Mobile Money Services: legal and regulatory challenges

The experience of the East African Community

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UNCTAD Studies on Mobile Money and Cyberlaw Harmonization in the EAC

What is mobile money?

- SIM is identifier, not A/C no. in conventional banking
- E-value issued by entity (MNO/Bank/other) is kept in a value account, while corresponding cash is held elsewhere (a bank)
- Value account can be accessed via mobile, which also transmits transfer instructions

Types of transactions

- M-transfers
  - from one user to another, no accompanying exchange of goods or services
- M-payments
  - money is exchanged between two users with an accompanying exchange of goods or services
- M-financial services
  - Value added financial services e.g. link to bank a/c, savings, micro-insurance, micro-finance, etc.
The mobile revolution

- LDCs: from 9 to 41 subscriptions per 100 people between 2006 and 2011
- Only 5 economies have penetration below 10:
  - Eritrea
  - Marshall Islands
  - Myanmar
  - North Korea
  - Somalia

Source: ITU

More mobiles than bank accounts in LDCs

Data for 2009!

Mobile subscriptions and bank accounts per 100 inhabitants, selected LDCs, 2009

Source: Data from ITU and CGAP.
Mobile money is spreading fast

- 150 MM developments, 110 in the pipeline (Dec. 2012)
- Especially in Africa: now more than 75 deployments
- East African Community accounts for a large share of these

![Graph showing mobile money deployments, 2001-2012](Source: GSMA)

A few MM systems in ESCWA Member countries

- Jordan (1)
- Qatar (2)
- United Arab Emirates (1)
M-PESA a market leader

- M-Pesa, operated by Safaricom of Kenya
  - 15 million active customers who transfer an estimated $660 million per month
  - over 37,000 (!) mobile money agents
  - linked with 25 banks and can be accessed via 700 ATMs

Mobile Money – some implications

- Huge opportunity to improve financial inclusion
- Some potential benefits
  - Faster and cheaper basic money transfers and payment functions
  - Mobile solutions to international remittances (still nascent)
  - Lower transaction costs for micro-finance (still nascent)
- Many legal challenges
  - Developing countries need to pioneer new legislation
  - New regulatory issues among players (MNO, banks, regulators)
MM and regulation: lessons from EAC

- Need for an effective and robust legal and regulatory framework (e-transactions, e-payment, consumer protection, dispute resolution settlements)
- Need for regulatory teamwork between regulatory and market sectors (telecommunication, financial and competition)
- Need to address concerns related to consumer protection, registration and transaction limits, regulatory collaboration and interoperability, meaning interconnection between telecommunication networks – nationally and regionally

Cyberlaw harmonization: lessons learnt

- Success of the project based on:
  - Regional integration process/Commitment at the highest level
  - Ownership from the EAC secretariat
  - Continuation and commitment of the EAC Task Force (TF) Members
  - UNCTAD support: Mix of legal advice and training workshops since 2006
- Two Cyberlaw Frameworks endorsed by the TF:
  - Phase II: IPRs, competition, taxation and information security

First region in Africa to adopt a harmonized Framework for Cyberlaws
Cyberlaw harmonization process

2007-2012

Thank you!
Questions?

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