



FINTECH IN GHANA:

AN EVOLVING CASHLESS ECONOMY

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Ghana is the fastest growing mobile money market in Africa, increasingly evolving from being a cash-based society to a digital one¹. The financial technology (“**fintech**”) market has developed exponentially since the Sika Card and others were first introduced into the Ghanaian market.

Telecommunications companies in Ghana have since driven the country’s fintech /payment system infrastructure into the 21st century, by introducing the most dominant and widely used fintech innovation trend in Ghana as yet; the digital mobile money payment system (“**mobile money**”). The first of its kind, MTN Mobile Money was introduced in Ghana in 2009, subsequently TigoCash (now AirtelTigo Money) was launched in 2011 and Vodafone Cash in 2015. As evidence of the tremendous momentum in the fintech market, the Bank of Ghana (“**BOG**”) recorded a total of 17.5 million active mobile money accounts and 356,000 active mobile money

agents in March 2021². These mobile money platforms allow consumers to deposit, withdraw and transfer money, earn interests on their deposits and pay for utilities. According to the Bank of Ghana , which is the regulator of payment systems and services in Ghana, the value of mobile money transactions shot up from GHS45.3 billion in June 2020 to GHS67.9 billion in March 2021.³

Establishment of Fintech and Innovation Office

In order to promote the digital ecosystem, the BOG has established the FinTech and Innovation Office, which is responsible for the licensing and oversight of dedicated electronic money issuers (mobile money operators), payment service providers (PSPs), closed loop payment products, payment support solutions and other emerging forms of payment

delivered by non-bank entities.

News Highlights of Fintech in Ghana



Ghanaian fintech companies have made tremendous strides over the past few years. In April 2021, Zeepay Ghana Limited acquired a 51% stake in Zambia’s Mangwee Mobile Money. The acquisition is the first of its kind; where two indigenous African fintech companies in mobile money operations have come together to grow.

At the same time, a number of funding opportunities have opened for fintech startups. OZE, a fintech startup obtained USD700,000 in its seed funding round in January 2021. In April 2021, Ghanaian fintech startup, BezoMoney, also raised a seed capital of USD200,000 to finance its expansion and growth. AppsNmobile, a Ghanaian fintech startup also raised a million dollar investment via the Oasis Capital VC Fund in June 2021.

Regulatory and Legal Regimes

Numerous laws have been passed within the last decade to position the financial sector for inclusive growth. These laws include, amongst others, the Payment Systems and Services Act, 2019 (Act 987) (“Payment Systems Act”); the Data Protection Act, 2012 (Act 843); the Anti-Money Laundering Act, 2020 (Act 1044); the Banks and

Specialised Deposit-Taking Institutions Act, 2016 (Act 930); the Securities Industry Act, 2016 (Act 929) and the Cybersecurity Act, 2020 (Act 1038). Collectively, these legislations provide the legal basis for delivery of fintech products.

The Payment Systems Act

The Payment Systems Act, the main regulatory framework, requires a licence to be obtained from the BOG as a pre-condition to operating as a payment systems provider (PSP) or providing payment system services. A person⁴ who is a licensed payment systems or service provider may engage in, among others, clearing of payment instructions among financial and non-financial institutions; transfer of funds from one account to another using any electronic means and facilitation of interoperability. There are



currently five (5) licence categories; dedicated electronic money issuer; the payment service provider scheme; and the payment service provider (enhanced/medium/standard).

The Payment Systems Act also contains provisions pertaining to local content, minimum capital requirements, corporate governance and the supervisory powers of the BOG.

As at April 2021, the Bank of Ghana had issued twenty-six (26) payment service provider licences to various institutions; comprising five dedicated electronic money issuer licences; eighteen (18) PSP enhanced licences; two PSP

medium licences and one (1) PSP standard licence⁵.

Ghana's Fintech Regulatory and Innovation Sandbox

The launch of the regulatory and innovation sandbox in 2021, by the BOG in collaboration with EMTECH Service LLC, is further evidence of Government's commitment to supporting start-ups. To be eligible to participate, one of the following categories must be satisfied: new digital business models not currently covered under any regulation; new and immature digital financial service technology; and innovative digital financial services products that have the potential of addressing a persistent financial inclusion challenge. Within these broad categories, preference would be given to products and services leveraging blockchain technology, remittance products, crowdfunding products and

services, electronic know your customer (e-KYC) platforms, regulatory technology (RegTech), supervisory technology (SupTech), digital banking, products and services targeting women, financial inclusion and innovative merchant payment solutions for micro, small and medium size enterprises.

Cryptocurrency and Blockchain Technology



Many central banks around the world are testing digital forms of their legal tender, allowing for more expedient international

money transfers. The Bank of Ghana announced a partnership with Giesecke+Devrient to implement the Central Bank Digital Currency (the “e-cedi”) to drive the Ghanaian cashlite agenda through promotion of diverse digital payment, while ensuring a secure payment infrastructure⁶.

Conclusion

Ghana is clearly making great strides in shaping the future of its fintech landscape. The Ghana Interbank Payment and Settlement Systems (GhIPPS), a wholly owned subsidiary of the BOG, worked with Hightech Payment Systems (HPS), a global payments solutions provider, to launch a universal QR code payment solution called the “GhQR” in 2020, making Ghana the first African country to do so. The harmonization of QR codes on a national level means Ghanaians can make payment to merchants

from multiple funding sources - mobile wallets, cards or bank accounts - on any platform.

Nonetheless, there is room for improvement. For example, existing fintech legislation must be updated to include emerging technologies such as artificial intelligence and blockchain technologies. Regulators and fintech firms must revise their fraud detection protocols to address the threat posed by cybercrime and other fraudulent activities, and the significant challenges encountered in accessing capital and developing skills must also be tackled.

There remains optimism, however, that Ghana will likely see further digital transformation and other accelerations in its fintech ecosystem - from a growth in contactless payments to keeping up with the cryptocurrency industry. Ghana is therefore an emerging market to watch, not just in 2021 but beyond.

¹ *Fourth Ghana Economic Update: Enhancing Financial Inclusion - Africa Region (English). Ghana Economic Update; no. 4* Washington, D.C.: World Bank Group.

² *Bank of Ghana Summary of Economic and Financial Data March 2021*

³ *Bank of Ghana Summary of Economic and Financial Data July 2020 and March 2021*

⁴ *This must be a corporate entity.*

⁵ *BOG-Approved-List-of-Electronic-Money-Issuers-and-Payment-Service-Providers.pdf*

⁶ *CBDC-Joint-Press-Release-BoG-GD-3.pdf*

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