

BANK OF UGANDA
MOBILE MONEY GUIDELINES, 2013

ARRANGEMENT OF PARAGRAPHS

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PART I

PRELIMINARY

1. Citation and Commencement

These Guidelines may be cited as the Bank of Uganda Mobile Money Guidelines, 2013 and shall come into force on October 1, 2013.

2. Background

These Guidelines address mobile money issues. Mobile money, along with “mobile banking”, pertains to the larger area of “mobile financial services”. “Mobile money” is e-money available to a user to conduct transactions through a mobile phone. The mobile money wallet/mobile money account is an electronic money (e-money) account which receives electronic value either after the account holder deposits cash via an agent or receives a payment/remittance from elsewhere. “Mobile banking”, on the other hand, refers to the use of a mobile phone to perform transactions on one’s account in a licensed institution (including balance inquiries, mini-statements, statements and cheque books requisitions, forex rates enquiries and funds transfer to other nominated bank accounts). The term “mobile financial services” encompasses both “mobile money” and “mobile banking”.

Currently, mobile money services are offered by mobile network operators (MNOs), as well as other mobile money service providers, who operate mobile money services using the MNOs’ networks – in partnership with licensed institutions to

offer the mobile money service. The rapid growth of the mobile money service demonstrates the financial inclusion potential of the service.

3. Objectives

The objectives of these Guidelines are to:

- (a) Provide clarity on mobile money services to customers, mobile money service providers, licensed institutions, mobile money agents and other parties involved in the provision of mobile money services in Uganda;
- (b) Outline the approval procedure for parties seeking to engage in the provision of mobile money services;
- (c) Stipulate roles and responsibilities of parties engaged in the provision and usage of mobile money services;
- (d) Foster consumer protection for mobile money customers including a mechanism for handling complaints relating to the provision of mobile money services and further the interests of customers in mobile money services;
- (e) Enhance competition in the provision of mobile money services and related markets; and
- (f) Promote financial inclusion.

4. Application

These Guidelines shall apply to:

- (a) All mobile money service providers;
- (b) All Bank of Uganda licensed institutions partnering with mobile money service providers;
- (c) All mobile money agents; and

(d) Mobile money customers.

5. Interpretation

In these Guidelines unless the context otherwise requires-

“customer” means a person who uses or has used mobile money services;

“consumer protection” refers to measures put in place to ensure that consumers receive information to enable them to make informed decisions, are not subject to unfair or deceptive practices and have access to recourse mechanisms to resolve disputes.

“Customer Due Diligence (CDD)” refers to measures for obtaining and verifying customer identity and other information including true name, address and employment at the time of establishing a business relationship, e.g. mobile money account opening, to mitigate the risk of Money Laundering and Terrorist Financing.

“encryption” is the process of encoding messages at the time they are sent such that an unauthorized person cannot interpret or interfere with the message.

“escrow account” means a bank account held by a licensed institution for and on behalf of the participants in the mobile money service who have deposited cash in exchange for e-money they receive on their mobile wallet.

“e-money” means monetary value electronically stored, issued against receipt of funds in local currency, accepted as a means of payment by persons other than the issuer and redeemable for cash.

“Know Your Customer (KYC)” means a set of due diligence measures undertaken to identify the customer and monitor transactions performed on their mobile money wallets/accounts.

“licensed institution” means a financial institution licensed under the Financial Institutions Act, 2004 or a Micro Finance Deposit-Taking Institution (MDI) licensed under the Micro Finance Deposit-Taking Act, 2003.

“mobile banking” means the use of a mobile phone as a channel to access and conduct financial transactions on one’s account held in a licensed institution.

“mobile financial services” refers to the use of a mobile phone both for mobile banking and mobile payments and remittances.

“mobile money” is e-money available to a user to conduct transactions through a mobile phone.

“mobile money agent” means any third party acting on behalf of a mobile money service provider to deal directly with customers.

“mobile money platform” refers to the hardware and software that enables a mobile money service.

“mobile money service provider” refers to any person offering mobile money services in accordance with these Guidelines.

“mobile network operator (MNO)” means a person licensed to provide communications services via mobile networks.

“mobile payments” refer to payments effected using a mobile money service.

“mobile remittances” refer to transfers completed using a mobile money service.

“mobile wallet (M-wallet)” means a customer’s virtual account maintained by the mobile money service provider on the mobile money platform, also known as a “mobile money account”.

“money laundering” is the process of turning illegitimately obtained property/monetary value into seemingly legitimate property/monetary value and it includes concealing or disguising the nature, source, location, disposition or movement of the proceeds of crime.

“Personal Identification Number (PIN)” is a secret password that a mobile money customer has to input to be able to carry out transactions on one’s account.

“real-time” means the instant processing of transactions when a transaction instruction is received by the system (the mobile money platform).

“terrorist financing” is the financing of terrorist acts, terrorists and terrorist organizations.

“suspicious transaction” refers to a transaction which is abnormal for a particular account or an unusual transaction or an unusual pattern of transactions.

“writing” or “written” includes any handwriting, typewriting, printing, electronic storage or transmission or any other method of recording information or fixing information in a form capable of being preserved.

PART II

THE GUIDELINES

6. Approval of Mobile Money Services

- (a) Any person providing or intending to provide mobile money services shall adhere to the following conditions:
- (i) Must be a registered limited liability company;
 - (ii) If not a Bank of Uganda licensed institution, must partner with a licensed institution, which must apply to Bank of Uganda seeking approval for the provision of mobile money services in partnership with the mobile money service provider;
 - (iii) Must provide proof of its financial position, a business plan and a risk management proposal; and
 - (iv) Must have in place appropriate and tested technology systems.
- (b) Bank of Uganda will review the application filed in accordance with 6 (a) (ii) and, in particular, consider the following:
- (i) The agreement between the licensed institution and the mobile money service provider on matters governing the provision of mobile money services. The agreement shall provide for the establishment of an escrow account in the licensed institution referred to in 6 (a) (ii) above subject to the conditions set out below. The funds in this account do not belong to the mobile money service provider, but to the holders of the e-money in the mobile money platform. The licensed institution must define procedures for conducting transactions in the escrow account that satisfy the licensed institution's fiduciary responsibility. The agreement should further specify

that the mobile money service provider shall provide the partnering licensed institution with the customer identification documentation in instances where the service terminates or at the time of liquidation. The agreement should also provide for daily reconciliation of the escrow account and the e-money. This agreement must not contain exclusivity clauses. Mobile money service providers may establish partnerships with multiple licensed institutions and vice versa. Each licensed institution shall be required to apply for a letter of no-objection from the Bank of Uganda. Bank of Uganda may require diversification of the escrow account over several licensed institutions as and when deemed necessary.

- (ii) The arrangement governing the escrow account must ensure the licensed institution's authority to distribute the funds in the escrow account to mobile money account holders in case of insolvency or bankruptcy of the mobile money service provider.
- (iii) The licensed institution and the mobile money service provider must be able to reconcile the balances of the mobile money accounts and the escrow accounts on a daily basis.
- (iv) The technology system proposed to run the mobile money service (the mobile money platform). Appropriate and thoroughly tested technology systems must be in place. The system should be able to segregate balances of each account owner and should be regularly tested and have adequate back-up. The system must further be replicated at the partner licensed institution in real-time with rights to the licensed institution to view balances and transactions on individual accounts. Appropriate security policies and measures intended to safeguard the integrity, authenticity and confidentiality of data and operating processes must be in place. The minimum uptime of the system should be indicated and should not be less than 95%.

- (v) The ability to put in place mechanisms to detect money laundering and terrorist financing. The partnering licensed institution should ensure that the mobile money service provider has adequate measures to prevent money laundering and terrorist financing.
 - (vi) The ability to mitigate identifiable risks in the provision of mobile money services by putting in place adequate risk management systems and procedures (this should be evidenced through the provision of a risk management proposal).
 - (vii) The ability to comply with the requirements on consumer protection.
 - (viii) Any other matter Bank of Uganda may deem necessary.
- (c) During the review referred to in (b) above, the Bank of Uganda may request for any other information it may require for purposes of evaluating the application.
- (d) After consideration of the above issues, Bank of Uganda will, if the requirements are met, grant approval/a ‘no-objection’ for the provision of mobile money services to the licensed institution stipulating the terms of the ‘no-objection’. In essence, the mobile money service is approved as a product of the licensed institution which is provided by that institution partnering with a mobile money service provider.

7. Stakeholders’ Roles and Responsibilities

(1) Bank of Uganda

Bank of Uganda is in charge of approval and supervision of mobile money services. It can issue directives regarding mobile money operations.

(2) The Uganda Communications Commission

The Uganda Communications Commission (UCC) is responsible for licensing and supervision of mobile network operators (MNOs). It ensures that telecommunications networks, over which mobile money platforms ride on are effective. UCC may further take measures to strengthen a competitive market environment.

(3) Mobile Money Service Provider

- (a) A mobile money service provider manages the mobile money platform. The responsibility of a mobile money service provider is to ensure the smooth and sound operation of the service, including management of risk, monitoring of money laundering and terrorist financing, addressing consumer protection issues and providing periodic reports to Bank of Uganda. It is responsible for the maintenance and back-up of the mobile money system and for ensuring that this system is replicated at the partnering licensed institution. It also prepares reconciliations and attends to customer complaints.
- (b) A mobile money service provider selects and manages mobile money agents. In its dealings with mobile money agents, a mobile money service provider must meet the following requirements:
 - (i) Enter into an agreement with the agent stipulating the responsibilities of both parties. The said agreement should not provide for exclusivity and should clearly state that the mobile money service provider shall be liable for the actions of its agents as regards to the provision of mobile money services.
 - (ii) Put in place an effective agent selection process and carry out due diligence on its agents.
 - (iii) Assign each agent a unique identification number and keep up-to-date records of its agents.
 - (iv) Ensure that agents receive appropriate training.

- (v) Put in place mechanisms for supervising the mobile money agents to ensure agents conduct business in accordance with these Guidelines and any other relevant regulatory provisions.
- (vi) Ensure that mobile money agents maintain minimum amount of both cash float and e-money for effective service delivery.
- (vii) Sensitise its agents on the provisions of these Guidelines and the obligation to comply with their requirements.

(4) The Partnering Licensed Institution

The partnering licensed institution shall conduct proper due diligence on the mobile money service provider and shall keep the escrow account. It shall also have the mobile money system replicated in real time and ensure that the partnering mobile money service provider has adequate AML/CFT measures in place.

(5) Mobile Money Agent

A mobile money agent is the main interface between the customer(s) and the mobile money service provider. The agent is selected by the mobile money service provider.

- (a) A mobile money agent shall:
 - (i) Be a registered business with a physical address; and
 - (ii) Have an account in a licensed institution.
- (b) A mobile money agent shall perform the following activities:
 - (i) Collect mobile money account opening documents for onward forwarding to the mobile money service provider. The agent should sensitise the customers at this time not to disclose their Personal Identification Number (PIN) to any other person;
 - (ii) Receive cash to credit a mobile wallet (cash in);

- (iii) Pay cash in exchange for e-money from a mobile wallet (cash out); and
 - (iv) Attend to customer queries and complaints.
- (c) The following activities shall not be performed by a mobile money agent:
- (i) Carrying out a transaction when there is a mobile money system failure;
 - (ii) Carrying out a transaction on behalf of a customer (e.g. sending money to another customer or paying a bill on behalf of a customer); and
 - (iii) Charging any fees directly to the customers (agency commission should be paid to the agents by the mobile money service provider).

(6) Customer

A mobile money customer should exercise due care in performing transactions and properly follow instructions given. The mobile money customer is responsible for keeping his/her PIN secret at all times by not disclosing it to anyone.

8. Interoperability

Mobile money service providers shall utilize systems capable of becoming interoperable with other payment systems in the country and internationally, in order to facilitate full interoperability.

9. Systems Standards

The Bank of Uganda shall have the authority to inspect or direct the inspection of the technology systems of mobile money service providers. The Bank of Uganda may define standards from time to time regarding system standards in the following areas:

- (a) Systems operations;

- (b) Monitoring and reporting functionality;
- (c) Business continuity including data backup and recovery;
- (d) Security measures to combat fraud and theft, particularly as regards data transmission and data storage;
- (e) Linkages to the national payments system; and
- (f) Additional requirements for telecommunications service support and platform delivery requirements may be provided by the Uganda Communications Commission.

10. Competition

A mobile money service provider and other persons partnering in the provision of mobile money services shall not engage in anti-competitive practices, contracts, arrangements or understandings that would be likely to substantially inhibit competition in the market.

11. Anti Money Laundering (AML) and Countering the Financing of Terrorism (CFT)

The mobile money service providers shall have measures in place to prevent money laundering and terrorist financing. The mobile money IT system shall have inbuilt mechanisms to identify suspicious transactions. The following measures shall be in place:

- (a) Adhere to international Know Your Customer (KYC) standards at account opening by carrying out Customer Due Diligence (CDD). The entity conducting customer verification should require at least one of the following documents to verify the identity of the customer: a valid passport, driving permit, identity card, voter's card, financial card, local administration letter or business registration certificates.

- (b) Limits should be set for frequency, volume and value of transactions; and these limits, as well as any revisions thereof, shall be sent to Bank of Uganda for approval.
- (c) Suspicious transactions and large cash transactions should be reported to the partnering licensed institution which should in turn report them appropriately.

12. Consumer Protection and Recourse

The mobile money service being relatively new and involving several players (licensed institutions, mobile money service providers, mobile money agents, goods and services providers) has had customer confidence built on trust. The following consumer protection measures are intended to further this customer trust and ensure protection of customers against abusive practices.

Mobile money is a financial service provided by supervised and licensed institutions in partnership with mobile money service providers. Therefore, the provisions of the Bank of Uganda Financial Consumer Protection Guidelines shall apply.

In addition, mobile money service providers shall ensure the following:

(a) Transactions

- (i) A mobile money agent shall carry out transactions only when the mobile money system is up and running and transactions should be in real-time.
- (ii) Every transaction shall require authentication by a customer's PIN. At the time of opening mobile money accounts, mobile money agents should sensitise customers not to disclose their PINs to any other person.
- (iii) There must be a mechanism for the customer to verify the name and number of the funds' recipient for confirmation before a transaction is completed.

- (iv) The customer shall immediately receive written confirmation of execution of a transaction, including the fee charged.
- (v) In case of mobile money sent to unregistered users, the sender must receive a message confirming encashment by the recipient. All funds sent to unregistered users and are not cashed out within two weeks must be returned to the sender.
- (vi) The mobile money platform shall be secured through security of data measures including end to end encryption of all messages containing information related to mobile money transactions.
- (vii) The mobile money service provider shall provide in writing the balance remaining in the customer's mobile wallet as well as a statement on previous transactions, including hard copies if requested by customers.

(b) Transparency

At mobile money account opening, the consumer shall obtain a copy of the agreement with the service provider. The agreement shall be explained by the agent clearly and in plain language. The terms and conditions provided by the mobile money service provider shall highlight to the consumer the relevant fees, charges, penalties and any other consumer liabilities or obligations in the use of mobile money services. The mobile money customers should be able to access the service fees chargeable from their phones. The terms and conditions shall also include an indemnity clause in case the customer is defrauded. The licensed institution keeping the escrow account shall also be stated. The consumer shall be given at least 30 days notice, including by SMS, of any changes in terms and conditions (including fees and charges) of the mobile money service.

The agent shall clearly display in a conspicuous place:

- (i) The identity of the mobile money service provider(s) for whom he/she operates as an agent;
- (ii) The agent's unique identification number provided by the mobile money service provider;
- (iii) All applicable charges and fees for the mobile money service;
- (iv) A written notice that no charges or fees are levied at the agent location;
- (v) The dedicated telephone line through which customers can contact the mobile money service provider, including the contact in case the consumer has a complaint about the service; and
- (vi) A statement that the agent does not carry out transactions on behalf of customers.

Where a consumer is unable to understand English, the agent shall provide an oral explanation in a language the consumer understands. Where a consumer is unable to understand written information, the agent shall orally explain to the consumer the written information.

(c) Data protection

- (i) A mobile money service provider, as well as its agents, shall uphold privacy and confidentiality of customer information and data;
- (ii) The conditions under which customer information and data will be kept shall be disclosed before the customer enters into agreement with the mobile money service provider; and
- (iii) Provisions of data protection including confidentiality shall be in tandem with all relevant laws.

(d) Complaints handling and consumer recourse

Mobile money service providers shall ensure that appropriate and effective procedures for receiving, considering and responding to complaints are put in place. The complaints handling procedure shall ensure that:

- (i) Information about procedures for handling complaints is easily available at any channel used in the provision of mobile money services;
- (ii) Agents are trained on receiving complaints and handling their resolution or escalation;
- (iii) A dedicated toll free telephone line for complaint resolution is provided; and
- (iv) Records are kept for all complaints lodged.

Customers have a right to contact Bank of Uganda in case they are dissatisfied with the way their complaints are being handled by the mobile money service provider. Customers who may be dissatisfied with the manner in which the complaints have been handled may resort to alternative legal procedures for redress.

13. Supervision

- (a) Bank of Uganda shall have the powers to supervise mobile money services and can co-opt other persons including other regulators to do so. An inspection report may be issued to the partnering licensed institution and the mobile money service provider.
- (b) The partnering licensed institution and the mobile money service provider shall provide periodic reports to Bank of Uganda on their mobile money operations, as specified in the Appendix. Bank of Uganda may at any time request for any

information from any licensed institution, mobile money service provider or mobile money agent.

- (c) The mobile money service provider shall submit annual audited financial statements to Bank of Uganda.
- (d) Bank of Uganda may appoint an appropriate professional to conduct a special audit on the operations of a mobile money service provider. The cost of the audit shall be met by the mobile money service provider.
- (e) The licensed institution shall maintain accurate and complete records of the aggregate e-float and the amount in the escrow account. These records shall be kept for a period of at least ten years.
- (f) The mobile money service provider shall maintain accurate and complete records of mobile money accounts opened, the identity of mobile money customers, agents, transactions undertaken by mobile money customers, the individual balances held by mobile money customers, the aggregate e-float and the amount in the escrow account. These records shall be kept for a period of at least ten years.
- (g) If the Bank of Uganda has reason to believe that the operations of the mobile money service are being conducted in a manner that is detrimental to the interest of the mobile money customers or in contravention of the terms and conditions imposed, it may take any of the following courses of action:
 - (i) Issue directions regarding measures to be taken to improve the management and provision of the mobile money services;
 - (ii) Suspend or cancel the approval/no-objection;
 - (iii) Impose any other conditions as it may consider appropriate.

14. Future Development of the Regulatory Framework for Mobile Money

These Guidelines are an interim measure for enabling the operation of the mobile money service. The Bank of Uganda in conjunction with other stakeholders will create a comprehensive regulatory framework over time through the necessary legal and regulatory changes.

Appendix

A: Report by Mobile Money Service Provider:

MOBILE MONEY REPORT

Name of Mobile Money Service Provider:

For the month ending:

Number of registered customers																			
Number of active customers*																			
Number of agents																			
Agents' balances (UGX)																			
Customers' balances (UGX)																			
Number of transactions																			
Value of transactions (UGX)																			
Outstanding remittances (UGX) (specify nature)**																			
Transactional Limits (specify): (a) Frequency (b) Values (UGX)																			
Suspicious transactions (a) Number (b) Value (UGX)																			
Number and nature of complaints																			
Complaints resolved																			
Number, nature and value of frauds: <table border="1"><thead><tr><th>Number</th><th>Nature</th><th>Value</th></tr></thead><tbody><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td></tr></tbody></table>	Number	Nature	Value																
Number	Nature	Value																	
Applicable fees																			
System uptime																			

*Customers who have transacted in the last 90 days

** Transactions that have been originated but not completed and are in suspense e.g. remittance sent but not yet received by the recipient or bill paid but not yet credited to Bill Provider's account.

B: Report by Licensed Institution:

MOBILE MONEY REPORT

Name of Licensed Institution:

For the month ending:

Name of mobile money service provider			
Number of agents			
Deposits into escrow account (UGX)			
Withdrawals from escrow account (UGX)			
Balance on escrow account (UGX)			