannot currently borrow from Banks using the Pooled Deposit as collateral or security**

Way Forward/Recommendation

- **Ensure end-to-end enforcement of the regulation and deepen best partnerships that eventually would serve the customer interest**
- **Need to explore opportunities for MMOs to secure credit from Banks to further improve financial inclusion and participation**
- **Further studies recommended in this area**

Payment of Interest on Pool/Escrow A/c

⁸Current Situation

- New E-Money Issuing (EMI) Guidelines set the framework that allows Banks holding funds to pay interest on Trust/Pool/Escrow account on 80:20 basis (Customer: 80% and MMO: 20%) using the prevailing Current Account rate
- Prevailing Current Account Rate is 1.5% to 7%
- Banks expected to start paying interest from January 2016 and into a separate account held by the MMOs in the name of the mobile money business
- Interest matters will be reviewed in the next 6 months

Way Forward/Recommendation

- Ensure end-to-end enforcement of the regulation required
- Need to study the current trends and identify any pain areas that may arise
- Uganda's example must be further studied for lessons in Ghana
- Further studies recommended in this area

Partnerships between Players & Regulators

Current Situation

- **New E-Money Issuing (EMI) Guidelines builds initial partnership framework**
- **Collaborations among the two Regulators (BoG and NCA) being strengthened**
- **Existing Banks and Telcos relationship**

Way Forward/Recommendation

- **Ensure end-to-end enforcement of the regulation**
- **Need for MoU between the telco regulator and central bank to set out clearly required roles/responsibilities and avoid duplication and grey areas**
- **Deepen existing bank-operator relationships and foster co-operation**
- **Further studies recommended in this area**

Questions & Answers

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