



BCEAO

BANQUE CENTRALE DES ETATS
DE L'AFRIQUE DE L'OUEST

OVERVIEW OF DIGITAL FINANCIAL SERVICES IN THE WEST AFRICAN ECONOMIC AND MONETARY UNION AT THE END OF SEPTEMBER 2015

BCEAO (Banque Centrale des Etats de l'Afrique de l'Ouest) is the Central Bank for the 8 countries (Bénin, Burkina, Côte d'Ivoire, Guinée-Bissau, Mali, Niger, Sénégal and Togo) of the West African Economic and Monetary Union (WAEMU). Countries of the WAEMU share one Central Bank, one currency (CFA) and one monetary policy.

In the WAEMU, the development of digital financial services has an important impact on the access to financial services.

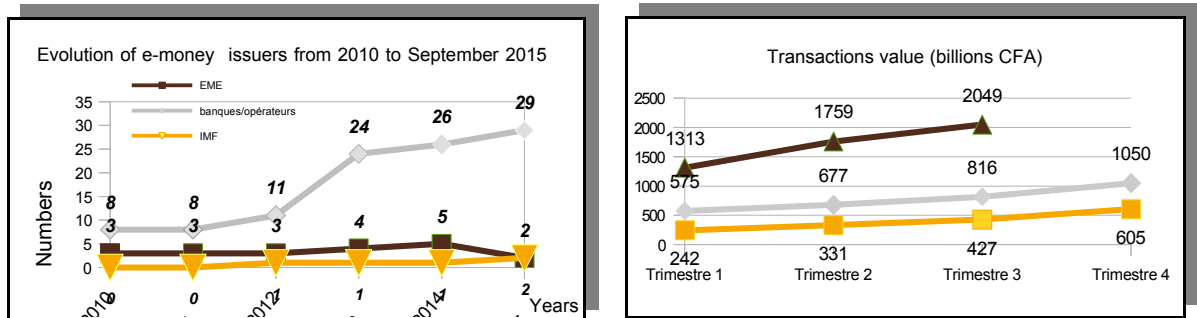
The Central Bank authorizes two types of models for the issuance of electronic money: the banking model and the non-bank model. In the banking model, the electronic money issuance is the responsibility of a credit institution or a microfinance institution in partnership or not with a technical operator.

The non-bank model is implemented in the framework of the approval of a non-banking institution called Electronic Money Institution (EME) for the issuance of electronic money.

Taking advantage of the innovative e-money regulatory framework adopted by BCEAO since 2006, and renovated in May 2015, significant progress was made in the WAEMU, with 33 electronic money issuers. At the end of September 2015, 29 of the 33 offerings are stemming from partnerships between banks and telcos. The remaining 4 are stand alone emoney issuers, including microfinance institutions.

In terms of activity, from January to September 2015, WAEMU's users have made 346.9 million transactions worth 5 121 billions FCFA (8.5 billions USD), with respective increases of 33% and 36% compared to 2014. The average daily value of transactions amounted 18.96 billions FCFA (31.5 millions USD) at the end September 2015 against 10.3 billions FCFA (16.4 millions USD) in 2014 and 4.4 billions FCFA (6.5 millions USD) in 2013. Per day, 1.2 million transactions were processed on average at the end of September 2015 in all existing mobile payment platforms in the WAEMU, against 710,242 at end of December 2014.

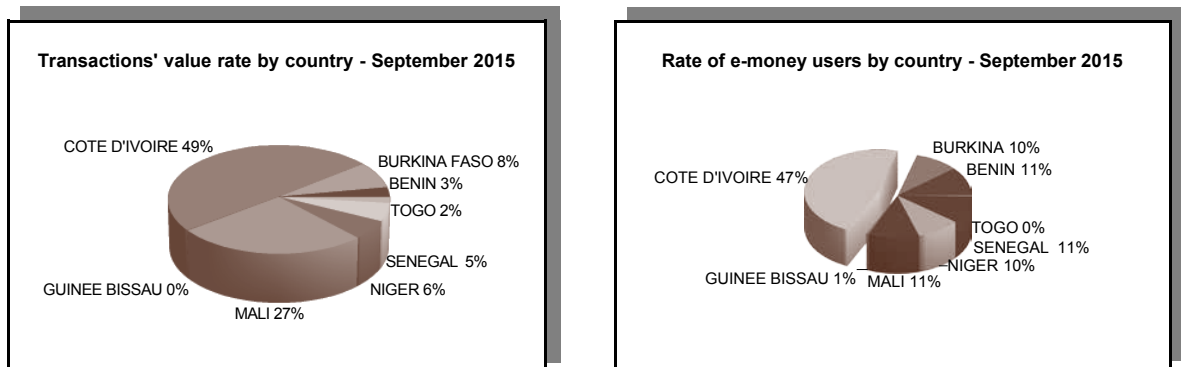
In terms of access, from January to September 2015, the number of service points increased by 41% from 93 621 to 132 658.



However, these trends are far from being harmonized throughout the region. Indeed, at the end of September 2015, Côte d'Ivoire, Mali and Burkina concentrated approximately 84.56% of trading volume and 90.54% of the total value of transactions. In 2014, these countries accounted for 86% of the region's transactions and 91.3% of the total value of transactions.

Senegal and Niger experienced similar developments at the end of September 2015 with respective volumes of 18 and 19 millions transactions valued at 152 billions FCFA and 149 billions FCFA. In 2014, both countries had respective volumes of 18.8 and 14.6 millions transactions valued at 192 billions FCFA and 108 billions FCFA. In Senegal, the weakness in activity could be explained by competition from local money transfer systems.

The analysis of the situation in the region shows that, in countries that have experienced security problems related to socio-political crises such as Côte d'Ivoire and Mali, digital financial services are most popular and are used as an alternative to cash remittances.

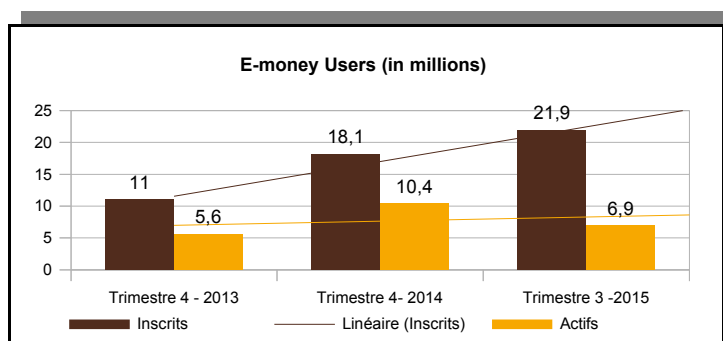


Looking at the main players, the Orange Group, operating in 4 of the 8 WAEMU countries has leveraged on its partnership with BNP Paribas subsidiaries on one hand, and fears of subscribers related to security risks on the other hand, to develop its digital financial services business which allowed it to earn a 38% market share. This Group is the leading player in the sector and partners with BNP Paribas subsidiaries excepted Niger where it is in partnership with Bank of Africa. However, with opportunities offered by the new regulation, the Group

adopted a new strategy aiming to end its partnerships with banks by creating independent subsidiaries dedicated to electronic money issuance. In this respect, it applied in June 2015 at the BCEAO, for e-money licences as a stand alone e-money issuer respectively in Senegal, Mali and Côte d'Ivoire. The Senegalese Orange subsidiary has been licensed in December 2015.

Overall, digital financial services in WAEMU are taking off at great speed. Nevertheless there is still a need for second generation digital financial services with more sophisticated and varied financial products (micro-credit and micro-insurance) as in East Africa.

Moreover, there is a relatively high inactivity rate of subscribers over the period reviewed. At the end of September 2015, 69% of the subscribers are inactive against 40% in 2014. According to a study conducted by IFC in Côte d'Ivoire, the low activity rate in that country could essentially be explained by low incomes and high prices.



BCEAO has initiated projects which ultimately should help to strengthen competition and reduce prices, notably by improving transparency on digital financial services' tariffs. The Bank is also promoting financial education for targeted populations and partnerships between banking and non-banking players in order to enhance transformational services.

