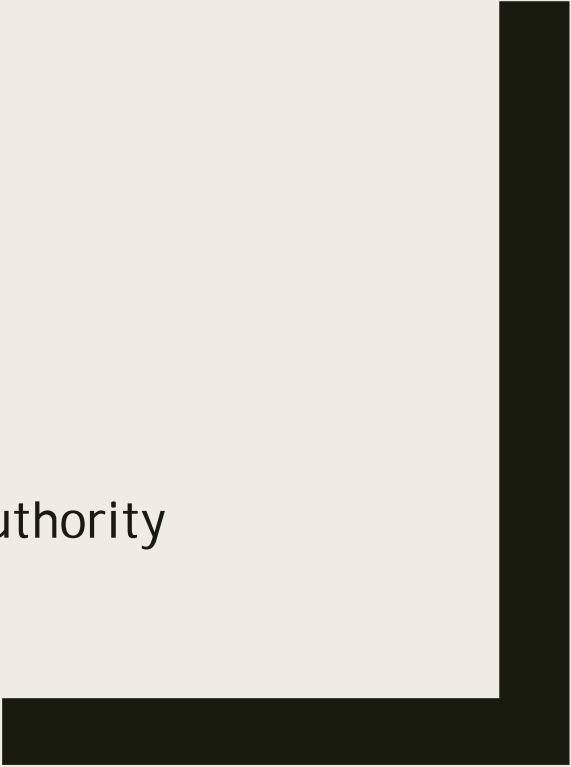




DIGITAL FINANCIAL SERVICES

A CASE OF MALAWI

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Presentation Outline

- Introduction
 - *Definition of concepts*
 - *Why Digital Financial Services*
- Infrastructure supporting DFS in Malawi
- Overview of Malawi's ICT and Banking sector
- Malawi DFS indicators and trends
- Legal and Regulatory Frameworks
 - *National payment systems Act*
 - *E-transaction and cyber security Act*
 - *Other regulatory instruments*
- Regulatory and policy coordination
- Challenges

Introduction

- Digital Financial Services (DFS) include a broad range of financial services accessed and delivered through digital channels, including payments, credit, savings, remittances and insurance.
 - *Digital channels refers to the internet, mobile phones, ATMs, POS terminals etc.*
 - *DFS concept includes mobile financial services (MFS).*

- MFS is the use of a mobile phone to access financial services and execute financial transactions.
 - *Includes both transactional services and non-transactional services*
 - *MFS include M-Banking, M-payments, M-money.*

- M-Money is a mobile based service facilitating electronic transfers and other transactional and non transactional services using mobile networks

- M-Banking is the use of a mobile phone to access banking services and execute financial transactions.
 - *Often used to refer only to customers with bank accounts.*

Why Digital Financial Services?

- Reach larger audience of customers untapped by the existing banking infrastructure
- Increases financial inclusion
- Increase efficiency of delivery
- Improve quality of service
- Revenue growth
 - *Reaching new market segments*
 - *Offering new products and services enabled by technology*
- Cost reduction to companies and customers
 - *Operational cost by reducing branch costs*
 - *Reducing transactional costs*

Infrastructure Supporting DFS in Malawi

The Automated Transfer System (ATS)

- An inter-bank funds transfer, clearing and settlement system including for direct debits and credit transfers
- settlement of transactions from the National Switch

Bank-based services

- Services in which a customer has a contractual r/ship with the bank.
- Bank is licensed to provide mobile financial services
- mobile banking, internet banking, ATMs, POS and web-based card payment services

The National Switch

- Launched in 2015
- a shared switch platform that connects all commercial banks and MNOs
- To facilitate clearing of retail payment transactions

Non-bank based services

- Services in which a customer has a contractual r/ship with a non-bank service provider
- The non-bank is either licensed or otherwise permitted by the regulator to provide mobile financial services
- TNM Mpamba, Airtel Money, Zoon

Overview of Malawi ICT and Banking Sector

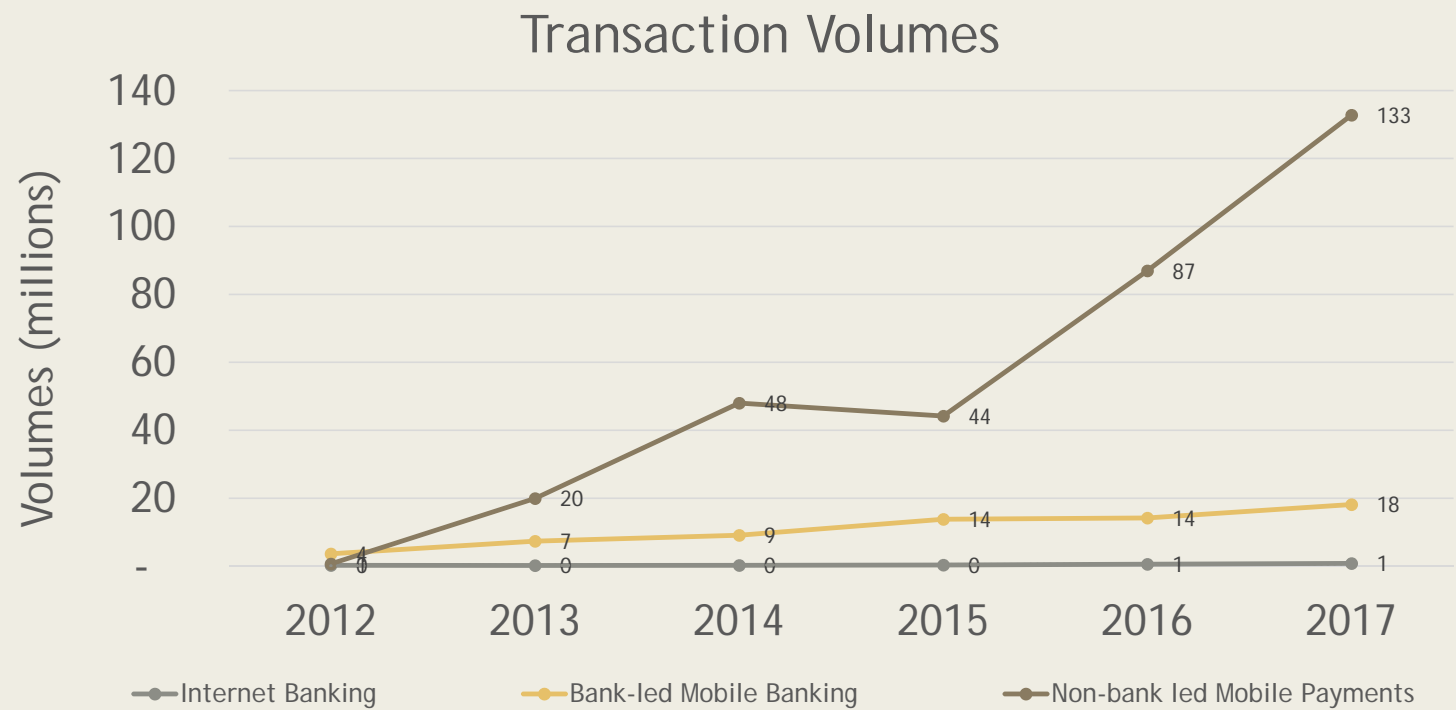
	Indicators	Year Collected
Population	17,373,185	2017 (estimate)
Mobile phone subscribers	7,178,384	2016
Internet subscribers	3,294,000	2016
Mobile money subscribers	4,600,000 (90 days) 1,800,000 (30 days)	2017
Number of Mobile phone operators	4 (2 offer MM service)	2017
Number of Banks	9 (7 offer MB services)	2017
Number of bank accounts	2,100,000	June 2018
Number of mobile money agents	25,822	June 2018

DFS Indicators

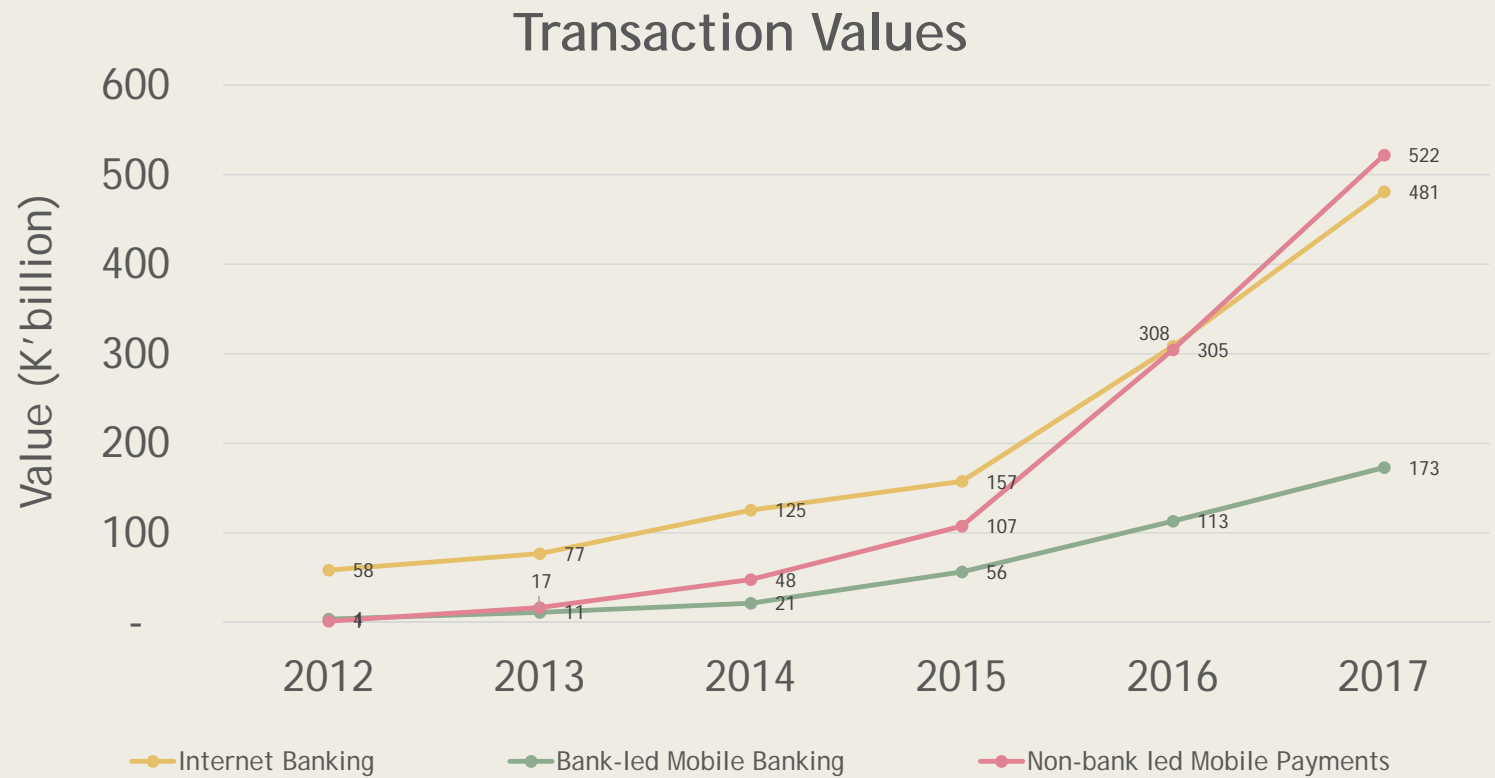
	Volume	Value (K' m)	Average Amount (K)/ Transaction	No. of : subscribers / * Terminals
Mobile Banking	18,163,266	172,982.1	9,524	538,500
Internet Banking	813,446 (363,000-2015)	481,012.1	591,326	54,206
Mobile Money (MNOs)	133,495,994	531,204.5	3,979	1,494,884
ATMs (funds transfer and bill payments only)	6,936	311,709,964	44,941	466* (373 in 2012)
Point of Sale (POS)	774,490	34,786.5	44,915	1,474* (688 in 2012)

December 2017

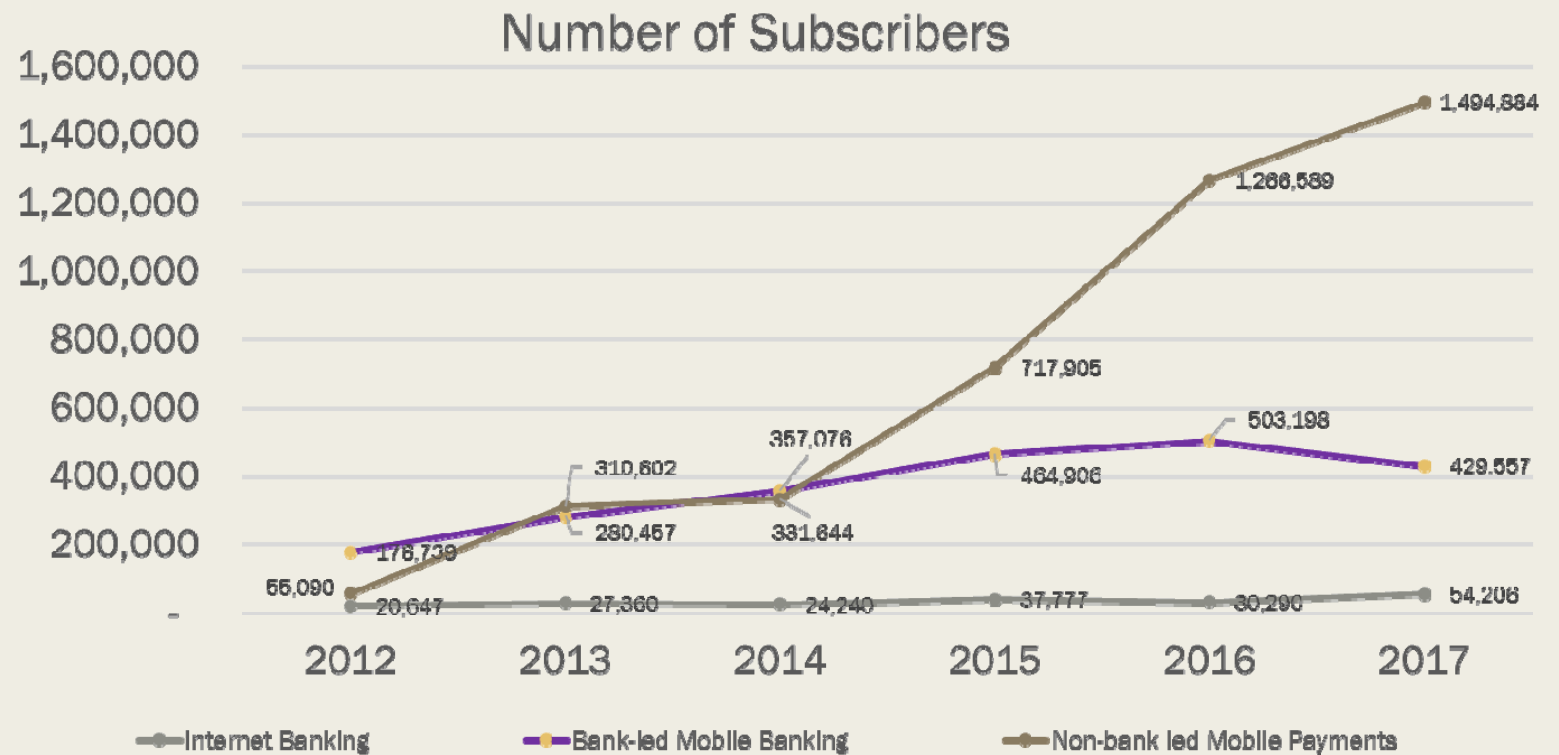
DFS Volume Trend



DFS Value Trend



DFS Subscribers Trend



Legal and Regulatory Frameworks

- Before 2012, all electronic financial services were mainly provided by the commercial banks;
- The regulatory mandate over payment systems was based on the central bank's Act of 1989 before enactment of the National Payments Act in 2016;
- Mobile money services came into existence in 2011 as a tool for social cash transfer;
- The emergency of mobile money has been instrumental in the development of the regulatory framework around digital financial services and payments system;

Legal and Regulatory Frameworks

- In 2011, RBM developed and issued Guidelines for mobile payment system to provide a regulatory framework for provision of mobile money services
 - *Deriving its mandate from the RBM Act 1989*
 - *Guidelines only applies to non-banking mobile payments*
- Innovations on payment services also enhanced the need for a law to govern payment systems
- To address the gap RBM drafted a payment systems law which was passed by parliament in July 2016.
- MACRA also drafted an Electronic Transactions and Cybersecurity Act which was also passed by parliament in 2016
 - *To ensure protection of users and enhance security and safety when using digital platforms*

National Payments Systems Act, 2016

Objectives

- To provide for a legal framework for the operation, regulation, supervision and monitoring of payment systems and instruments, especially electronic systems;
- To designate RBM as the regulatory authority;
- To promote the soundness, integrity, safety and efficiency and reliability of the payment systems or instruments, including security and standards;
- To provide for minimum standards for protection of users;
- To determine the respective rights and obligations of system operators, participants and their customers

National Payment Systems Act 2016

Scope

- All retail systems for the processing of low-value financial transactions, including mobile phone-based and other digital financial services
- All systems for clearing and settlement of both retail and large value transactions
- All types of physical and electronic payment instruments, including cheques, payment cards and electronic funds transfers.

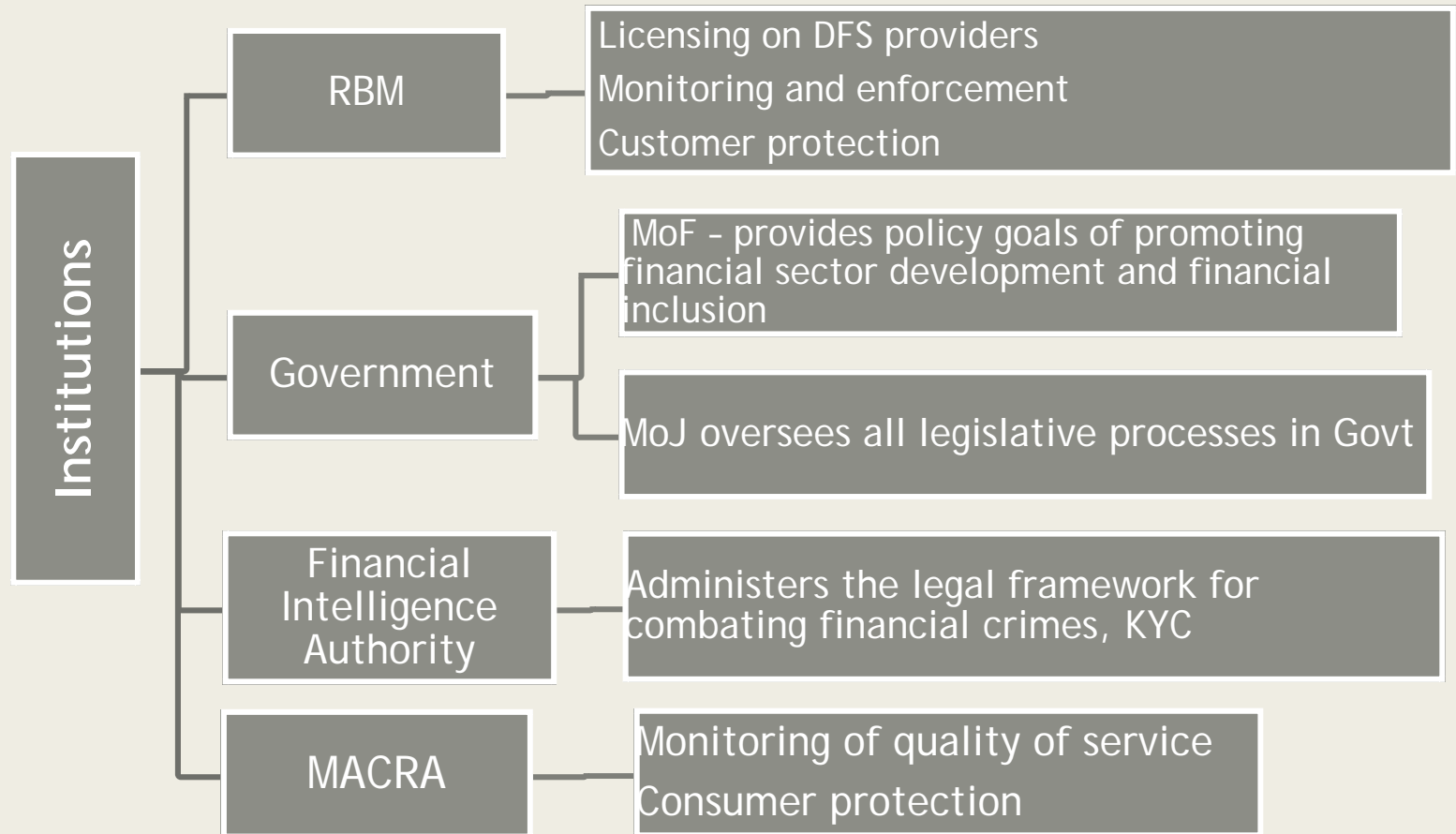
E-Transactions and Cybersecurity Act 2016

- The objective is to set up a responsive information and communication technology legal and regulatory framework that shall facilitate;
 - *Competition;*
 - *Development of information and communication technology and;*
 - *The participation of Malawi in the information age and economy in particular;*
 - To ensure that ICT users are protected from undesirable impacts of ICTs including the spread of pornographic material, cyber-crime and digital fraud
 - To put In place mechanisms that's safeguard ICT users from fraud, breach of privacy, misuse of information, and immoral behaviour brought by the use of ICTs
 - To provide a responsive and efficient regulatory environment, promote economic subsectors, asset accumulation and tax activities that arise from the use of ICT

Other Regulatory Instruments

Interoperability Directive	Communications Act, 2016
<ul style="list-style-type: none">• Issued in September 2017:• To facilitate and enforce interoperability of retail payments services; ATMs, POS, internet banking and MNO-led mobile payments• To make it mandatory for service providers to put in place infrastructure that supports interoperability	<ul style="list-style-type: none">• To facilitate the deployment and use of communications services• To encourage the adoption of new services and technologies within the communications sector• To ensure consumer protection• To develop and publish technical standards for regulated communications services

Regulatory and Policy coordination



Challenges

- Joint jurisdiction - coordination challenges
- Lack of regulations
- Low competition in the DFS sector
- Consumer protection issues -dispute resolution and redress mechanisms
- Poor infrastructure affects availability and consumer trust in the services
- Financial illiteracy/High illiteracy levels

THANK YOU FOR LISTENING

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