



Unlocking Public and Private  
Finance for the Poor



# REGULATORY PLAYBOOK FOR ZAMBIAN FINTECHS

A basic guide to navigating policy and regulation  
for fintech entrepreneurs

## ACKNOWLEDGEMENTS

*This publication compiles lessons learned from the work of United Nations Capital Development Fund in Zambia, under the Fintech4U programme in partnership with BongoHive.*

*In the drafting and finalization of this publication, UNCDF worked closely with local regulatory authorities in the financial sector. These included the Zambia Information and Communications Technology Authority, the Securities and Exchange Commission, and the Bank of Zambia.*

*We would also like to thank Comic Relief and Jersey Overseas Aid for partnering with UNCDF in Zambia, and making this publication possible.*

Funded by:



### Abbreviations

<b>7NDP</b>	Seventh National Development Plan	<b>PIA</b>	Pensions and Insurance Authority
<b>API</b>	application programming interfaces	<b>PoS</b>	point of sale
<b>ATM</b>	automated teller machine	<b>SEC</b>	Securities and Exchange Commission
<b>CCPC</b>	Competition and Consumer Protection Commission	<b>SME</b>	small or medium enterprise
<b>DFS</b>	digital financial service/services	<b>SMS</b>	short message service
<b>ECT</b>	electronic communications and technology	<b>UNCDF</b>	United Nations Capital Development Fund
<b>ICT</b>	information and communications technology	<b>USSD</b>	unstructured supplementary service data
<b>ISP</b>	Internet service provider	<b>ZICTA</b>	Zambia Information and Communications Technology Authority
<b>KYC</b>	know your customer	<b>ZMW</b>	Zambian kwacha
<b>MNO</b>	mobile network operators		
<b>NFIS</b>	National Financial Inclusion Strategy		



# INTRODUCTION

## BACKGROUND AND APPROACH



### Background

- The United Nations Capital Development Fund (UNCDF) and BongoHive launched Fintech4U in 2020, a business accelerator programme designed to support entrepreneurs running innovative companies that use digital platforms to serve market segments that have traditionally been financially excluded.
- Given the nascent nature of the fintech industry in Zambia, the acceleration programme provides comprehensive support ranging from business model refinement to regulatory navigation.
- The programme is designed to address some of the gaps faced by fintechs and small and medium-sized enterprises in the Zambian digital economy, namely:
  - live testing of products with customers, using an iterative approach to product development
  - access to other partners on the digital financial services market
  - navigation of regulatory requirements.



### Approach

This playbook comes as a result of months of work under the Fintech4U programme, including:

- regulatory mapping sessions to understand the various gaps and challenges fintechs have in meeting current regulatory requirements
- regulatory navigation sessions hosted by the regulators in the financial sector to address some of the challenges highlighted in the first activity.



### Scope

This playbook covers key regulatory initiatives and milestones in relation to the regulation of fintechs. In developing this, UNCDF has considered the following:

- the national policy framework supporting digital solutions and innovation in the financial sector
- insights into specific regulators and governing policies
- a policy of engagement towards fintech entrepreneurs and emerging digital finance models.

## EXECUTIVE SUMMARY

Regulators in Zambia are generally welcoming to emerging innovations, and encourage digital solutions. While regulation is still trying to catch up with innovation, most regulators within Zambia try to encourage rather than stifle innovation. Overall, the National Financial Inclusion Strategy (2017–2022) lays the groundwork for policymakers to create a more enabling environment for innovations, through novel tools and regulatory initiatives designed to encourage fintechs to develop financially more inclusive digital solutions.





### Enabling Policies and Initiatives

Overall, the Zambian policy and regulatory environment has a number of positive initiatives with the potential to drive inclusive innovation.

- The National Financial Inclusion Strategy (2017–2022) recognizes the development of new products and services as a key driver for financial inclusion.
- In June 2015, the Bank of Zambia permitted non-bank e-money issuance by releasing an addendum to the 2007 National Payment Act.
- A 2015 press release from the Bank of Zambia explicitly prohibited e-money issuers from entering exclusive arrangements with agents. This was done in a bid to encourage a shared-agent network and agent interoperability.
- The national payment systems vision and strategy expounds on the goal to achieve a cashless society in Zambia by 2022.
- In 2016 and again in 2020, the Bank of Zambia revised the transaction and balance limits for e-money issuers.<sup>1</sup> The 2016 circular also established tiered know your customer (KYC) for e-money wallet holders, enabling non-bank institutions to tailor digital financial service (DFS) products to specific customer tiers.
- The 2016 Securities Act gave a broad provision for the Securities and Exchange Commission (SEC) to revise existing legislation to allow for innovative service providers to enter the capital market.
- All financial-sector regulators have within their respective governing acts the ability to grant a 'letter of no objection' to innovative solutions that are yet to prove their concepts through market participation.

1. Office of the Deputy Governor – Operations, 'Revision of balance and transaction limits for electronic money issuers and money transfer businesses', PBS Circular No. 01/2020 (Lusaka, Bank of Zambia, 19 March 2020). Available at <https://boz.zm/Circular202002RevisionofTransactionandBalanceLimitsonEMoney.pdf> (accessed 19 April 2021).





### Payment Digitalization and Innovation

- The nation's payments sector has seen the development of enabling policy and regulatory initiatives. A significant number of fintechs have emerged in the Zambian payments space since as early as 2007, and have so far been able to engage the relevant regulators and drive policy advancement and reform. A 2018 scoping exercise by UNCDF found 25 firms identifying themselves as fintechs, 13 of which were operating in the payments space.
- The payments sector has also laid the groundwork for market shifts that enable the adoption and use of digital solutions, through an increased and expansive agent network (up from 22 agents per 100,000 adults in 2014 to 478 agents per 100,000 adults in 2018), and more adults having DFS accounts (2 percent had an active account with four DFS providers in 2014, while 44 percent had active accounts with 18 providers in 2018).
- Within the Bank of Zambia, the banking, currency and payments systems division has been spearheading the development of a bill that would allow for the relaxation of certain requirements for the purposes of encouraging innovative fintech models. The bill is close to final approval and will allow the Bank of Zambia to make use of tools such as regulatory sandboxes to encourage responsible financial innovation.



### Innovation Policy Considerations

- A number of key policy initiatives encourage digitalization and innovation in the Zambian financial market. Regulators would, however, benefit from a more harmonized approach towards the drafting or revision of policies related to advancing financial technology. Both SEC and the Bank of Zambia have, for example, expressed a desire to develop regulatory sandboxes to encourage responsible innovation among fintechs. The fintech industry would therefore benefit from a harmonized approach through a technical working group that has representation from each regulator as well as key industry stakeholders.
- Discussions with fintechs have revealed that meeting capital requirements for existing licensing is one of their biggest challenges in the initial start-up stages. The Bank of Zambia has instituted a tiered approach to matters such as KYC and transaction limits for e-money issuers. A tiered approach could also extend to capital requirements to allow start-ups with limited resources to establish operations with the backing of a financial-sector regulator.
- As customers increasingly opt to access financial services through digital platforms and agency networks, there is a need for the development of guidelines on agency network development and management, and mobile banking – to provide agency network support and help to establish an industry standard for issues of customer data storage, use and protection.
- Studies have shown that, even without the presence of tools such as sandboxes, a policy reform process that specifically engages the fintech industry—with regulators periodically speaking to start-ups, innovation hubs and so on—would greatly encourage innovation while ensuring the fintech industry designs, pilots and scales up with compliance in mind.<sup>2</sup>

2. Ivo Jenik and Kate Lauer, 'Regulatory sandboxes and financial inclusion', CGAP Working Paper (Washington, D.C., Consultative Group to Assist the Poor, October 2017). Available at <https://www.cgap.org/sites/default/files/Working-Paper-Regulatory-Sandboxes-Oct-2017.pdf> (accessed 13 April 2021).





# 1 DIGITALIZATION AND NATIONAL POLICIES

## DIGITALIZATION IN THE SEVENTH NATIONAL DEVELOPMENT PLAN (2017–2021)

The Seventh National Development Plan (7NDP) singles out technology, financial inclusion and an improved policy environment as key to achieving Zambia’s Vision 2030, which aims to “transform Zambia into a prosperous middle-income nation by 2030”<sup>3</sup> By identifying strategic focus areas such as “creating a conducive environment for a diversified and inclusive economy” and “improving access to finance for production and exports”, the 7NDP establishes a strong base for enhancing the Zambian economy through digital technology, particularly in relation to finance.<sup>4</sup> The 7NDP goes on to stipulate development outcomes that could positively influence the introduction and uptake of financial technology, namely:

- a strong legal framework for information and communications technology
- improved information and communications technology (ICT) infrastructure for service delivery
- provision of electronic services
- an improved policy environment.

With its mandate spread across all line ministries and government agencies, the 7NDP provides a strong basis for deeper and more inclusive financial markets that embrace the use of digital financial solutions and technology. The agenda for digitalization in the financial sector sits well within the two strategic objectives highlighted in [Figure 1](#).

Within these objectives, financial system stability and customer protection are the primary focus for financial-sector regulators.

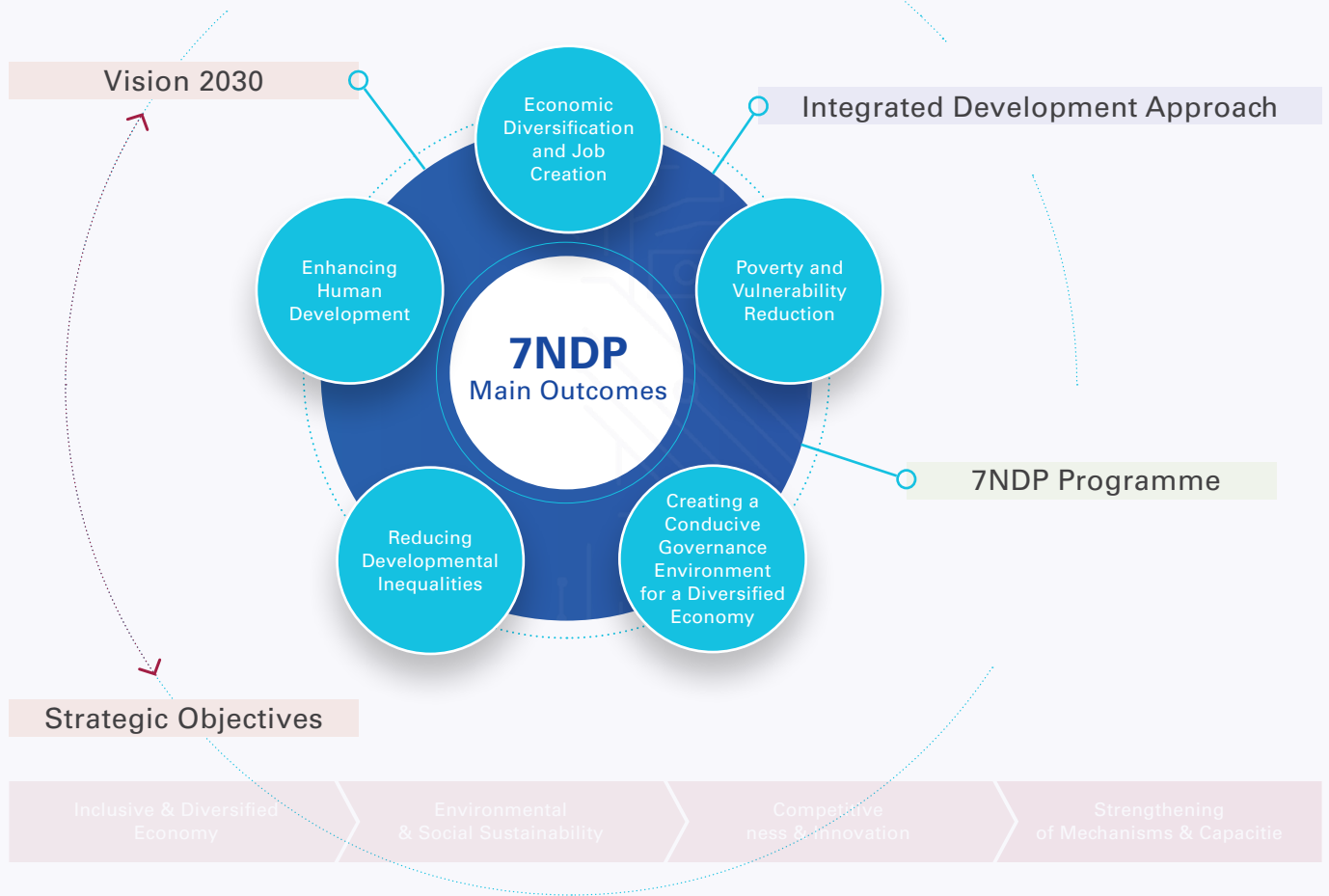
*“In the financial sector, government policy will be that of ensuring stability in the bank and non-bank sectors, including enhancing financial market deepening to stimulate increased access to financial services to support economic growth.”<sup>4</sup>*

3. Republic of Zambia, Vision 2030: “A prosperous middle-income nation by 2030”, (Lusaka, December 2006). Available at [https://www.mndp.gov.zm/wp-content/uploads/filebase/vision\\_2030/Vision-2030.pdf](https://www.mndp.gov.zm/wp-content/uploads/filebase/vision_2030/Vision-2030.pdf) (accessed 13 April 2021).

4. Zambia, Ministry of National Development Planning, 7 National Development Plan: 2017 – 2021, (Lusaka, 2017). Available at <https://www.mndp.gov.zm/wp-content/uploads/2018/05/7NDP.pdf> (accessed 13 April 2021).



**Figure 1.** The agenda for digitalization in the financial sector in Zambia



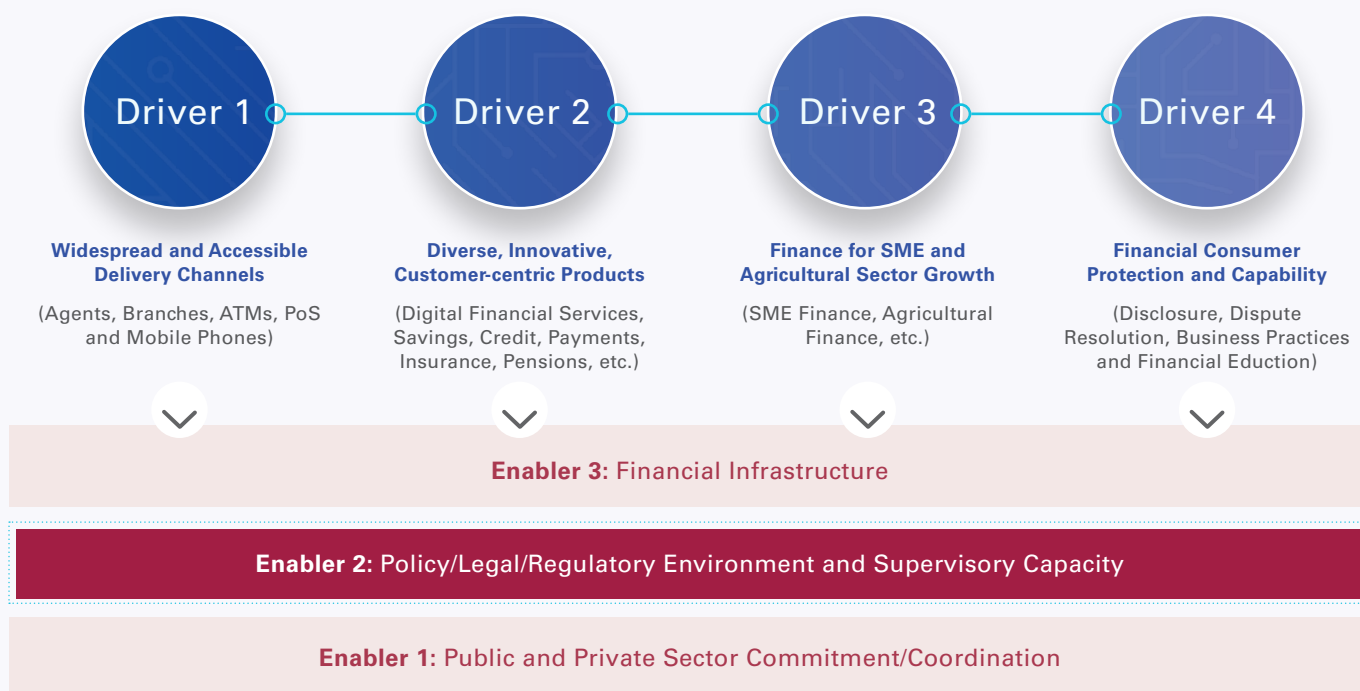
Source: Zambia Ministry of Finance

## NATIONAL FINANCIAL INCLUSION STRATEGY (2017–2022)

Zambia launched its National Financial Inclusion Strategy (2017–2022) (NFIS) in 2017.<sup>5</sup> This highlighted the need for the widespread adoption and use of digital technology to advance financial inclusion. The NFIS recognized the potential of “digital technology to reduce costs and expand the reach of the formal financial sector.” The NFIS seeks to achieve increased financial inclusion and customer capability through identifying four main drivers and three enablers, as depicted in [Figure 2](#).

5. Zambia, Ministry of Finance Economic Management Department, National Financial Inclusion Strategy 2017–2022, (Lusaka, 2017). Available at <https://www.boz.zm/National-Financial-Inclusion-Strategy-2017-2022.pdf> (accessed 13 April 2021).

**Figure 2.** Drivers and enablers in the National Financial Inclusion Strategy (2017–2022)



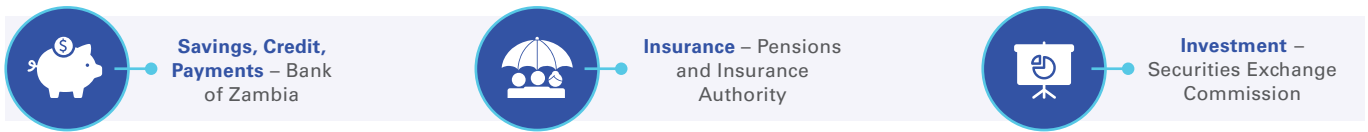
The NFIS splits the mandate for financial inclusion between the three key regulators—the Bank of Zambia, the Securities Exchange Commission and the Pensions and Insurance Authority—and lays strong groundwork for fostering innovation and encouraging inclusive participation on the financial market through highlighting:

- **Driver 1** – widespread and accessible delivery channels
- **Driver 2** – innovative, customer-centred products
- **Enabler 2** – policy, legal and regulatory environment and supervisory capacity
- **The NFIS** has the goal of increasing formal financial inclusion from 38 percent to 70 percent, and informal financial inclusion from 59 percent to 70 percent by 2022 through “leveraging digital technology to reduce costs and expand the reach of the financial sector.”<sup>6</sup>

By highlighting customer-centredness and the need for increased supervisory capacity and an enabling policy environment, the NFIS lays significant groundwork for digital technology to transform the financial sector. The NFIS seeks to make financial services more accessible across all platforms.

6. Zambia National Financial Inclusion Strategy, 2017 – 2022: <https://www.boz.zm/National-Financial-Inclusion-Strategy-2017-2022.pdf>

Additionally, the NFIS recognizes the sandboxes as a potential tool to drive inclusive financial innovation and spreads the mandate/functionality as follows:



## Gaps

The NFIS recognizes the following gaps, which either have an implication for, or could be solved through, financial technology.

- Cash is king – although customers have increased trust in digital channels, many customers and service providers still have a strong preference for cash as a primary means of payment.
- Lack of interoperability – movement of cash across different digital wallets is still a largely arduous process. Although there are more fintechs enabling payment interoperability (e.g. Kazang, Tilt), the process of integrating more service providers on their platform has been a slow one.
- Shallow capital markets – both primary and secondary markets for the issuing and trading of securities remain shallow, owing partially to a highly manual trading process. Initiatives around digitalizing the process of initial public offerings could simplify this.
- Accessibility of insurance and investment options – investment schemes and insurance products are largely designed for upper-middle-income and high-income customers, with intermediaries charging high facilitation fees.
- Regulation on micro-insurance and pensions – the policies that currently govern the insurance and pensions market are tailored to traditional providers, with no provision for micro-providers.

## Objectives

The following objectives were identified for drivers 1 and 2 with the potential to be achieved through digital technology.

- Expand the reach and quality of agent-based and other cost-effective delivery channels – fintechs can take advantage of existing financial infrastructure (e.g. the agent networks of banks/mobile money operators) to expand their reach.
- Achieve interoperability – fintechs stand to benefit either by offering interoperable platforms or integrating into them to expand the reach of their products and services.
- Improve the quality and availability of financial products and services for women, youth and rural residents – fintechs can design tailored financial products and services to meet the needs of these demographics.

## Actions

The following actions are marked as having high priority in the NFIS implementation plan:

- encourage digital payments
- develop agency and mobile banking regulations
- design, test and launch simplified and tailored products for underserved customer segments
- approve movable property to increase asset-based lending
- build the capacity of regulators to undertake financial consumer protection supervision.



# 2 MAPPING AND REGULATORY NAVIGATION

## REGULATORY MAPPING

While the NFIS identifies three key regulators of the financial sector, activities within the financial and technology sectors cut across other regulatory areas of responsibility. This calls for transparent communication and coordination among regulators, which is already happening to some degree. [Table 1](#) identifies the range of regulatory areas of responsibility that may be relevant for fintechs, and the lead agency running initiatives or regulation within each area.

**Table 1.** Areas of responsibility for fintech regulators

Subject Area	Primary Regulator(s)	Secondary Regulator(s)	Regulatory Support
Agency banking	BOZ	SEC	ZICTA, MoF
Interoperability and payment systems	BOZ	ZICTA	SEC
Anti-money laundering	BOZ, SEC		
Clearing and settlement	BOZ	SEC	MoF
Consumer protection	CCPC	BOZ, SEC, ZICTA	PIA
Data protection and privacy	ZICTA, CCPC	BOZ, SEC	MTCI
KYC	BOZ	ZICTA	SEC, PIA
Digital channels e.g. USSD/SMS	ZICTA	BOZ	SEC, PIA, MTCI
Network infrastructure	ZICTA	MTCI	BOZ, SEC, PIA
Investment	SEC	BOZ	PIA
Micro-insurance and pensions	PIA	SEC	BOZ, MoF



# BANK OF ZAMBIA

## Overall Mandate

The Bank of Zambia is the central bank of the Republic of Zambia and derives its functions and powers from the Bank of Zambia Act, 1996, and the Banking and Financial Services Act, Chapter 387 of the Laws of Zambia. The mission statement of the Bank is to achieve and maintain price and financial system stability to foster sustainable economic development.

## History and Regulatory Approach

The Bank of Zambia has been at the forefront of the digital financial transformation in Zambia, led primarily by its banking, currency and payments unit. Zambia was one of the first countries to adopt digital financial services (DFS) through the launch of Zap by CelPay in 2002. Although the uptake of DFS did not pick up until much later, the Bank of Zambia adopted, through the payments division, a 'watch and learn' approach towards shaping regulation for the DFS industry. The following are some of the initiatives and steps the Bank of Zambia has taken to advance DFS – they could benefit fintechs in particular as that industry develops.

- Financial inclusion and internal ICT process efficiency were among the five focus areas of the previous Bank of Zambia strategy (2016–2019). Within this period, the Bank of Zambia sought to facilitate the smooth transformation of savings into investments, the efficient settlement of payments, the expansion in reach of formal financial services, and proactive risk management. The Bank of Zambia's response to innovation in the financial sector has largely been driven by its banking, currency and payments division.
- Formally established non-bank e-money issuance in 2015 through an official gazette with regulations for the growing mobile-money sector. This allowed telecommunication companies and other digital wallet players to provide transaction services to a wider range of customers than those traditionally served by banks. Regulations came after an initial trial and monitoring period with mobile-money operators.
- Since then, the bank has revised the transaction limit for non-bank e-money issuance; starting from ZMW10,000 (\$454) for an individual in know your customer (KYC) tier one to ZMW20,000 (\$909)<sup>7</sup> for an individual in the same tier. This has allowed for mobile-money/digital wallet service providers to offer a wider range of products and services to customers in these tiers.
- The Bank of Zambia actively encouraged the adoption and use of agents for both bank and non-bank institutions, enabling increased accessibility through a relatively low-cost channel. Additionally, the 2018 revisions on transaction limits extended to both bank and non-bank agents, allowing them to cater to a wider customer bracket.
- While capital requirements remain high for the provision of formal banking services, the Bank of Zambia allows for licensed service providers to partner with financial technology providers to enable more financial services and products to be accessible on digital platforms (e.g. Jumo, a licensed microfinance institution in Zambia has partnered with telecommunications companies to provide credit solutions on their platforms).
- In a bid to enhance interoperability, the Bank of Zambia has operationalized the first phase of the National Financial Switch, which switches payments at ATM and point-of-sale terminals locally. Phase two will extend this functionality to mobile-based transactions and enable the seamless transfer of funds between mobile wallets and bank accounts.

7. <https://treasury.un.org/operationalrates/OperationalRates.php#Z>



- The bank has generally been welcoming to emerging innovative models and practices, making use of a 'letter of no objection' for businesses seeking formal licensing despite not meeting the current requirements. It has permitted market operations for such businesses with limitations placed on certain operations. For instance, the Bank of Zambia has allowed payments businesses to begin operating on the open market prior to receiving a licence, provided the following conditions were met:
  - marketing kept below the line, with limited visibility on the open market
  - the merchant network not exceeding 10,000
  - a three-month time frame
  - daily, weekly, biweekly and monthly reporting to the Bank of Zambia on all operational activities.
- The Bank of Zambia has an open-door policy of engagement with prospective licensees, with case officers assigned to support the application process from start to finish.

### Existing Regulation and Licensing

The following regulatory initiatives may be relevant for entrepreneurs looking to operate digital solutions in the financial sector.

**Bank of Zambia Act 1996** – establishes the Bank of Zambia and mandates it to “license, supervise and regulate the activities of banks and financial institutions so as to promote the safe, sound and efficient operations and development of the financial system”.

**Prohibition and Prevention of Money Laundering Bill 2001** – sets out customer due diligence and how to deal with suspicious financial transactions and behaviour. This is the overall regulation related to money laundering and appropriate legal responses to suspected cases.

**Anti-money laundering directives 2017** – these directives translate the overarching bill into regulation related to KYC requirements and compliance for the customer vetting process. These are relevant for any fintech looking to collect deposits from customers.

**Zambia electronic house clearing rules 2014** – these apply clearing and settlement rules to banks, and there are plans for access to be extended to other financial service providers. These rules have the potential to expand to fintechs if access is granted beyond commercial banks.

**Banking and Financial Services Act 2017** – mandates the Bank of Zambia to license, regulate and supervise any emerging issues related to financial services, such as fintech. This act is relevant for any fintech looking to set up operations in the banking sector. It is also relevant to any looking to partner with a commercial bank, to understand their partner's compliance needs and requirements.

**National Payment Systems Act 2007** – mandates the Bank of Zambia to license, regulate and supervise all entities operating e-money solutions. This act is relevant for any fintechs looking to operate remittances or to provide a platform for cashless transactions and digital wallets. It establishes three kinds of licences currently granted by the bank's payments division.

- Payment system – clearing and settlement systems operating under the clearing house rules
- Payment systems business – providing money transfer or transmission services (or any other business that the bank may define as a payment systems business)
- Payment systems participant – a business using payment systems or payment systems businesses.

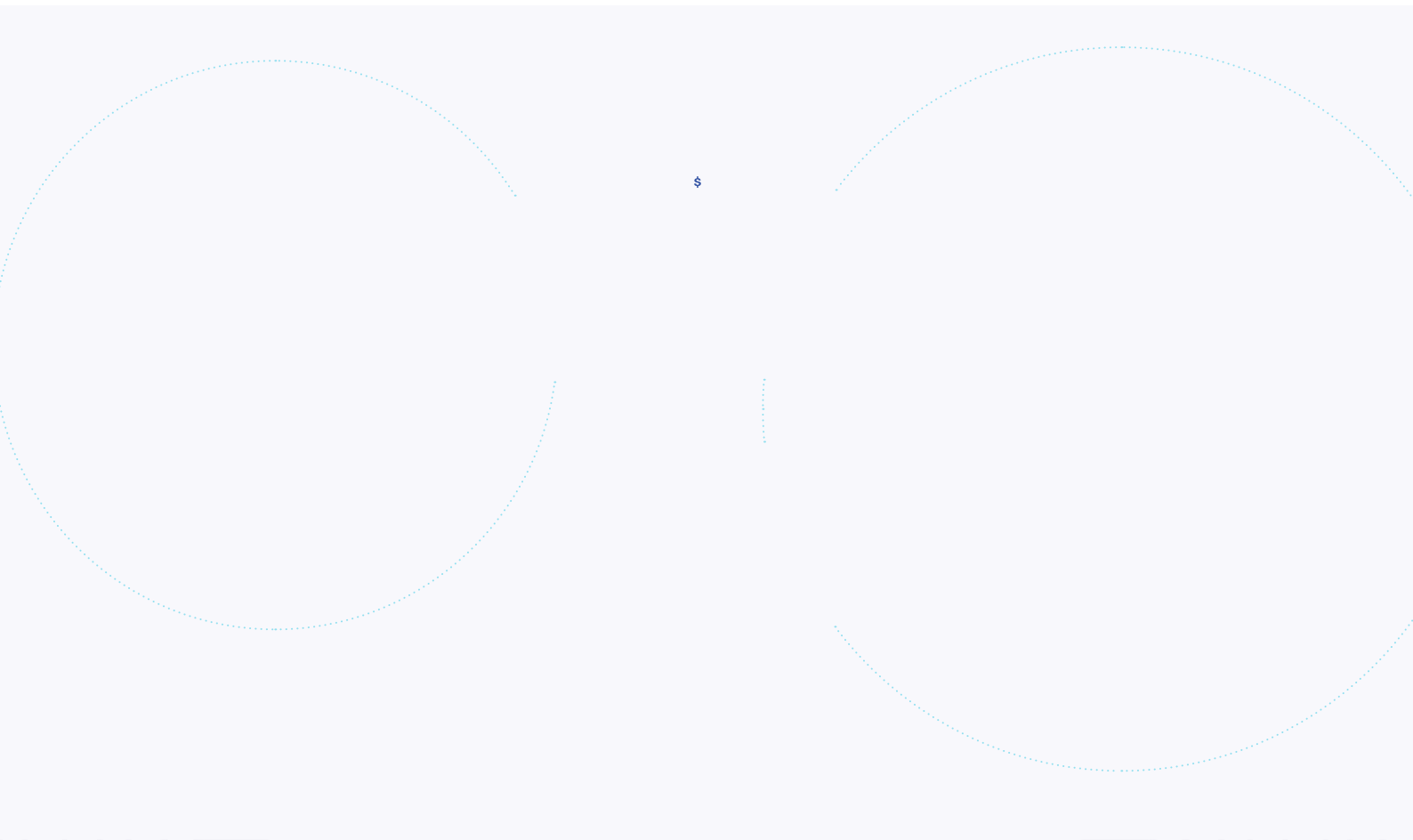


**National Payment Systems Directives on Electronic Money Issuance 2018** – Official rules governing e-money issuers. These directives are the foundational rules for fintechs looking to provide a service that offers cashless transactions and digital wallets.

**National Financial Switch vision and strategy** – aims to integrate commercial bank accounts with mobile money wallets for seamless fund movement. The National Financial Switch project has implemented the first phase, which switches ATM and point-of-sale-terminal transactions locally. The project may become relevant to fintechs as it extends to phase two – facilitating transaction switching between bank accounts and mobile money wallets.

**2020 circular on revised transaction limits** – establishes new transaction and wallet limits for e-money issuers. This is relevant for any fintech looking to make use of the mobile-money platform to facilitate transactions.

**Banking and Financial Services (Microfinance) Regulations 2006** – govern all financial institutions looking to operate both deposit-taking and non-deposit-taking microfinance institutions. A fintech looking to provide formal credit regulated by the Bank of Zambia will have to comply with these regulations.



More detailed requirements can be found through these links:

For payments system businesses – <https://www.boz.zm/01ARequirementsforSettingupaPaymentSystemBusiness.pdf>

For non-bank financial institutions – <https://www.boz.zm/RequirementsforsettingupaNon-BankFinancialInstitution.pdf>

For commercial banks – <https://www.boz.zm/RequirementsforsettingupabankinZambia.pdf>



As the DFS market in Zambia continues to develop, the Bank of Zambia has the following priorities as part of its mandate within the NFIS and the financial sector development plan.

- **Goals of the National Payment Systems vision and strategy** – payments have been key in driving digital transformation of the financial sector in Zambia. As such, the Bank of Zambia 2018–2022 Payments Vision and Strategy outlines the following goals for the Zambian payments space:
  - promote efficiency in transfer of value in the economy
  - promote a cash-light society
  - increase access to and use of electronic payment methods
  - reduce transaction costs for all payment services
  - increase usage of formal remittance channels.
- **Relaxed KYC guidelines** – Zambia has made great strides in restructuring KYC requirements, having developed a tiered approach to KYC. To further advance access to financial services particularly in rural areas, Bank of Zambia seeks to issue more relaxed KYC requirements that would potentially allow community leaders to act as references for bank account opening.
- **Development of agency banking regulations** – regulations regarding agent networks are currently housed in the Banking and Financial Services Act and the NPS Directives on e-money. These are, however, limited to banks and mobile-money operators. Bank of Zambia is hence mandated to develop unified agent network guidelines to guide all DFS operators on acceptable conduct and use of agent networks.
- **Piloting of a regulatory sandbox to drive innovation** – the Bank of Zambia, through the Payments division, is currently developing guidelines for a regulatory sandbox that will allow temporary relaxation of regulation for innovative new models not currently catered for in existing regulation.

### Policy of Engagement and Key Contacts

The Bank of Zambia has an open-door policy of engagement, with officers readily available to meet potential licensees, walk them through existing requirements and review their application prior to final submission. The process of engagement follows the flow chart in [Figure 3](#), and the following two contacts may be reached by fintechs:

**Akabiwa Kalimukwa** – akalimuk@boz.zm

**Maureen Mulenga** – mmulenga@boz.zm

**Figure 3.** How the Bank of Zambia engages with innovators



## Online Presence and Resources

The Bank of Zambia website ([boz.zm](http://boz.zm)) is easy to navigate and all the key resources are available to download as PDFs, including all the regulatory documents mentioned in this playbook. The central bank does not have application forms on its website; applicants must liaise directly with the above contacts.

# SECURITIES AND EXCHANGE COMMISSION

## Overall Mandate

The Securities and Exchange Commission (SEC) regulates the capital markets in Zambia, including investment advisory firms, collective investment schemes, investment dealers, credit rating agencies, and the Lusaka Securities Exchange.

### History and Regulatory Approach

- In the SEC Strategic Plan 2015 - 2018 a focus area was to encourage and facilitate the development of and diversification of capital markets products and financial instruments. As such, the SEC embarked on legal reforms to encourage (among others) the introduction of new products onto capital markets, engaged into research and facilitated capacity building in the area of Alternative Finance i.e. by partnering with the Cambridge Centre for Alternative Finance to facilitate master classes for business associations and the university fraternity.
- As part of its Strategic Plan 2018 - 2021, the SEC commenced preliminary steps to formulate necessary frameworks to operationalize provisions relating to Alternative finance in the Securities Act No.41 of 2016. As such, objective two of the Strategic Plan focuses on promoting diversified and customer-centric products. In view of this, the SEC prioritized the issuance of the Securities (Financial Technology) Rules, which are yet to be formulated.

### Existing Regulation and Licensing

**Registration of Securities Rules** – these rules apply to an entity whose securities are publicly traded, directly or indirectly promoted or advertised or offered for sale to the public. Such an entity should be registered with the Commission by submitting a registration statement in the prescribed form.

**Guidelines for a Regulatory Sandbox Framework for Capital Markets** – the Guidelines provide a regulatory environment in which the live testing of capital market innovations can be facilitated under a set of conditions and limitations designed to protect investors, but without strict adherence to all the regulatory obligations required or engaging in such activities. More detail is provided in the figure below.

**The Securities Act 2016** – an overarching act establishing the SEC and its mandate to license, regulate and supervise all capital market operators, including but not limited to: securities exchanges, credit rating agencies, clearing and settlement agencies, securities businesses, collective investment schemes, securities traders and dealers.

**Accounting and financial requirement rules** – cover a licensee's responsibility to keep financial records, establish audit trails, and set out how to handle customer funds and capital adequacy requirements. Licensed dealers of securities are required to keep a minimum net capital of ZMW50 million (\$2,272,727).<sup>8</sup>

**Collective investment scheme rules** – govern the conduct and requirements for running a collective investment scheme. These rules apply to dealers and investment advisers.

8. Ibid.



**Licensing application guidelines** – provides details on licences granted by the SEC, as well as an application checklist. The SEC currently licences the following activities:

- dealers' licence – firms engaging in stockbroking, corporate finance arrangement, transfer agency, custodial services, treasury management, and underwriting securities
- dealer's representative licence – individuals working for a dealer in a front-line function
- investment adviser's licence – companies or individuals offering investment advice in any capacity (e.g. fund managers)
- investment adviser's representative licence – individuals working for an investment adviser in a front-line capacity
- stock exchange licences – companies operating stock exchanges
- transfer agents – third-party firms that manage changes in the ownership of shares and maintain an ownership register
- venture capitalist funds – pooled investment funds that manage the money of investors who seek private equity stakes in start-ups and small and medium-sized enterprises
- private equity funds – investment schemes composed of funds that are directly invested into private companies
- credit rating agencies – firms that assign credit ratings to rate debtors' abilities to repay debt.

## Application Checklist

Relevant application form for desired licence

Licence fee as set out on the form

Determination of capital adequacy requirements according to Accounting and Financial Requirement Rules

Evidence of applicant's fitness and properness— that is, character references and satisfactory vetting by relevant authorities and law-enforcement agencies

Detailed statement of assets

Audited financial report

**Registration-of-securities rules** – provide details of the requirements and procedure for any company looking to formally list securities, including but not limited to debt securities, equity securities and convertible debt and equity securities.

**Conduct-of-business rules** – govern the general conduct of all securities licensees in relation to their business, including but not limited to integrity, fair dealing, skill, diligence, market conduct, declaration of conflicts of interest, and adequate record keeping.

**Anti-money-laundering directives** – set out how to deal with suspicious transactions and ensure due diligence.



### Key Initiatives and Regulatory Priorities

- **Financial inclusion** – under its market supervision division, the SEC has established a financial inclusion department that focuses on making the capital markets more accessible to both local and international participants. The department recognizes the roles that fintechs can play in bringing capital market activities closer to the Zambian mass market, simplifying everyday capital market activities and introducing new functions such as crowdfunding.
- **Capital market development** – with support from the Ministry of Finance and Financial Sector Deepening Africa, the SEC has developed the Capital Markets Development Master Plan, which recognizes the potential contribution that the capital market could make to Zambia's economic development, and lays out a road map to realizing this potential. The plan identifies five key objectives:
  1. *Improving the primary and secondary markets*
  2. *Creating an efficient trading landscape*
  3. *Developing the broader market landscape*
  4. *Developing private markets*
  5. *Enhancing market liquidity.*

Digital innovations are particularly important in achieving objectives 2, 3 and 4 through making use of electronic platforms and developing new, more inclusive products.



Figure 4. Regulatory Sandbox.



9. Ibid.

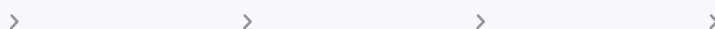
### Policy of Engagement and Key Contacts

The SEC has an open-door policy of engagement, with officers readily available to meet potential licensees, walk them through existing requirements and review their application prior to final submission. The process of engagement follows the flow chart in [Figure 5](#), and the following two contacts may be reached by fintechs:

*Mubanga Kondolo* – [mkondolo@seczambia.org.zm](mailto:mkondolo@seczambia.org.zm)

*Benson Mwileli* – [bmwileli@seczambia.org.zm](mailto:bmwileli@seczambia.org.zm)

**Figure 5.** How the Securities and Exchange Commission engages with innovators



### Online Presence and Resources

The SEC website ([seczambia.org.zm](http://seczambia.org.zm)) is easy to navigate, clearly outlining all its responsibilities from licensing to regulatory enforcement and investor protection. The SEC makes all regulations available under the Laws & Regulations tab. The website remains current with periodic bulletins and warnings on fraudulent investment schemes and cryptocurrencies. It also provides resources on investor education, encouraging the general public to take care of their financial well-being. Additionally, the SEC hosts all necessary application forms on its website, but these are also readily available from the case officers.

## PENSIONS AND INSURANCE AUTHORITY

### Overall Mandate

The Pensions and Insurance Authority (PIA) is the regulator of the pensions and insurance industry in Zambia. It was established in 2015 through an amendment of the Pensions Scheme Regulatory Act of 1997.

### History and Regulatory Approach

Of the three financial markets, the pensions and insurance market has seen the least innovation. This may be in part due to a gap identified in the NFIS: the lack of regulation for micro-pensions and micro-insurance.



For a long time, the only regulation related to insurance was the Insurance Act 1997, which lumped all forms of insurance—from health and life insurance to general and motor-vehicle insurance—under one umbrella. The following observations are also worth noting.

- The PIA Act of 1997 covers all forms of insurance, including life insurance. This makes capital requirements (ZMW10 million (\$454,545))<sup>10</sup> for being an insurance carrier quite steep given the capital necessary for life cover. The NFIS provides a basis, however, for revising the act, given that it calls for the development of micro-pension and micro-insurance regulations.
- Similarly to the capital market, involvement in the insurance industry is still a largely manual and physical process. Digitalization offers the potential to streamline the process, provided the right provisions are made within the existing act.
- The pensions industry also carries steep capital adequacy requirements to protect customer funds and guarantee solvency, limiting the ability of start-ups to compete against established pension fund providers.
- In April 2020, the PIA released guidelines on micro-insurance in an effort to make the insurance industry more inclusive and able to reach lower-income customer segments.

### Existing Regulation and Licensing

**The Insurance Act** – this is the overall regulating act for the insurance industry. It details the licensing, approved operating standards, personnel requirements, capital requirements and reporting and compliance expected of insurance carriers and brokers. These requirements are relatively steep for fintechs, especially start-ups with low financial resources. For example, an insurance carrier must be able to demonstrate a minimum capital requirement of ZMW10 million (\$454,545)<sup>11</sup> and the appointed chief executive officer must have served in the insurance industry for no less than 10 years.

**The Pension Scheme Regulation Act** – this is the official act regulating the pensions industry. Similar to the Insurance Act, it is currently skewed towards larger traditional pension funds, setting steep requirements for capital adequacy and personnel.

**The Pension Scheme Regulation Amendment** – establishes the PIA as a regulatory body to license, regulate and supervise market operators in the pensions and insurance industry.

**Micro-insurance guidelines and principles** – in response to its mandate under the NFIS, the PIA released a circular in April 2020 to all insurance carriers, brokers and agents, on the guiding principles for operating micro-insurance products. These aim to make insurance more accessible to lower-income customer segments. They currently apply only to insurance carriers, brokers and agents fully registered under the Insurance Act.

### Key Issues and Regulatory Priorities

Even with the introduction of the micro-insurance guidelines and principles, fintech start-ups looking to design and pilot novel insurance products face the same challenges they did under the Insurance Act—the ability to meet steep capital requirements and having adequately experienced personnel in management. The guidelines are currently accessible only to already-licensed insurance carriers that are able to design micro-insurance products. While the capital requirements for brokers and agents are lower, the ability to design and market new insurance products is limited to insurance carriers.

The PIA is open to engaging with start-ups that are looking to enter the insurance or pensions markets, and is in the process of defining what customer protection could look like for digitally enabled insurance and pensions plans. UNCDF has had an initial engagement with the PIA, from which the agency wishes to provide technical assistance to the PIA as the policy environment for digitally enabled pensions and insurance takes shape. According to the NFIS, the following are the key priorities for the PIA.

10. Ibid.

11. Ibid.



- The creation of regulations to permit micro-insurance and micro-pensions. This action is not specific to digital financial technology, but is open to all providers. Given the Guidelines for micro-insurance have been developed, the responsibility now becomes making the regulation less inhibiting for innovative new solutions offered by start-ups, particularly those unable to meet the existing capital requirements.
- Encouraging the design, testing and launch of innovative new products to ensure the expansion of insurance and pensions products and services to more people in Zambia, especially incorporating the informal sector, which forms the majority of the labour force.
- Creating a legislative distinction between life insurance and other forms of insurance, to allow lower capital requirements for start-ups looking to offer specific non-life insurance products. This will be a relatively slow process as it demands an amendment of the existing Insurance Act.

### Policy of Engagement and Key Contacts

The PIA, like the other regulators, is open to having meetings with companies that would like to register under either the Pensions Regulation Act or the Insurance Act. Unlike the other regulators, though, the PIA has a less formal process from engagement to licensing. Fintechs can contact the following people within the market development department at the PIA:

*Yizaso Musonda* – yizaso.musonda@pia.org.zm

*Namakau Ntini* – namakau.ntini@pia.org.zm

*Kalaluka Lubasi* – kalaluka.lubasi@pia.org.zm

### Online Presence and Resources

The PIA website ([pia.org.zm](http://pia.org.zm)) hosts all the regulatory acts and guidelines published to date (under the Regulation and Supervision tab), including the Insurance Act, the Pensions Regulation Act and the amendment to it, and the recently released guideline on micro-insurance.

## THE ZAMBIA INFORMATION, COMMUNICATIONS AND TECHNOLOGY AUTHORITY

### Overall Mandate

Mandated by the Information and Communication Technologies Act of 2009, the Zambia Information and Communications Technology Authority (ZICTA) is the main regulator of electronic communication and products—including regulating the availability, quality, cost and standards of telecommunications and technology services.

### History and Regulatory Approach

ZICTA's mandate includes promoting competition in the sector and protecting the rights and interests of customers, service providers and suppliers. Under the Electronic Communications and Transactions Act of 2009, ZICTA is mandated to develop and maintain a safe, secure and effective environment for the consumer and business sectors. From an in-depth analysis of the overarching policies and regulations, the following stand out.

- ZICTA's focus is primarily on the telecommunications sector, but the regulator is relevant to fintechs and tech firms that are looking to make use of digital access channels that plug into the telecommunications sector (e.g. the integration of unstructured supplementary service data, or USSD, codes; short message service, or SMS, short-codes; and application programming interfaces, or APIs).



- ZICTA periodically engages with emerging ICT innovators and leaders. This was most recently evident in the 2019 Young ICT Innovators programme, which called for applications from technology entrepreneurs aged 18 to 35 years. This programme takes tech entrepreneurs through a series of sessions to help them refine their business proposition and catalyse their success on the ICT market. As part of this programme, ZICTA helps entrepreneurs to navigate regulatory requirements, and supports them in facilitating partnerships with key stakeholders such as mobile network operators (MNOs). Some fintech platforms have passed through this programme.
- ZICTA also has running memorandums of understanding with the Bank of Zambia, the SEC and the Competition and Consumer Protection Commission (CCPC), to facilitate the open flow of information between the ICT regulator and the three financial-sector regulators. This is relevant to fintechs, given that their technology falls under the purview of the ICT regulator, while their business activities fall under the financial sector. In the past, these memorandums of understanding have enabled fintechs to receive the appropriate licensing by channelling them to the right department under the right regulator.
- ZICTA licenses ICT delivery and access channels such as SMS and USSD short codes, which carry a relatively steep price tag for start-ups in the ICT space. These costs are governed by the ICT Act and so are not easily subject to revision. ZICTA has, however, waived these fees for promising ICT entrepreneurs as part of the Youth ICT Innovators programme.
- Though ZICTA is not expressly mentioned in the NFIS, one goal to which the regulator could meaningfully contribute is driving interoperability through an increasingly integrated payments infrastructure.

### Existing Regulation and Licensing

ZICTA's regulatory mandate covers Internet service providers (ISPs), postal and courier service providers, MNOs, and electronic and communications equipment dealers. While ZICTA does not have a specific mandate related to DFS, it governs the technology on which DFS ride, including USSD channels, SMS short codes, Internet/website channels, and open and closed APIs. The authority's role is also relevant to fintechs for overseeing the development and performance of the mobile network infrastructure, the mobile phones market and certain aspects of consumer protection related to DFS. ZICTA operates through the following acts and regulatory initiatives.

**Information and Communications Technology Act 2009** – this legislation established ZICTA as the ICT regulator and mandates the technical and economic regulation of ICT. Under it, ZICTA licenses and regulates MNOs, ISPs and the technologies they operate. ZICTA is also mandated to ensure customer protection and satisfaction in the ICT sector, primarily as provided by ISPs and MNOs. The act is relevant for fintechs given that they usually use digital access channels such as USSD and SMS short codes.

**Electronic Communications and Transactions Act 2009** – this act provides for the development of a safe, secure and effective environment for the consumer, business sector and the government to conduct and use electronic communications and technology (ECT). This act primarily governs the technology underlying electronic remittances and transactions. It also makes provision for the safeguarding of customer data and the integrity of ECT data systems.

**Code of conduct for ICT service providers** – this mandates the manner in which ZICTA-licensed providers interface with their clients. The code details consumer rights, ranging from customer education and full disclosure to fair pricing. It explicitly states that it pertains to organizations licensed under ZICTA, but extends to their technology and the partners who plug into it, making it relevant to fintechs. The code of conduct centres on protecting customer rights and, since 2013, has formed the basis for sending customer complaints to ZICTA.

**Licensing guidelines** – these establish the scope of licences and the market segments for which ZICTA may issue a licence.



## Key Initiatives and Regulatory Priorities

While ZICTA has no specific mandate related to DFS and fintechs, it is, as the chief regulator of ICT, the main interface for customer protection in the ICT sector. Additionally, ZICTA regulates the key digital channels on which fintechs build their platforms. Of particular interest to fintechs are the licensing obligations for USSD short codes, as listed in [Table 2](#).

**Table 2.** ZICTA licence fees for USSD codes

### Three-digit USSD Codes

	Quantity	Unit Cost (ZMW)	Total Fee (ZMW)
<b>Registration Fee</b>	1	12,000	12,000
<b>Annual Fee</b>	1	30,000	30,000
	<i>Subtotal (before VAT)</i>		42,000
	<i>VAT (16%)</i>		6,720
	<b>TOTAL</b>		<b>48,720</b>

### Four-digit USSD Codes

	Quantity	Unit Cost (ZMW)	Total Fee (ZMW)
<b>Registration Fee</b>	1	12,000	12,000
<b>Annual Fee</b>	1	18,000	18,000
	<i>Subtotal (before VAT)</i>		30,000
	<i>VAT (16%)</i>		4,800
	<b>TOTAL</b>		<b>34,800</b>

The requirements for these USSD licences include a completed Application form, a cover letter explaining the intended use of the short code, and certified copies of certificates for registration with the Patents and Companies Registration Agency and for compliance with the Zambia Revenue Authority.



Another issue pertaining to ZICTA that is relevant to fintechs is its mandate for ensuring cybersecurity and the safety of personally identifiable customer data. Current guidelines in this area are skewed towards MNOs and ISPs, but ZICTA is working to expand them to the financial sector. The regulator is very strict on the policy of data privacy and security: any fintech looking to host or acquire customer data needs to adhere strictly to the guidelines provided in the ECT Act.

### Policy of engagement and key contacts

ZICTA periodically engages with the start-up industry through its annual ICT innovators programme. Although this does not focus solely on start-ups in the financial sector, it has exposed the regulator to the challenges that early-stage businesses face in the ICT sector in general. ZICTA has an open policy of engagement, and has periodically lent its voice to lobbying on the issues faced by start-ups. UNCDF has engaged ZICTA on some of the challenges faced by fintechs in particular, and ZICTA is open to finding workable solutions, as outlined in the next section of this playbook. The process of engagement by ZICTA follows the flow chart in [Figure 6](#), and the following two contacts may be reached by fintechs:

**Bernard Banda** – [bbanda@zicta.zm](mailto:bbanda@zicta.zm)

**Vanessa Menshi** – [vmenshi@zicta.zm](mailto:vmenshi@zicta.zm)

**Figure 6.** How the Zambia Information, Communications and Technology Authority engages with innovators



### Online presence and resources

The ZICTA website ([zicta.zm](http://zicta.zm)) hosts all the relevant acts, regulations, guidelines and helpful information for customers on data protection. It also provides an online complaints mechanism, for ICT and ECT customers to lodge formal complaints. The regulator follows these up actively.



# 3 FINTECH CHALLENGES AND REGULATORY OPPORTUNITIES

UNCDF conducted a preliminary scoping in 2018 of the fintech landscape in Zambia. This found 25 companies that identified themselves as fintechs, spread across the functionalities depicted in [Figure 7](#). The scoping exercise found that while the fintech industry in Zambia was still relatively small, it was growing rapidly. The Fintech4U programme was launched two years later and received over 60 applications from companies that qualified as fintechs. UNCDF has made the following observations with regards to the Zambian fintech industry.

- There are many stakeholders critical to the success of fintechs in Zambia – from banks to microfinance institutions and MNOs, fintechs in Zambia depend on partnerships with other institutions to function and remain sustainable.
- Fintechs are addressing vital needs in the Zambian market, by providing tailored products and services to traditionally underserved market segments such as smallholder farmers, women and informal-sector employees.
- The high capital requirement, coupled with limited access to credit, is the biggest challenge faced by fintechs in Zambia.

**Figure 7.** The landscape of fintechs in Zambia



Since the initial scoping, UNCDF has mapped the regulatory journey in depth with the five fintechs in the current Fintech4U acceleration programme. This has found the following recurring challenges in the current regulatory environment for fintechs, challenges that are detailed with some corresponding opportunities.

**Challenge:**

Given their early stage of operation and limited resources, fintechs are unable to immediately meet capital requirements for some existing licences—for example, ZMW250,000 (\$11,363)<sup>12</sup> to register as a microfinance institution with Bank of Zambia.

Regulators are open to exploring tiered capital requirements according to specific criteria, including the number of years of operation, provided specific fail-safe and risk-mitigation measures are put in place to ensure the protection of customer and investor funds. UNCDF and BongoHive will continue to support fintechs by encouraging public-private dialogue as this process takes shape.

**Opportunity:**

**Challenge:**

Certain digital access channels such as USSD codes and SMS short codes carry high approval and maintenance costs.

ZICTA has in the past provided funding for promising start-ups in the ICT space through its ICT Innovators accelerator programme. While the fees are set by existing regulation, the revision of which may be slow, ZICTA is open to helping fintechs to source alternative funding to meet their current costs.

**Opportunity:**

**Challenge:**

Fintech operations sometimes span across various regulators. One example of this is Hobbiton, a fintech regulated by the Bank of Zambia, SEC and ZICTA. Such fintechs thereby have the task of figuring out the compliance requirements of all the regulators relevant to them.

Regulators have memorandums of understanding, such as an information-sharing agreement between ZICTA and the Bank of Zambia and a similar one between ZICTA and the CCPC. These allow regulators to point fintechs in the right direction and to share their details with the relevant regulator in cases where the inappropriate regulator has been approached. In the case of Hobbiton, once ZICTA knew that the company's product should be governed under the SEC Act, it connected Hobbiton to the right department at the SEC for appropriate licensing. The information-sharing agreements have no impact on reporting, but encourage transparency between regulators and enable them to understand and facilitate each other's mandates. There is an opportunity to expand this information-sharing mandate to reporting, thus creating a single point of reference for fintechs with activities that fall under the supervision of multiple regulators.

**Opportunity:**

12. Ibid.



**Challenge:**

Although the regulators in Zambia are relatively open in terms of engaging with the private sector, particularly innovative new businesses, there is still a pervasive perception among fintech entrepreneurs that the regulators are inaccessible.

Through the Fintech4U accelerator programme, UNCDF and BongoHive facilitated introductory meetings between fintechs and regulators. These sessions helped fintechs to establish contact with key regulators and to better understand their mandates. The sessions set the scene for more deliberate dialogue between regulators and the fintech industry. The regulators have been open to setting up periodic industry-facing events to facilitate further dialogue as the policy environment for fintechs continues to adapt.

**Opportunity:****Challenge:**

Each regulator in the financial market has a mandate to ensure customer protection. This mandate needs to be adapted, however, to reflect the implications in the digital financial marketplace. Questions remain on how issues such as data hosting and privacy, and functional system integrity translate in an increasingly digitally integrated marketplace. The CCPC has a direct mandate to ensure customer protection through stakeholder engagement and customer education, but currently has no directives related to DFS.

The final section of this playbook introduces a proposed code of conduct for regulators to adopt as a low-cost, flexible form of regulation that protects both businesses and customers in the fintech industry. It provides a flexible baseline for fintech entrepreneurs on the key issues to keep in mind as they grow their businesses and acquire more customers. It could help to give clarity on the contractual agreements that govern fintechs' relationships with customers, on customer protection, pricing transparency, fintech system resilience and cybersecurity, consumer confidentiality and data protection, the confidentiality of commercially sensitive information, and on good governance and business conduct practices, including fair competition and anti-money laundering.

**Opportunity:****Challenge:**

While the Bank of Zambia has mandated electronic records of KYC data, regulation still requires a manual verification of the KYC documents and information at the customer-acquisition stage. This can make the process of customer acquisition costly for start-ups, especially as they prepare to scale up. Commercial banks solve this issue by using direct sales agents, while MNOs have their own extensive agent networks.

Initial talks with the Bank of Zambia have revealed an opportunity for a centralized electronic database for KYC records. This is, however, not a pressing priority, and fintechs will have to explore alternative solutions in the business environment, such as strategic partnerships with banks or MNOs.

**Opportunity:****Challenge:**

As the DFS market in Zambia has expanded over the last few years, so has the agency network. In spite of this growth, guidelines around agency banking and the use of agent networks remain limited to certain sections in the Banking and Financial Services Act 2017 and the National Payment Systems Directives on Electronic Money Issuance 2018.

A unified approach to agent network guidelines can potentially guide upcoming financial service providers such as fintechs in taking advantage of this low-cost financial infrastructure. The Bank of Zambia is in the process of developing these guidelines, in line with the mandate expressed in the NFIS, potentially extending agent network relevance even to insurance and investment.

**Opportunity:**



# 4 PROPOSED CODE OF CONDUCT

This playbook outlines the various policies and regulatory initiatives that govern some components of fintechs, but there is currently no complete legislation to manage fintechs in Zambia, particularly with respect to customer protection. While each agency detailed in this playbook has a customer-protection mandate, such regulation is still taking shape for DFS. The code of conduct set out below is proposed as a short-term filler for this gap, with the goal of raising the issues that fintechs should always keep aware of in dealing with customers in the DFS market. It has been kept generic so that it covers a wide range of service providers, including but not limited to mobile payment providers and gateways, digital credit or savings, insure-tech, blockchain-based finance, digital pensions, peer-to-peer lending and crowdfunding platforms.

## PURPOSE

This code of conduct suggests the principles and guidelines for conducting business in the fintech industry in Zambia. It is not intended to replace any rules, laws, guidelines or regulations set by the country's authorities. This code serves as a guideline on the minimum ethical standards that should be upheld as the fintech industry continues to grow. It is designed to encourage responsible business conduct, to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of customer and investor data and funds
- full, fair, accurate, timely and understandable disclosure of critical company information to the relevant authorities
- compliance with applicable laws, rules and regulations
- prompt release of relevant and applicable information to customers
- accountability for adherence to the code.

## APPLICABILITY

This code applies to all directors, officers and employees of fintech companies that trade publicly in Zambia, whether formally registered with a financial sector regulator or not. If you have any questions, or you would like to report a violation, you may contact any of the following individuals.

*Bank of Zambia: Akabiwa Kalimukwa* – akalimuk@boz.zm

*Securities and Exchange Commission: Benson Mwileli* – bmwileli@seczambia.org.zm

*Pensions and Insurance Authority: Yizaso Musonda* – yizaso.musonda@pia.org.zm

*Zambia Information and Communications Technology Authority: Vanessa Menshi* – vmenshi@zicta.zm

## THE CODE

### Basic Values

This code intends that fintechs will maintain a general standard of ethical behaviour. Companies' business activities should always be based on commitments to transparency, professionalism and integrity. In particular, fintechs should comply with the following points.

- Focusing on the interests of customers as much as the interests of the company when conducting business.
- Conducting appropriate and proper customer identification in line with the KYC requirements set out by local authorities.
- Basing customer relations on mutual loyalty, trust and long-term cooperation.
- Investing in qualified employees who are polite, attentive and able to perform all their functions properly.
- Working towards management being knowledgeable about the financial market, the applicable regulatory framework, strategic business planning, and risk management.
- Ensuring that the information technology systems forming the basis of products and services function properly and without interruption.
- Establishing and retaining a good reputation, and ensuring goodwill between the company and its intended customers.
- Having an adequate grievance mechanism to receive and speedily resolve customer complaints and issues.
- Establishing sound relations with the relevant local authorities and regulators.

### Legal Compliance

Fintechs should comply strictly with all relevant laws and regulations nationally and, where relevant, internationally. The following aspects should be emphasized.

- Fintech companies should have publicly accessible procedures for receiving and resolving complaints from customers, and should deal with them according to the standards outlined by the relevant financial regulator.
- Fintech companies should ensure the security and confidentiality of all data relating to their customers.
- Fintech companies should take measures to prevent and report all illegal activity such as corruption, money laundering and the financing of terrorism.
- Companies must ensure compliance with the contracts or agreements they sign with their customers.


### Fair Competition

Fintechs should treat their competitors fairly and respectfully. The CCPC bases fair competition on the principles governing the price and quality of services. In this vein, companies should not harm one another's ability to provide a fair price or quality service. Additionally, companies should steer clear of activities that may result in the tarnishing of the reputation of their competitors.

### Conflicts of Interest

Fintech companies should ensure they do not take part in business activities that place the interests of the business and those of their customers at odds. Such conflicts may arise for financial or other reasons, placing the welfare of the business above the welfare of the business's customers. In a case where such a conflict is imminent, the company should consult the regulatory authorities.





The UN Capital Development Fund makes public and private finance work for the poor in the world's 46 least developed countries (LDCs). UNCDF offers 'last mile' finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

**UN Capital Development Fund**

UN House, Alick Nkhata Road,  
Longacres, Lusaka, Zambia

Tel: (+260) 386 2000

Email: isaac.holly@uncdf.org

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