



# SADC Mobile Money Guidelines

November 2019



This report is a reformatted version of the approved SADC Mobile Money Guidelines done for the SADC CCBG in March 2016.

## READER'S NOTE

Please take note of the following formatting notes for ease of reading:

- Unless otherwise stated, text in boxes and tables is for background purposes only. It includes insights from research conducted and consultative feedback from the SADC based Mobile Money participants such as Commercial Banks, Mobile Network Operators and the like.
- All guidelines are in *italics*.
- All chapters start on a new page.
- All defined words start with capital letters.

# 1 INTRODUCTION

The FIP (Protocol on Finance and Investment) in the Southern African Development Community (SADC) region remains the key instrument to facilitate regional financial integration and aims at making the SADC region an attractive destination for foreign direct investment and regional investment. Annex 6 of the FIP particularly focusses on cooperation and coordination among Central Banks on payment, clearing and settlement systems with the aim of converging these payment systems. A review was commissioned by the legal and payments sub committees of the Committee of Central Bank Governors in SADC (CCBG) in 2013/14 to assess the laws, regulations, directives, circulars guidelines and guidance notes directly applicable to the National Payment System in each of the 15 SADC countries. Furthermore, the review highlighted that the statutory instruments regulating Mobile Money in the various SADC countries was significantly different with respect, inter- alia, to: the understanding and definition of Mobile Money; whether Mobile Money constitutes deposit taking or not; conditions for authorisation; initial capital, own funds and safeguarding requirements etc.

Recommendations from the review, and adopted by the CCBG legal and payments sub-committees, were that in order to assist Central Banks in the SADC to adopt a consolidated approach to Mobile Money that an in-depth study on the concept of Mobile Money in SADC should be undertaken, which should culminate in the drafting of the Mobile Money Guideline for the SADC region.

The Mobile Money Guidelines seeks to provide:

1. Principles which would be a baseline to be considered by the Central Bank's in the formulation or amendment of their country specific Mobile Money Guidelines.
2. Clarity on the Mobile Money ecosystem and components within the ecosystem that need to be addressed which have been the subject of debate with different outcomes in multiple domestic jurisdictions.

## 2 THE OBJECTIVES OF THE GUIDELINES

Mobile Money has evolved as a utility to provide financial services largely to the unbanked population. Its success in certain emerging markets and countries with unsophisticated banking infra-structure has been unprecedented. The aim of the project is to develop Mobile Money guidelines to assist SADC Member States with principles to facilitate the harmonisation of their legal and regulatory frameworks for Mobile Money, in support of greater financial inclusion and market development in the SADC region.

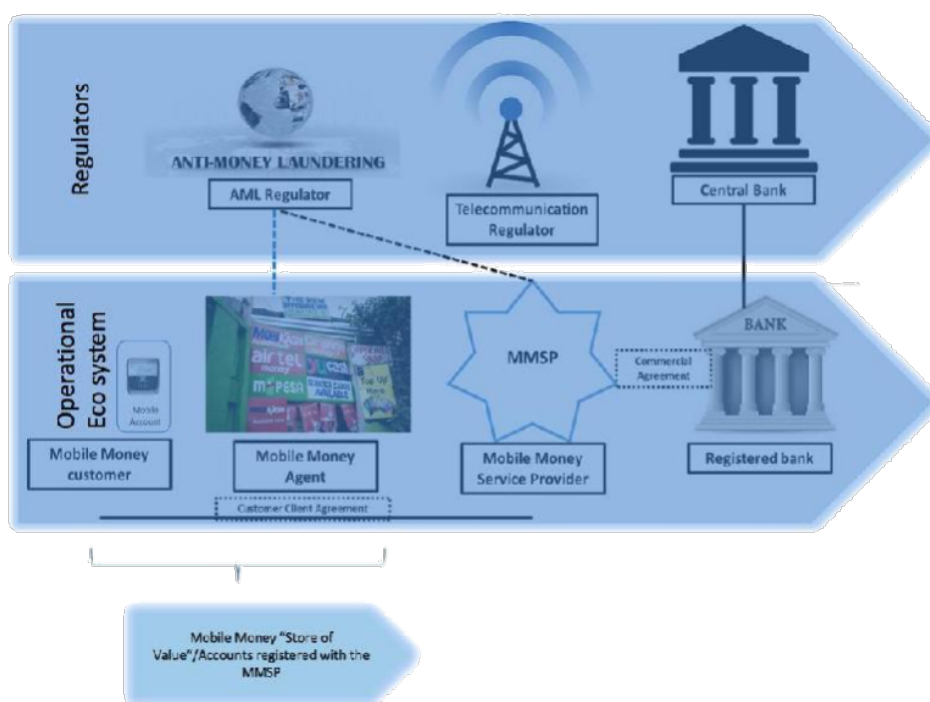
The objectives of these SADC Mobile Money Guidelines are therefore as follows:

- 2.1 To provide guidance on regulatory approaches required to create an enabling environment for Mobile Money to reach its full market potential.
- 2.2 To provide clarity on the ecosystem of Mobile Money and the role players therein as to support the development of these regulations and frameworks.
- 2.3 To provide clarity on the most contentious issues within the ecosystem, and current solutions to these issues.
- 2.4 The setting out of common technical and operational standards for adoption and possible implementation by the Central Banks, Telecommunications Regulators and Mobile Money stakeholders across the Mobile Money value chain in the respective SADC Member States.
- 2.5 To provide a mechanism that will afford an opportunity for collaboration between the various stakeholders within the Mobile Money value chain for Mobile Money participation across the SADC Region.
- 2.6 To provide a mechanism for domestic and regional interoperability via regulation harmonised on similar principles.

### 3 THE MOBILE MONEY ECO-SYSTEM

The Mobile Money ecosystem consists of various stakeholders that include the Mobile Money customer, service providers and multiple regulators. When we refer to the ecosystem or stakeholders we refer to the parties set out below:

FIGURE 3.1: MOBILE MONEY ECOSYSTEM



#### 3.1 The Mobile Money Customer

The Mobile Money customer is the person / entity which opens a Mobile Money store of value (referred to as a Mobile Money account, interchangeably) and is identified as the account holder of the Mobile Money account. The customer is in control of the Mobile Money store of value and performs transactions in the Mobile Money store of value.

#### 3.2 The Mobile Money Agent

Agents are generally informal and formal service points where Mobile Money customers are able to access Mobile Money services such as cash in; cash out and pay for goods and services. Agents do not have a direct contractual relationship with the Mobile Money customer. In most jurisdictions, the success of Mobile Money depends on non - traditional agent network for the distribution and provision of services to "last mile" Mobile Money customers.

In this regard, Agents are defined as third party entities or persons that are appointed as agents by the Mobile Money Service Provider (MMSP) to provide Mobile Money services on behalf of the MMSP.

### 3.3 The Mobile Money Service Provider

This is the entity that issues Mobile Money, provides Mobile Money Services and is normally licensed by the Central Bank. In an effort to differentiate the activities of a Mobile Money provider from other financial services providers, and to enable effective regulation on Mobile Money activities, most SADC markets have opted to create a 'special licensed entity to be authorised and licensed by the Central Bank to issue Mobile Money and to provide Mobile Money Services. An MMSP has a direct relationship with the customer.

A Mobile Money Service Provider (MMSP) is duly defined as an entity licensed by the respective Central Bank to issue Mobile Money and provide Mobile Money Services.

### 3.4 The Bank

Banks play a variety of roles in the Mobile Money ecosystem:

3.4.1 The bank provides the regulated banking facilities where the money collected by the MMSP is deposited, on behalf of the MM customers. Mobile Money customer funds are held in the "Trust Account". In this regard, the bank is a sponsor to the Mobile Money Services Provider. The bank does not have a direct contractual relationship with the Mobile Money customer. The direct relationship is between the Customer and the Mobile Money services provider.

3.4.1 In most circumstances the bank is a direct participant in clearing and settlement, accordingly it clears and settles the payment obligations of the MMSP.

3.4.2 The bank may be an issuer of Mobile Money, regulated as a MMSP.

### 3.5 The Regulators

#### 3.5.1 Central Bank

Regulates financial activities and is responsible for the countries financial stability within its jurisdiction.

#### 3.5.2 Telecommunications Regulator

Regulates and issues domestic telecommunications licenses to MNO's.

#### 3.5.3 Financial Integrity Regulator

The domestic regulator empowered to adopt and implement regulations relating to Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) provisions which relate to customer due diligence requirements.

## 4 DEFINITIONS

The following terms shall have the meanings assigned to them below:

- 4.1 **Agents** - third party entities or persons that are appointed as agents by the MMSP to provide Mobile Money services on behalf of the MMSP;
- 4.2 **Central Bank** - a central bank of a SADC Member State established in accordance with the laws of that SADC Member State;
- 4.3 **MNO** – a mobile network operator which is licensed by the respective SADC Member State telecommunications regulator to provide wireless voice and data communication for its subscribed users;
- 4.4 **Mobile Money** – electronic representation of conventional money, the value of which is on a par with the official currency of the licensing SADC Member State, which may be transferable, redeemable for cash and is a generally accepted means of payment;

The distinction between Mobile and E-Money has been the subject of discussion. The advancement of technology and the merging of various payment mechanism has led to the thinking that definitions for mobile and /or e-money should not focus on the “access channel” or “product” but rather it should be focused on defining the associated activity. An analysis of SADC Member States reveals that most states use the concept of mobile and e-money interchangeably. In this regard, for this project we only define Mobile Money which upon closer inspection it will be noted that it incorporates features of E-Money. This definition seeks to define the associated activities:

- It is an electronic representation of money on deposit
- The value which is on a par with conventional currency – any other schemes such as reward programs / crypto currency are excluded as it is not on par with currency.
- It is possible to transfer, redeem for cash and acceptable as a means of payment.

- 4.5 **Mobile Money Service Provider (MMSP)** - an entity licensed by the respective Central Bank to issue Mobile Money and provide Mobile Money Services;
- 4.6 **Mobile Money Services** – services provided by the MMSP to support the utility of Mobile Money for the consumer. These include but are not limited to cash in, cash redemption at various channels and mobile payments services such as person to person, business to person government to person
- 4.7 **SADC** – Southern African Development Community;
- 4.8 **SADC Member State** - a country which is a member of SADC;



- 4.9 **SADC Mobile Money Guidelines** – the SADC Mobile Money guidelines as set out in this document and adopted by the Committee of Central Bank Governors in SADC CCBG; and
- 4.10 **Trust Account** – a bank account which holds funds that are received from Mobile Money customers, which account is held in trust or held in a fiduciary capacity on behalf of the Mobile Money customers (may also be referred to as an Escrow Account or a Custodial Account).

## 5 GUIDING PRINCIPLES

In considering the adoption and/or implementation of these SADC Mobile Money Guidelines the following principles must be taken into consideration:

- 5.1 The Central Bank is the only regulatory authority that is empowered to regulate the provision of Mobile Money in its jurisdiction.
- 5.2 The telecommunications regulator is a critical and essential stakeholder in the provision of Mobile Money Services. The telecommunications regulator should be consulted during the formulation of the Mobile Money regulatory framework.
- 5.3 The MMSP is the only entity licensed by the Central Bank to provide Mobile Money Services.
- 5.4 The financial intelligence / financial integrity regulator must be consulted in relation to AML or CTF and applicable provisions for Mobile Money specific transactions, the MMSP must comply with AML regulations as directed by the financial intelligence / financial integrity regulator.
- 5.5 Mobile Money standards must be suitable for domestic market conditions whilst taking into consideration SADC regional harmonisation objectives and imperatives. The SADC regionalisation objective and / imperatives are, amongst others:
  - 5.5.1 The implementation of a SADC regional clearing and settlement payment system;
  - 5.5.2 The possibility of a SADC Central Bank with a single SADC currency;
  - 5.5.3 The Remittance project which continues to work with the regulators, money transfer operators, commercial banks, and national authorities in the SADC region to ensure transparency and reduce fees for cross-border remittances. In this process, regulators have to establish the proportionate regulations that may be implemented without introducing unnecessary risk when implementing such relaxations; and
  - 5.5.4 Broader requirements required for regional integration that are discussed in the various CCBG subgroups addressing different areas in terms of their CCBG responsibility, for example, Legal, Financial Markets, Banking Supervision and Technology Infrastructure.

## 6 CENTRAL BANK LICENSING AUTHORITY

### 6.1 Guidelines

6.1.1 *The Central Bank is empowered to consider the application, in accordance with the legal framework in its jurisdiction to issue Mobile Money. Accordingly, a Central Bank may:*

6.1.1.1 *Issue an MMSP license;*

6.1.1.2 *Issue a letter of no objection;*

6.1.1.3 *Decline to issue an MMSP license;*

6.1.1.4 *Amend and/or vary and/or reinstate an existing MMSP license; and/or*

6.1.1.5 *If good cause is shown, terminate an MMSP license.*

## 7 REQUIREMENTS FOR LICENSING AN MMSP

### 7.1 Guidelines

- 7.1.1 *Any entity, including banks, which intends to offer Mobile Money Services, must apply to the Central Bank for MMSP licensing. The Central Bank shall draft the required application form for the MMSP's licensing.*
- 7.1.2 *The applying entity shall submit its application to the Central Bank together with the following documents (amongst other documents as specified by the Central Bank):*
  - 7.1.2.1 *Company registration documents;*
  - 7.1.2.2 *Human Resources structures and including competencies of the potential company's executive directors;*
  - 7.1.2.3 *Detailed product and business plans;*
  - 7.1.2.4 *Risk Management Framework;*
  - 7.1.2.5 *Information and Communications Technology capabilities;*
  - 7.1.2.6 *Operational capabilities;*
  - 7.1.2.7 *MNO's network capability and availability;*
  - 7.1.2.8 *Agent distribution network (if applicable);*
  - 7.1.2.9 *Ability to comply with minimum and on-going capital requirements;*
  - 7.1.2.10 *Service level agreements including envisaged draft agreement with agents;*
  - 7.1.2.11 *Ability to have internal audit capability and external auditors;*
  - 7.1.2.12 *The trust deed which will contain the names and contact details of the nominated trustees with required supporting information; and the operational mandate with respect to trust account transactions, and*
  - 7.1.2.13 *And any other information as required by Central Bank.*

## 8 MMSP LICENSING

### 8.1 Guidelines

- 8.1.1 *Once the Central Bank approves the application for an MMSP license, it shall issue an MMSP license to the applicant. The Central Bank may include any conditions deemed suitable by the Central Bank in granting the MMSP license.*
- 8.1.2 *For declined applications, the Central Bank must set out the appeals procedures available for the applicant to follow in order to appeal the decision of the Central Bank.*
- 8.1.3 *In relation to licensing, the Central Bank may also include provisions relating:*
  - 8.1.3.1 *The display of the MMSP license;*
  - 8.1.3.2 *The MMSP license should not be transferable;*
  - 8.1.3.3 *Terms relating to the cancellation of the MMSP License;*
  - 8.1.3.4 *In the event of a cancelled MMSP License, conditions upon which an MMSP License may be reinstated; and*
  - 8.1.3.5 *A possible register of all licensed MMSPs.*

### 8.2 MMSP License

*The MMSP may be required to apply for renewal of the MMSP license every 5 years.*

## 9 PROTECTION OF CUSTOMER FUNDS

Customer protection measures entail safeguarding the customer funds. In most instances customer funds are safeguarded by imposing restrictions on the use of customer funds by the MMSP and isolating funds from institutional risks. In addition, the customer must be protected against the event of insolvency by the MMSP's. The risk of Mobile Money customers losing their money is generally mitigated if:

- i. A requirement on the MMSP for initial capital combined with ongoing capital to ensure appropriate level of consumer protection, and sound and prudent operation of an MMSP. The essence of maintaining minimum capital is to protect against credit risk and associated insolvency.
- ii. 100% of the cash backing Mobile Money, held in a fully prudentially regulated institution, such as a bank; most Central Bank's require that the cash be held in a registered bank in a "Trust Account".
- iii. Customer funds isolated from the issuer's funds (via the Trust Account) and protected from claims by the issuer's creditors, protection against insolvency. The isolation of funds also protects against credit risk and insolvency.

The initial and continuing capital requirement and is supplemented by the ring fencing of the funds in addressing customer protection, accordingly Central Banks must be cognisant not to set out stringent capital requirements that may restrict participation by prospective MMSP.

### 9.1 Initial and ongoing Capital (Prudential Requirements)

#### 9.1.1 Background

DRC	<ul style="list-style-type: none"> <li>• Electronic money institutions shall have paid-up share capital in cash (Congolese francs</li> <li>• (CDF) equivalent to US\$2,500,000 (two million five hundred thousand US dollars).</li> </ul>
Namibia	<ul style="list-style-type: none"> <li>• Initial Requirement: N\$ 2.5 million</li> <li>• Ongoing Requirement the greater of:               <ol style="list-style-type: none"> <li>(i) N\$2.5 million; or</li> <li>(ii) 2% of outstanding electronic money liabilities.</li> </ol> </li> </ul>
Tanzania	<ul style="list-style-type: none"> <li>• License Fee Two Million Shillings</li> <li>• License Renewal Fee Two Million Shillings</li> <li>• Minimum Capital Five Hundred Million Shillings</li> </ul>
Zambia	<ul style="list-style-type: none"> <li>• Capital amount not specified</li> <li>• Continuing capital shall not be greater than 2% of the larger of:               <ol style="list-style-type: none"> <li>o The current amount of its outstanding e-money liabilities at the end of the prior business day, or</li> </ol> </li> <li>• The average outstanding e-money liabilities</li> </ul>

## 9.1.2 Guidelines

- 9.1.2.1 *The Central Bank may set out the minimum capital amount to be paid and maintained by an MMSP. The minimum capital amount will be determined by the respective Central Bank taking into consideration its own or specific market conditions.*
- 9.1.2.2 *As a general guide the continuing capital amount may be the greater of:*
  - 9.1.2.2.1 *The set minimum capital; or*
  - 9.1.2.2.2 *2% percentage of the outstanding Mobile Money liabilities.*
- 9.1.2.3 *For purposes of calculating the "outstanding Mobile Money liabilities" the MMSP shall use the greater of:*
  - 9.1.2.3.1 *The outstanding Mobile Money liabilities at the end of the prior business day; or*
  - 9.1.2.3.2 *The average outstanding Mobile Money liabilities over the previous six months.*
- 9.1.2.4 *The Central Bank must put in place mechanisms which will enable the Central Bank and MMSP to regularly monitor and calculate the required ongoing capital amount.*

## 9.2 Trust Accounts

### 9.2.1 Background

The global trend is for the MMSP to have 100% of the Mobile Money in circulation, held in cash, in a fully prudentially regulated institution, such as a bank. SADC Members currently require MMSP's to hold cash in a registered bank. The cash is normally held in a bank account which is mostly referred to as a "Trust Account", Trust Account is a naming convention only and is not a legally regulated trust such as those that are operated by attorneys and estate agents. Noteworthy is that depending on the countries legal system a different name with a similar purpose such as escrow or custodial account is used for such purposes. A Trust Deed, with trustees, is generally required to oversee the correct management of the Trust Account. Countries in SADC have adopted this philosophy the naming conventions and definitions of such an account are detailed below:

Country	Account type	Protection Clause
Namibia	Pooled Funds Accounts	E-money funds received from customers and agents must be pooled and deposited in accounts with one or more licensed Namibian banking institutions. The Pooled funds must be held in trust on behalf of the customers and agents of the e-money issuer. Pooled funds held in trust must be legally protected from creditors' claims in the event of insolvency.
Lesotho		An issuer of Mobile Money must deposit the funds collected in exchange for the Mobile Money issued in an interest bearing Trust Account.
Malawi	Trust Account	A savings account in a commercial bank under the control of the trustees.
Mauritius	Trust Account	A savings account in a bank under the control of the trustees.
Tanzania	Special Account	An account opened by a bank or financial institution to deposit funds received from consumers in exchange of electronic money issued at equivalent value by the bank.
Zambia	Collection Account	An account maintained for the purpose of receipt of funds from customers and agents for the sole purpose of purchasing electronic money for onward credit to the holding Account

## 9.2.2 Guidelines

- 9.2.2.1 *The MMSP shall open a Trust Account, in accordance with its trust deed, with the purpose of holding customer funds.*
- 9.2.2.2 *The Trust Account shall be managed in a way that demonstrates that the account is held in trust for the customer to safeguard the customer funds and shall be separated from the MMSP's operational accounts and funds.*
- 9.2.2.3 *In line with the MMSP's business model and Central Bank requirements, the Trust Account may be held at a registered bank with the appointed trustees overseeing the activities in the Trust Account and/or Central Bank as regulated by the respective Central Bank.*



## 9.3 Interest in the Trust Account

### 9.3.1 Background

The “Trust Account” is a bank account and will accordingly earn interest. Guidance on the payment of interest and the beneficiaries of that interest needs to be addressed. An MMSP is not involved in the business of a bank, there is a view that the accrual of interest is feature of a an institution that is involved in the business of a bank; consequently some jurisdictions restrict interest payments on Mobile Money in an effort to clearly delineate between banking activity and Mobile Money. This view has been countered on the basis that activities associated with the business of a bank is often reserved for prudentially regulated and licensed banks; regulators and MMSP’s issuers have embraced the argument that MMSP have become prudentially regulated. Accordingly, the accrual of interest should not be restricted. The emerging trend in SADC has been that Trust Accounts do earn interest, and the distribution of the interest earned is negotiated and approved by the Central Bank upon application by the MMSP Examples are:

Country	Provision
DRC	Electronic money shall not bear interest or any other benefit for the period of time during which the Holder holds the electronic money.
Lesotho	An issuer of Mobile Money must deposit the funds collected in exchange of the Mobile Money issued in an interest bearing Trust Account.
Malawi	Interest earned or otherwise accrued to balances in the trust account shall not be to the benefit of or otherwise paid to the Mobile Payment service Provider
Mauritius	Interest earned or otherwise accrued to balances in the trust account shall be paid back to the customer in such form as the service provider may deem appropriate. These interests shall not be to the benefit of or otherwise paid to the Mobile Payment Service Provider
Namibia Pooled Funds – Trust Accounts	Pooled funds may only be used to fund customer and agent transactions, such as redemptions or other transactions that result in a net reduction in the value of outstanding e-money liabilities. E-money issuers are permitted to earn interest on pooled funds. However, issuers may only withdraw interest earned (or use interest to pay fees or charges related to the administration of the pooled account) if the remaining aggregate value of the pooled funds would equal at least 100% of the value of all outstanding e-money liabilities.
Tanzania	Interest accrued in the trust account shall be used for the direct benefit of the electronic money holders as

	<p>determined by the Bank. The accrued interest and charges shall be separated from the Trust Account by opening an interest and charges account in respect of the trust account balances.</p> <p>The electronic money issuer shall not utilise the interests accrued in the trust account without written approval of the central bank.</p>
Zambia	<p>E-money institution shall negotiate the interest rate with the commercial bank that maintains the holding account. The negotiated terms shall be submitted to the bank the use of interest earned in the holding account shall be approved by the central bank.</p>

### 9.3.2 Guidelines

- 9.3.2.1 *The Trust Account may be interest bearing; In the event that the Trust Account is interest bearing the remainder of section 9.3.2 may be used as a guideline on how to manage interest accrued in the Trust Account.*
- 9.3.2.2 *The MMSP trustees may negotiate the interest rate, or any other related commercial arrangements with the bank. The trustees shall keep the interest earned in the Trust Account in a in a separate bank account (this includes interest earned on interest) with separate record of the interest earned.*
- 9.3.2.3 *The interest accrued in the Trust Account, net of any standard fees or charges related to the administration of the Custodial/Trust accounts can be passed on as a benefit to the Mobile Money Customers.*
- 9.3.2.4 *Any distribution to Mobile Money customers or other proposed use / application of interest earned in the Trust Account shall be submitted to and approved in writing by the Central Bank.*
- 9.3.2.5 *Any use of frivolous fees and charges or the invention of a new account type to hold customer Mobile Money funds with the intention of limiting interest shall be regarded as an attempt to defraud the e-money holders and grounds for severe sanction of the bank and any colluding partner.*
- 9.3.2.6 *The record of interest earned in the Trust Account shall be submitted to the Central Bank as part of the MMSP's monthly reporting.*
- 9.3.2.7 *At all times the aggregate amount held in the Trust Account should be equal to the total Mobile Money liabilities.*

## 9.4 Insolvency

### 9.4.1 Background

Customer funds are isolated from the issuer's funds and protected from claims by the issuer's creditors. As indicated above, customer funds are isolated in the form of a Trust Account and managed by trustees.

#### 9.4.2 Guidelines


- 9.4.2.1 *In the event of insolvency or liquidation of the MMSP, the Trust Account (in which the customer funds are held) and the capital amount shall not be the subject of and / or be part of the assets available for distribution by the liquidator.*

## 10 FINANCIAL INTEGRITY

### 10.1 Background

Appropriate AML and CTF provisions, which relate to the financial integrity of the transactions, are essential for the success of the Mobile Money Services. A uniform approach is required when dealing with MMSP's. Majority SADC countries have tiered AML provisions. These have proven to allow for ease of opening Mobile Money transacting whilst mitigating potential money laundering risk.

Country	Balance and Transactional Limits
DRC	<ul style="list-style-type: none"> <li>• The value of electronic money shall be the equivalent of US\$3,000 (three thousand US dollars)</li> <li>• The maximum daily payment amount shall not exceed US\$500 (five hundred US dollars)</li> <li>• ☑ Maximum monthly payment amount shall not exceed US\$2,500 (two thousand and five hundred US dollars)</li> </ul>
Lesotho	<ul style="list-style-type: none"> <li>• Least KYC daily limit 2 500 (USD \$164,10)</li> <li>• Monthly 7 000 (USD \$459,47)</li> <li>• Partial KYC daily 5000 (USD \$328,19)</li> <li>• Monthly 15 000 (USD \$984,58)</li> <li>• Full KYC Daily 7 500 (USD \$492,29)</li> <li>• ☑ Monthly 20 000 (USD \$1312,77)</li> </ul>
Malawi	<ul style="list-style-type: none"> <li>• Maximum transaction value of K20, 000.00 (USD \$26,86) per day for non-bank customers trading on the mobile payment;</li> <li>• ☑ Maximum transaction value of K50, 000.00 (USD \$67,14) per day for the banked customers trading on the mobile payment service.</li> </ul>
Mauritius	<ul style="list-style-type: none"> <li>• Maximum transaction value of Rs5,000 (USD \$140,65) per day for unbanked customers trading on the mobile payment; and</li> <li>• ☑ Maximum transaction value of Rs10,000 (USD \$281,30) per day for the banked customers trading on the mobile payment service, provided the Mobile Money account is linked with a bank account.</li> </ul>
South Africa	<ul style="list-style-type: none"> <li>• ☑ GN 6 Regulations allow for non-face to face know your clients identity confirmation for mobile banking products, which are limited to debit transactions not exceeding R1000.00 per day. The bank must verify the customer's information through other sources i.e. the South African Home Affairs system. The provision only applies too South African residents.</li> </ul>

Tanzania	<ul style="list-style-type: none"> <li>•  Consider the attached Annexure, which articulates the Tanzanian provisions in this regard.</li> </ul>
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## 10.2 Guidelines

- 10.2.1 *MMSPs shall be accountable institutions in accordance with the SADC Member States domestic AML and /or CTF legislation as published by the financial integrity regulator.*
- 10.2.2 *The MMSP shall ensure that its Mobile Money accounts are not misused for money laundering, terrorist financing or any other unlawful activity as regulated by the SADC Member States AML and /or CTF legislation.*
- 10.2.3 *The Central Bank will stipulate tiered Mobile Money account balance and transactional limits with the appropriate customer due diligence. These limits will take cognisance of the domestic market economic conditions whilst mitigating the risks associated with money laundering and terrorist financing.*
- 10.2.4 *The MMSP shall demonstrate to the Central Bank its capacity to monitor transactions and report if there are transactions that exceed the stipulated limits. The MMSP shall report all transactions that exceed the AML limits to the Central Bank as part of its monthly reporting.*

# 11 ISSUANCE OF MOBILE MONEY AND THE MMSP

## 11.1. Guidelines

- 11.1.1 *Mobile Money funds shall be redeemable at par value to the SADC Member States currency in the country of issue.*
- 11.1.2 *Mobile Money products should be configured in a manner that will allow Money Mobile transactions to be acceptable to the issuer; whilst also enabling general domestic acceptance and possible future acceptance in the SADC Region.*
- 11.1.3 *To mitigate against money laundering Mobile Money accounts must have transaction and balance limits; in setting the Mobile Money account balance and limits the Central Bank shall take into consideration:*
  - 11.1.3.1 *Customer needs;*
  - 11.1.3.2 *Market and economic conditions;*
  - 11.1.3.3 *Money laundering and terrorist financing risks; and*
  - 11.1.3.4 *Any other relevant factors.*
  - 11.1.3.5 *The Central Bank has the discretion to amend the Mobile Money transaction and balance limits as and when it deems necessary.*

## 12 UNCLAIMED FUNDS AND DORMANCY

### 12.1. Guidelines

- 12.1.1 *The Central Bank shall have provisions that will set out the processes to be followed by the MMSP when dealing with any unclaimed Mobile Money funds held by the MMSP as well as dormant and closed Mobile Money accounts.*
- 12.1.2 *In regulating unclaimed funds and closed Mobile Money accounts the Central Bank shall consult the telecommunications regulator to ensure practical mechanisms that will enable the transfer/termination and dormancy of the unclaimed funds or dormant or closed Mobile Money accounts.*
- 12.1.3 *The contemplated unclaimed funds processes must take into consideration the following aspects:*
  - 12.1.3.1 *The period after which unclaimed funds are deemed "abandoned",*
  - 12.1.3.2 *The manner and mechanism in which the MMSP must hold the "abandoned" funds,*
  - 12.1.3.3 *The period where after which the customer has to claim the unclaimed funds, and*
- 12.1.3. *In the event that the stipulated period to claim the funds expires, the Central Bank must indicate where the funds should be apportioned.*

## 13 AGENTS

### 13.1 Guidelines

- 13.1.1 *The MMSP may conclude agreements with Agents to offer Mobile Money Services, in such an instance the MMSP is wholly responsible and liable for ensuring that the Agents comply with all legal and regulatory requirements as set out by the Central Bank.*
- 13.1.2 *The Central Bank will set out procedures to be followed by the MMSP when contracting with Agents, information such as the below may be submitted for consideration and approval by the Central Bank:*
- 13.1.2.1 *A document that outlines the strategy of the MMSP including current and potential engagements, geographical spread and benefits to be derived from appoint an Agent;*
  - 13.1.2.2 *A document setting out the type of Agents envisaged i.e. sole, sub or super Agents and the allocation of Agent types;*
  - 13.1.2.3 *Qualifying criteria for contracting Agents e.g.*
    - a. Outreach (network availability and connectivity)*
    - b. Competencies*
    - c. Integrity*
  - 13.1.2.4 *A copy of the draft service level agreements including provisions that govern liquidity management;*
  - 13.1.2.5 *Risk management, internal control, operational procedures and any other policy and procedures relevant to the management of an Agent;*
  - 13.1.2.6 *Description of the proposed technology to be used by the Agent;*
  - 13.1.2.7 *Agent training materials;*
  - 13.1.2.8 *KYC and AML provisions and supporting documents / material that Agent are required to comply with; and*
  - 13.1.2.9 *Internal audit report regarding the adoption of internal controls performed in readiness for the Agent to be providing Mobile Money Services*



## 14 TECHNICAL REQUIREMENTS

### 14.1 Background

There are various levels of interoperability which may be categorised as follows:

- 14.1.1 Platform-level interoperability, enables customers of one MMSP to send money to customers of another MMSP;
- 14.1.2 Agent-level interoperability, enables Agents of one MMSP to serve customers of another MMSP;
- 14.1.3 Customer-level interoperability, enables customers to access their account through any SIM

These three forms of interoperability entail Mobile Money Services in one market interworking with each other.

The additional proposal for interworking amongst Mobile Money Services is the provision of common interfaces, in which two or more MMSP's, in one country, each offering commercially and technically independent Mobile Money Services, offering a single interface to third-parties (i.e. to simplify the provision of bulk payments, merchant payments, etc.). It is also possible for Mobile Money Services to interwork with other platforms outside their country and industry. Such forms of interworking include:

- 14.1.4 International Mobile Money interconnection, two mobile operators, in different countries, each offering two commercially and technically independent Mobile Money Services, interconnecting their respective technical platforms to enable a customer affiliated with one service to send money from his mobile wallet to the mobile wallet of a customer affiliated with another service.
- 14.1.5 Interconnection with banks: one MNO, in one country, operating its own commercially and technically independent Mobile Money Service, interconnecting its technical platform with the technical platform of a traditional financial services provider to enable interaction between the two platforms (i.e. the ability for a customer to send money from a Mobile Money account to a bank account, etc.)
- 14.1.6 Interconnection with other payment networks: one MNO, in one country, operating its own commercially and technically independent Mobile Money Service, interconnecting with a separate payment system (i.e. connecting with the Visa or MasterCard payment networks)

Most markets in SADC do not mandate interoperability; However they include provisions which encourage MMSP's to create solutions that will cater for future interoperability. It is recommended that the Central Bank include provisions that will encourage interoperability amongst MMSP irrespective of the MNO, channel and bank.

### 14.2 Guidelines

- 14.2.1. *The Central Bank must set out the minimum technical standards to be complied with by the MMSP. The set standards shall promote interoperability and should endeavour to be in line with international best practice/international standards. The minimum technical standards should set out:*
- 14.2.1.1. *The standard messaging format for an example. ISO 20022;*
  - 14.2.1.2. *Security/Data Recovery protocols to be observed; and*
  - 14.2.1.3. *Data encryption protocols.*
- 14.3.** *MMSPs are encouraged to build innovative Mobile Money offerings that will suit the requirements of the domestic market whilst taking into consideration future interoperability within the domestic market, and the SADC Region.*
- 14.4.** *The technical standards for Mobile Money must take into consideration the risk and security issues associated with technology based products. The Central Bank must determine and make available an acceptable authentication mechanism to ensure security.*
- 14.5.** *The technology deployed for Mobile Money transactions must adhere to domestic and international protocols in relation to data and privacy protection.*
- 14.6.** *The MMSP's systems must keep a record of all transactions, such records must be made available to the Central Bank when required. Each system should be built in such a way that it is able to detect any breaches associated with customer accounts and transactions.*
- 14.7.** *The MMSP must have adequate Disaster Recovery and Business Continuity Plans to ensure continued provision of Mobile Money Services.*

## 15. OPERATIONAL REQUIREMENTS

### 15.1. Guidelines

- 15.1.1. *An MMSP is required to notify the Central Bank of any significant proposed changes to the nature and scope of its Mobile Money Services at least 30 days before the implementation date thereof.*
- 15.1.2. *The MMSP shall be required to put in place processes, procedures and documents that support the Mobile Money offering. These documents shall be available for inspection by the Central Bank.*
- 15.1.3. *The MMSP shall put measures in place which will restrict the processing of Mobile Money transactions that are above the stipulated limits or that exceed the set account balances.*
- 15.1.4. *The MMSP shall be required to keep records of all inactive accounts with the associated unclaimed funds.*
- 15.1.5. *An MMSP shall ensure that its operational procedures and processes are in accordance with domestic provisions relating to AML and CTF.*
- 15.1.6. *The Central Bank may, if necessary, establish processes, procedures and systems to ensure the clearing and settlement of Mobile Money transactions. Such measures should address some of the following provisions:*
  - 15.1.6.1. *Guaranteed settlement;*
  - 15.1.6.2. *Irrevocability of transactions;*
  - 15.1.6.3. *MMSP dispute resolution mechanism; and*
  - 15.1.6.4. *For interoperable transactions, the establishment of a clearing house in which the MMSP would be a participant.*
- 15.1.7. *The MMSP may be required to submit monthly reports to the Central Bank; the contemplated reports may include transactions for a specified period, transactions that were above the transactional limits, active versus inactive Mobile Money accounts, unclaimed funds, any data and/or security breaches and any other related information.*
- 15.1.8. *The Central Bank may use these reports for the review when renewing an MMSP's license.*
- 15.1.9. *The Central Bank may, if it so wishes, conduct site visits at the MMSP's address to verify provided information.*

## 16. CONSUMER PROTECTION AND EDUCATION

### 16.1. Background

In order to minimise these risks and protect consumers, and to ensure that MMSP act in an appropriate manner towards their customers, most countries have developed and implemented consumer protection frameworks. These frameworks typically include a mix of:

- 16.1.1. Stand-alone consumer protection legislation, which applies to all transactions, irrespective of the sector, product, provider or user;
- 16.1.2. Competition and contract legislation, which often includes elements of consumer protection; and
- 16.1.3. Sector specific legislation, such as credit legislation, which can also serve to provide for more targeted consumer protection.

### 16.2. Guidelines

16.2.1. *MMSPs shall comply with the following customer protection measures:*

- 16.2.1.1. *Transparency in pricing;*
- 16.2.1.2. *Full disclosure;*
- 16.2.1.3. *Protection of customer assets;*
- 16.2.1.4. *Protection of personal information;*
- 16.2.1.5. *Access to recourse mechanisms;*
- 16.2.1.6. *Provision of advice that is not sub-par; and*
- 16.2.1.7. *Availability to terms and conditions in plain language or language understood by the customer.*

**16.3.** *MMSPs should put measures in place to ensure that the customers are aware of Mobile Money accounts transactional and balance limits.*

**16.4.** *The MMSP will comply with the Member State's legislation that regulates customer protection and all other related legislation, the Central Bank shall take cognisance of the type and application thereto of legislation that regulates an MMSP.*

**16.5.** *An MMSP shall provide the Mobile Money customers with terms and conditions of the Mobile Money Services and further provide customers with information on how to raise disputes and also make available the MMSP's contact information.*

**16.6.** *The MMSP shall ensure that it has educational material available to its Mobile Money customers which educational material shall advise on the Mobile Money services, the product*

*information and relevant information required to enable the Mobile Money customer to manage his / her Mobile Money account.*

# 17. THE ROLES OF THE STAKEHOLDERS

## 17.1. Guidelines

*17.1.1. The Central Bank shall regulate Mobile Money services and may:*

- 17.1.1.1. Issue, amend/vary, renew, reinstate and terminate an MMSP License.*
- 17.1.1.2. Set the operational standards and rules for participation by an MMSP.*
- 17.1.1.3. Set out capital (prudential) and ongoing capital limits.*
- 17.1.1.4. Ensure that customer funds are protected against any insolvency actions.*
- 17.1.1.5. Set out strict regulations and measures for monitoring of Trust Accounts.*
- 17.1.1.6. Endeavour to create systems that will allow the Central Bank to monitor transactions in the Trust Account on regular intervals during the day.*
- 17.1.1.7. Take into consideration SADC regional imperatives.*

*17.1.2. Telecommunications Regulators shall:*

- 17.1.2.1. Advise the Central Bank of any breaches by the MNO (which is also an MMSP or supports an MMSP) of its license provisions.*
- 17.1.2.2. Provide the required support to the Central Bank on telecommunications issues such as network availability and capacity.*
- 17.1.2.3. Cooperate with and assist the Central Bank in aligning mobile number dormancy provisions and Mobile Money account provisions.*

*17.1.3. The Financial Integrity Regulator shall:*

- 17.1.3.1. Be responsible for the adoption and implement regulations relating to AML and CTF provisions which relate to customer due diligence requirements.*
- 17.1.3.2. Provide the Central Bank with the support required on determining tiered Mobile Money account balances and transactional limits.*

*Provide guidance on the information required in the reports to be submitted by the MMSP to the Central Banks to enable the Central Bank to monitor transactions.*

*17.1.4. An MMSP shall:*

- 17.1.4.1. Conduct its Mobile Money business in compliance with the Central Bank regulatory provisions and its MMSP license conditions.*
- 17.1.4.2. Ensure that the trustees of the Trust Account manage the Trust Account in a manner that is consistent with the protection of customer funds.*

- 17.1.4.3. *Ensure that its agreements with Agents are in accordance with regulatory provisions.*
- 17.1.4.4. *Endeavour to provide Mobile Money customers with ongoing, uninterrupted service.*
- 17.1.4.5. *Provide adequate notice to the Central Bank of any anticipated changes in its business model(s).*
- 17.1.4.6. *Obtain written approval from the Central Bank in respect to the usage/distribution of commercially negotiated interest arising from the Trust Account.*
- 17.1.4.7. *Timeously submit required reports and / or information to the Central Bank.*

## 18. GENERAL

### 18.1. Guidelines

- 18.1.1. *Acceptance of customer funds and funds held by the MMSP in accordance with Mobile Money Services shall not constitute deposit taking or be regarded to fall within the definition of activities associated with the business of a bank.*
- 18.1.2. *MMSPs may not engage in any activities other than issuing Mobile Money and providing services related to Mobile Money, with the exception of entities that are licensed for other activities by the respective Central Banks*



## 19. PENALTIES

### 19.1. Guidelines

*19.1.1. The Central Bank shall include penalty clauses which may stipulate that:*

- 19.1.1.1. It is an offence for any party to provide Mobile Money Services without being duly licensed by the respective Central Bank; and / or*
- 19.1.1.2. It is an offence for any MMSP to contravene and/or breach any provision of the Central Bank published document on Mobile Money regulation.*
- 19.1.1.3. The Central Bank shall stipulate the penalties related to the offences in accordance with its domestic legislation*

