THE GHANA FINTECH REPORT

A Sustineri Attorneys' Quarterly Fintech Newsletter

TABLE OF CONTENT

PUBLISHERS – SUSTINERI ATTORNEYS PRUC

We are Ghana's foremost Fintech and Start-up focused law firm, committed to providing differentiated legal services by leveraging our experience as proven entrepreneurs, business managers, and business lawyers which allows us to think and act like the entrepreneurs, business owners, and managers we work with at all times.

As a team of young legal practitioners, SUSTINERI ATTORNEYS PRUC takes pride in acting with integrity, avoiding conflicts, and working with clients to design innovative legal solutions that meet their specific needs.

At SUSTINERI ATTORNEYS PRUC, we consider every client's brief as an opportunity to use our sound understanding of Ghana's business, commercial and legal environment, professional experience, and sound commercial knowledge to provide solutions that do not only address immediate legal needs but also anticipate future challenges and opportunities.

Our pride as the foremost Fintech and Start-up focused law firm stems not only from our understanding of the potentials of emerging technologies and our belief in the ideas of many young people but also from the difference our network of resources and experience can make when working closely with founders and entrepreneurs. To this end, we operate a 24-hour policy urging our clients to reach out to us at any time and on any issue.

We strive for excellence, ensuring that our solutions provide sustainable paths for our clients' businesses by adopting a common-sense and practical approach in our value-added legal service delivery – and employing our problem-solving skills.

Our goal is to help businesses to become commercially sound and viable, as well as regulatory compliant, by engaging in legal and beneficial transactions to promote their business competitiveness for sustained operations and investments.

And as our name implies, our priority is to always leverage legal means to promote the sustainability (long-term viability) of our clients' businesses.

We are different, and the preferred partner for growth.

CONTRIBUTORS

Richard Nunekpeku,
Managing Partner –
richard@sustineriattorneys.com

Cecilia Antwi Kyem,
Trainee Associate –
cecilia@sustineriattorneys.com

Harold Kwabena Fearon,
Trainee Associate –
harold@sustineriattorneys.com

FORWARD

Dear Readers,

We are thrilled to present the first edition of our new quarterly Financial Technology (Fintech) Report dubbed the “GHANA FINTECH REPORT”, a comprehensive publication that aims to provide insights into the ever-evolving financial technology landscape in Ghana. As a law firm specializing in broad business-related practice areas, particularly technology law and fintech innovations, we are committed to offering our clients and the broader business community a thorough understanding of the fintech industry, its regulatory framework, and emerging trends.

The Fintech sector in Ghana has witnessed unprecedented growth in recent years, driven by a combination of factors such as increased internet penetration, mobile technology adoption, and a vibrant startup ecosystem. This transformation has led to new opportunities for businesses and individuals, as well as challenges for regulators seeking to maintain a balance between innovation, consumer protection, and financial sector goals.

In this report, we delved into the regulatory framework governing the fintech industry in Ghana, including an analysis of key regulators, guidelines, and recent developments. Also, we provided a detailed examination of the major trends shaping the sector, such as artificial intelligence, machine learning, and blockchain technologies while offering an overview of notable events and milestones.

Additionally, we highlighted major developments within the regulators, and industry stakeholders’ space, providing a well-rounded perspective on the state of fintech in Ghana. Moreover, our team of legal practitioners shared their insights on various issues impacting the fintech industry, ranging from corporate governance to the role of fintech companies and traditional banks in financial inclusion and sustainable development.

Our primary goal with this quarterly report is to contribute to the ongoing conversation on the fintech ecosystem in Ghana, offering valuable insights and analysis to inform decision-making for businesses, regulators, and other stakeholders.

We believe that a well-informed fintech ecosystem can promote sustainable growth, financial inclusion, and ultimately enhance the lives of Ghanaians.

We hope you find this report insightful and valuable in navigating the complexities of the fintech landscape in Ghana. We look forward to hearing your feedback, suggestions, and questions, and to fostering an engaging discussion on the future of financial technology in Ghana and across Africa.

Richard Nunekpeku
Managing Partner

OVERVIEW OF THE GHANAIAN FINTECH ECOSYSTEM

Total number[1]:
46 licensed Fintech Companies including:
34 PSP Enhanced Licences;
5 Dedicated Electronic Money Issuers;
1 special approval (MTN)

Total Revenue by 2025[2]: $18.6bn

Key Players:

Government, Traditional banks, Fintech companies, Service providers, Telecommunications, Network, Incubators and Accelerators, Investors.

eCedi: BoG has completed a pilot phase and undertaking a review for commercial deployment

Regulatory Sandbox: The 1st cohort application process closed, and innovations are currently under review for piloting

Mobile Money Performance:
Players: MTN Mobile Money, Vodafone Cash, AirtelTigo Cash
Total value (end of the year 2022): GHC122bn
Total volume (end of the year 2022): 488 million
Total value (Q1 – Feb 2023): GHS134bn
Total volume (Q1 – Feb 2023): 493 million

BoG: Payment Systems and Services Act 2019 (Act 987); Banks and Specialized Deposit-Taking Institutions Act 2016 (Act 930); Ghana Deposit Protection Act 2016 (Act 931) as amended; Credit Reporting Act 2006 (Act 726), Anti-Money Laundering Act 2020 (Act 1044)

SEC: Securities Industry Act 2016 (Act 929)
Insurance Commission: Insurance Act 2021 (Act 1061)

REMARKS

The fintech landscape in Ghana has made significant inroads in driving financial inclusion over the past few years, with various startups offering innovative solutions. Despite the challenges faced by the ecosystem, including regulatory drawbacks and limited access to funding, the ecosystem has shown enormous potential and is poised for further growth in the coming years. Overall, fintech companies in Ghana operate within a well-defined regulatory framework that is aimed at promoting the growth and development of the financial sector while protecting consumers and maintaining financial stability in line with the government's commitment to digital transformation and financial inclusion.

[1] https://www.bog.gov.gh/fintech-innovation/fintech-statistics/

[2] McKinsey & Co, Fintech in Africa; the end from the beginning, https://www.mckinsey.com/industries/financial-services/our-insights/fintech-in-africa-the-end-of-the-beginning

THE REVIEW OF LEGISLATIVE REGIME

LEGAL AND REGULATORY FRAMEWORK

Broadly, the regulation of Financial Technology (Fintech) innovations in Ghana can be grouped into Primary and Secondary Regulations with established regulators. The Primary Regulations provide primarily for the licensing, supervision, and regulation of financial products or services while Secondary Regulations generally deal with the management and operations of businesses in Ghana. In the below snap review, we take a look at the Regulatory Bodies providing statutory services for the Fintech Companies and innovations in Ghana:

1.1. RELATED REGULATORY BODIES

1.1.1. THE CENTRAL BANK (BANK OF GHANA)

The primary regulation of Fintech innovations and companies falls under the regulatory purview of the Bank of Ghana. The Central Bank through the Fintech and Innovation Office is responsible for the licensing, supervision, and regulation of the activities of Fintech companies and has issued licensing and operational guidelines for the purposes of the procurement of licenses for the commercialization of permissible fintech innovations in Ghana.

The Central Bank derives its authority to regulate Fintech innovations from legislations such as the Bank of Ghana Act 2002 (Act 612) as amended, Bank and Specialized Deposit-Taking Institutions Act 2016 (Act 930), Payment Systems and Services Act 2019 (Act 987), Anti-Money Laundering Act 2020 (Act 1044), Ghana Deposit Protection Act 2016 (Act 931) as amended and the Credit Reporting Act 2007 (Act 726).

1.1.2. SECURITIES AND EXCHANGE COMMISSION (SEC)

The Securities and Exchange Commission under the Securities Industry Act 2016 (Act 929) has the mandate to promote orderly growth and development as well as maintain surveillance over activities in securities to ensure an efficient, fair, and transparent securities market in which the integrity of investors and the securities market are protected.

The Commission also regulates fintech companies that offer digital investment products such as P2P lending platforms and crowdfunding platforms through a collaborative effort with the Bank of Ghana.

1.1.3. NATIONAL INSURANCE COMMISSION (NIC)

The National Insurance Commission is established by the Insurance Act 2021 (Act 1061) and its main object is to ensure the effective administration, supervision, regulation, monitoring, and control of the business of insurance, to protect insurance policyholders, and to generally regulate the insurance market.

All Fintech companies seeking to provide, design, or deploy insurance solutions and business models have an obligation under the Act to seek the necessary authorizations and licensing permits from the NIC.

1.1.4. THE OFFICE OF THE REGISTRAR OF COMPANIES

As part of the licensing regime currently established by the Bank of Ghana, any Fintech innovation seeking to obtain a licence must be a body corporate duly incorporated and issued with a certificate of incorporation by the Registrar of Companies in accordance with the provisions of the Companies Act, 2019 (Act 992).

However, due to the Bank of Ghana's local ownership requirement of a minimum of 30% Ghanaian ownership, the shareholding structure of the incorporated company must meet this requirement in instances of foreign participation.

1.1.5. THE DATA PROTECTION COMMISSION

The Data Protection Commission (DPC) is established under the Data Protection Act, 2012 (Act 843) to protect the privacy of individual and personal data by regulating the processing of personal information. The Commission provides for the process to obtain, hold, use, or disclose personal information and for other related issues bordering on the protection of personal data.

Fintech companies are enjoined by the Act to comply with the data and privacy standards through their collection, use, and storage of personal information of individuals.

1.1.6. GHANA REVENUE AUTHORITY

The Ghana Revenue Authority, established by the Ghana Revenue Act 2009 (Act 791) is mandated to ensure maximum compliance with all relevant tax laws. The Income Tax Act 2015 (Act 896) (as amended) and related tax laws provide the legislative framework for taxation in the country. Ordinarily, Fintech companies are required before the commencement of operation to register with the Authority in order to pay their tax liabilities in respect of their operations, employees, and profits.

1.1.7. FINANCIAL INTELLIGENCE CENTRE

The Financial Intelligence Centre provides the regulatory framework for the receipt and analysis of suspicious transaction reports and other information relevant to predicate offences of Money Laundering/Terrorist Financing and Proliferation Financing (ML/TF&P) and to disseminate actionable intelligence to competent authorities. Compliance with Anti-Money Laundering/Combating of Financing Terrorism (AML/CFT) laws are very critical for every Fintech company's operationalization. The law requires Fintech companies to comply with the provisions of the Anti-Money Laundering Act 2020 (Act 1044).

1.1.8. NATIONAL COMMUNICATIONS AUTHORITY (NCA)

The NCA is the regulator for the communications industry in Ghana. It oversees the telecommunications sector which includes mobile money services and other digital financial services. The NCA is responsible for ensuring that these services are secure and reliable and that the regulatory requirements relating to the operation of a communication network are duly complied with. It also provides short code services to fintech companies.

1.1.9. SOCIAL SECURITY AND NATIONAL INSURANCE TRUST

The Social Security and National Insurance Trust (SSNIT) is a statutory public Trust charged under the National Pensions Act, 2008 (Act 766) with the administration of Ghana's Basic National Social Security Scheme. All fintech companies are required to register with SSNIT and make monthly payments in line with pension provisions for their employees.

1.1.10. METROPOLITAN, MUNICIPAL, AND DISTRICT ASSEMBLIES (MMDAs)

The Local Government Act 1993 (Act 467) establishes MMDAs and mandates them among other things to issue business operating permits for businesses seeking to operate in and from locations within the designated MMDAs. The Bank of Ghana in its licensing process requires fintech companies to produce business operating permits from their respective MMDAs of operation to ensure compliance with relevant laws and statutory obligations.

1.1.11. GHANA INVESTMENT PROMOTION CENTRE (GIPC)

The Ghana Investment Promotion Centre (GIPC) is the agency mandated by law to mobilize, coordinate, and monitor investments into the country, and it is regulated by the Ghana Investment Promotion Act 2013 (Act 865).

Generally, the Act sets the operational and minimum capital requirements for foreigners seeking to do business in Ghana post satisfying the registration requirements under the Companies Act 2019 (Act 992). However, for the regulation of Fintech companies, the mandate of the Centre in terms of enforcing minimum capital requirements is subject to the directives of the Bank of Ghana.

THE LICENSING REGIME

THE EXISTING LICENSING REGIME

Fintech companies in Ghana are subject to a dedicated licensing regime with the aim to promote financial stability, consumer protection, and innovation in the financial sector. The Payment Systems and Services Act 2019 (Act 987) is the main legislation which gives the Central Bank, the authority to provide for the licensing of Fintech companies as well as exercise regulatory and supervisory oversight over them.

Broadly, three licensing categories have been created namely Payment Service Providers (PSPs), Electronic Money Issuers (EMIs), and Dedicated Electronic Money Issuers (DEMs). Fintech companies operating and/or seeking to operate under any of these categories are required to meet certain minimum capital requirements, governance requirements (fit and proper test for directors and key management personnel), and operational requirements (demonstration of technical and financial capacity to provide the licensed financial services

LICENSING CATEGORIES, FEES, AND PERMISSIBLE ACTIVITIES

2.1.1 Illustrated in the table below are the license categories, their permissible activities, applicable fees, and their minimum capital (integrity capital) requirements: -

Table 1: Financial Requirements

Licence	Integrity Capital	Fees (GHS 000)			Tenure
Category/Type	GHS Million	Processing	License	Renewal	Yrs
Dedicated Electronic Money Issuer	20	25	100	10	5
PSP (scheme)	8	20	90	8	5
PSP (enhanced)	2	12	40	7	5
PSP (medium)	0.8	8	15	5	5
PSP (standard)	N/A	0.5	1	0.2	5
PFTSP	N/A	10	20	5	

Operational Requirements

Corporate Structure:-

- Registration with ORC – private company limited by shares
- Registration with other bodies -
  - GRA
  - SSNIT
  - Data Protection Commission
  - District Assembly
- 30% local equity ownership in case of foreign participation
- Minimum of three (3) directors appointed in line with the Fit and Proper Directive of July 2018.
- Key management personnel –

- CEO
- Technology and Systems Manager
- Compliance and Risk Manager
- Finance Manager

▶ Appointment of External Auditors, Accountants, and Bankers

Operational Framework:-

▶ Business Plan
▶ Business Impact Assessment (BIA)
▶ Risk and Mitigation Measures covering operational, market, liquidity, fraud, legal, credit, and funding risks.
▶ Systems and Technology

Policies:-

▶ Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Policy
▶ Consumer Protection Policy
▶ ICT Policies –

- Data Protection Policy
- ICT Acceptable Use Policy
- ICT Monitoring Policy
- ICT Information and Cyber Security Policy
- Remote Working Policy
- Data Collection and Sharing Policy
- Data Security Incident Procedure

Certification: -

▶ Data Protection Certificate
▶ ISO 27001-2013
▶ PCI DSS Certification and Certificate of Compliance (where applicable)

Table 3: Permissible Activities

DEMIs	PSP - SCHEME	PSP - ENHANCED	PSP - MEDIUM	PSP - STANDARD	PFTSPs
• Recruitment and management of agents • Creation and management of wallets • P2P on net/off net • Cash in and cash out • Wallet based domestic transfer. • Investment, savings, credit and pension product (in partnership with banks) • Mobile Money merchant acquisition • Termination of inbound electronic transfer	• Domestic card brand association • Switching and routing of payment transactions and instructions	• All permissible activities for PSP - medium license • Market place for financial services offered by regulated financial service providers. • Merchant acquisition and aggregation • Payment processing • Printing and personalization of EMV cards • Inward international remittance services • Third party gateway services • Limited used virtual cards (funded via rewards, refunds, and users' other accounts)	Collaborates with a PSP – enhanced license to offer the following services: • All permissible activities by Enhanced PSP license holders • Payment aggregation connected to Enhanced PSP • Biller/Merchant Aggregation • POS deployment • Printing of non-cash payment instrument • Mobile payment apps (with liability shift)	Collaborates with a PSP – enhanced license to offer the following services: • Mobile payment apps (liability shift enhanced)	• Digital product development, delivery and support services for payment, savings, insurance, investment; and loyalty schemes • Credit scoring predictive analytics • AML/CFT centralised platform • Fraud management services • Know Your Customer(KYC) and Customer Due Diligence (CDD) authentication services.

INVESTMENT & FUNDING UPDATES

THE PERFOMANCE OF GHANAIAN START-UPS IN RAISING FUNDING

GHANAIAN START-UPS RAISED A RECORD US$212M CAPITAL IN 2022

The Ghana Innovation Ecosystem Report 2022 has revealed that domestic start-ups have achieved an all-time record in raising capital, reaching US$212 million in 2022. Venture capital firms were the main source of funding, contributing 71 percent of the total investment, with financial technology companies receiving the most support due to their growth potential. Early-stage start-ups accounted for 45 percent of the capital raised, and at least 15 established start-ups expanded their operations to 11 countries on the continent. Ghana maintained its position as the fifth-largest venture capital market in Africa.

Although Fintech innovations were the dominant sector, mPharma, a health-tech start-up, raised the highest amount of funding at US$35 million. Unfortunately, female-led start-ups only received a small fraction of the total funding. On the other hand, gender-diverse teams secured nine percent of the total funding.

SOME OF THE HIGH RAISERS IN 2022

i. Ghana-based fintech startup Dash raises US $32.8 million in seed funding

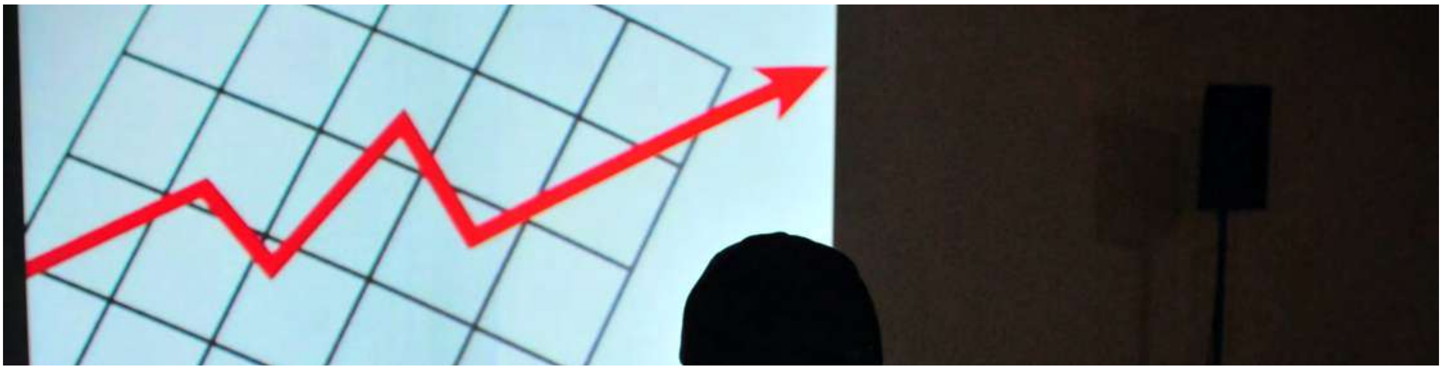
“Dash”, a payments application that unifies payment services announced that it had secured a seed funding round that garnered US$32.8 million. This funding round, led by Insight Partners, a venture capital firm headquartered in New York, is among the most significant of its kind in Ghana, second only to PalmPay’s US$40 million seed round. This deal adds to a growing number of fintech investments in the sector, which represented up to 60% of Africa’s total venture capital funding in the previous year.

This deal is quite significant because it shifted the spotlight away from Nigeria, Africa’s most thriving fintech industry, to Ghana, where fintech startups raised only US$ 167 million in venture capital in 2021 attesting the growing interest in Ghana.

ii.Ghana FinTech Fido Raises $30M in Series A Round

The Ghanaian-based FinTech company “Fido” reportedly raised $30m in a Series A round, as well as an undisclosed amount in debt funding. The capital injection was led by Israel-based investor Fortissimo Capital which included participation from Yard Ventures, a venture capital fund for Harvard alumni, and private investors, raising the fintech's total funding to $38 million.

Fido intends to use this capital to launch new financial products in Ghana, expand its customer base throughout Africa, and establish a tech center in Accra for training software engineers.



iii. Ghanaian fintech startup, SecondSTAX, raises $1.6 million in pre-seed round

Ghanaian fintech startup, Secondary Securities Trading and Aggregation Exchange (SecondSTAX) announced its public launch on September 21, 2022. It also announced that it had raised $1.6 million in pre-seed funding from private investors and venture capital firms, including LoftyInc Capital and STEMeIn, which it would use to expand to other countries by the end of the year and address regulatory and licensing issues.

Co-founded by Eugene Tawiah and Duke Lartey, SecondSTAX allows broker-dealers, asset managers, pension funds, and institutional investors to access markets outside their home country.

The B2B capital markets infrastructure platform enables the trading of debt and equity securities on other African bond and stock exchanges, while also helping investment firms outside Africa invest in the continent's emerging and frontier economies. Investment firms can also hold assets in multiple currencies, reducing single-currency risk and volatility in returns.

ECOSYSTEM FUNDING AND SUPPORT OPPORTUNITIES

AVAILABLE FUNDING & SUPPORT OPPORTUNITIES

While the ecosystem is still in its early stages, there are a growing number of funding opportunities and resources available to fintech start-ups in Ghana.

The most common and obvious of these funding options available to fintech start-ups in Ghana are equity and debt financing. Equity financing involves raising funding through a share of ownership from new or existing shareholders (owners). On the other hand, debt financing occurs when a start-up borrows or secures funding to be repaid at a future rate with interest.
While equity and debt financing are two of the most common forms of financing available, there are other alternative options that start-ups can explore in order to meet their funding needs.

Some of the most popular sources of funding for fintech start-ups in Ghana using the traditional options of debt and equity financing are venture capital (VC) firms, Angel Investors, Innovation Hubs, Impact Funds, and Crowdfunding among others. Below are some of the popular innovation hubs and impact funds providing funding and other forms of support for the fintech ecosystem:

IMPACT HUB Accra

Impact Hub Accra is a leading social entrepreneurship and innovation center in Ghana. Impact Hub Accra provides a platform for entrepreneurs, innovators, and changemakers in Ghana to connect, collaborate, and create solutions that drive change and innovation.

The organization offers various programs and services to support the growth and development of startups and entrepreneurs, including co-working spaces, incubation, and acceleration programs, mentorship, leadership training programs, and networking opportunities.

Impact Hub Africa in collaboration with Growth Africa Foundation organizes the Deep Dive Program, an initiative that aims to connect 40 investment-ready startups from Ghana, Nigeria, Rwanda, and Kenya (10 per country) to investors from across the globe. The program takes investors on an immersion of the startup ecosystem across the four countries and provides support to selected startups in getting ready to pitch to investors who are seeking to raise a minimum of $100k in pre-seed or seed funding.

Start-ups seeking to apply must demonstrate validated market demand and achieved product-market fit, a proven market traction and recurring revenue and the ability to execute and build a digital presence.

Founded in 2008 by the Meltwater Foundation, MEST Africa is a Pan-African training program, seed fund, and incubator, with the goal of equipping the continent's most promising tech entrepreneurs with the skills required to launch and scale globally successful software companies.

Entrepreneurs who have gone through MEST Africa's program have created solutions that cater to both local and global markets.

They have also received funding from international investors and have been accepted into prestigious accelerator programs like Y-Combinator, 500 Startups, and TechStars. Throughout its existence, MEST Africa has invested more than $20 million in training over 400 entrepreneurs and supporting over 50 early-stage tech startups.

Every year, individuals who are enthusiastic about entrepreneurship and technology compete for a total of 60 fully sponsored slots at a training program located in Accra, Ghana known as the MEST Africa Training Program. Successful candidates gain access to intensive training, guidance from experienced mentors, and the largest network of tech startups on the African continent.

Ghana Tech Lab is an organization based in Accra, Ghana that aims to support Ghanaian and African startups with innovative technology solutions. Their primary goal is to build a sustainable technology ecosystem in Ghana and beyond by providing entrepreneurs with the resources they need to build successful businesses.

Impact Investing Ghana (IIGh) is a private sector-led initiative supporting impact investment in Ghana, which brings together leaders from finance, business, government, social organizations, and philanthropy. They promote sustainable development and the development of the impact investment ecosystem in Ghana.

As the country's National Advisory Board (NAB) on impact investing, it represents Ghana on the Global Steering Group for Impact Investing (GSG), which represents NABS from 35 countries. It has an ambitious plan to promote the development of impact-driven enterprises and to facilitate the investment of $1 billion in impact funds for impact ventures in Ghana and the West African sub-region. As one of its flagship initiatives, Impact Investing Ghana has commencement the implementation of the innovative Ci-Gaba Fund of Funds, which is designed to generate $75 million in local and international funding for domestic capital providers investing in Small and Medium Enterprises (SMEs) to drive progress towards the Sustainable Development Goals (SDGs).

Start OA is a leading startup advisory firm in Africa that has gained a reputation for providing unparalleled support to startups in various areas such as fundraising, startup advisory services, and expansion into new markets. They provide financial advisory services and have a keen interest in technology. They provide support in various areas such as fundraising and investment by way of equity financing, business strategy, marketing, and expansion.

Further, Start OA focuses on enhancing the product-market fit of startups by refining their business, operating, and revenue models, increasing their customer base, and securing additional investments.

They work closely with startups to understand their unique needs, challenges, and goals, and provide customized solutions to help them succeed.

With this in mind, Start OA has established the OA Fintech Accelerator Program – a 16-month intensive program where participant start-ups are taken through expert-led sessions and customized workshops covering topics such as business development, product-market fit, marketing, fundraising, leadership, and scaling. Participants who complete the program stand a chance to receive up to $20,000 in funding for 5-10% of the start-up's equity.

Innohub is a Business Accelerator and Impact Investment Platform that helps SMEs with high growth and high-impact potential to become investment ready, sustainable, and scalable in order to achieve profitability and social impact. They seek to bridge the gap between social enterprises and impact investors.

Over the years, Innohub has supplied assistance for business development and training aimed at promoting growth for startups, small to medium-sized enterprises, and corporations of varying sizes in various industries such as fintech, agribusiness, food processing, logistics management, oil and gas support, clean energy, and information technology.

Stanbic Bank Incubator (SBIncubator), a 3rd generation Business Incubator, is a Corporate Social Initiative set up by Stanbic Bank Ghana, a member of the Standard Bank Group to contribute towards the promotion of entrepreneurship among the youth and women in Africa.

Its initiative is to contribute to improving the economic state of the country and the people of Ghana through job creation, access to market, and providing an enabling environment for Small and Medium Enterprises (SMEs) as well as startups to grow.

As part of its efforts to support and nurture early-stage businesses and entrepreneurs, they have partnered with the Tech Entrepreneurship Initiative 'Make-IT in Africa,' a program implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Federal Ministry of Economic Cooperation and Development to develop an accelerator program known as the NextGen Fintech Accelerator.

The accelerator program intends to assist growth-stage technology companies in their market validation and customer acquisition phase in Ghana. The program focuses on product validation, customer acquisition, and investment readiness.

The YouStart program is a government initiative designed to offer financial and technical support to young people aged between 18 and 40, as well as youth-led businesses, to help them establish, develop, and expand their own businesses.

The program has been benchmarked to other successful models around the world, such as the US Small Business Administration (SBA) and the UK's British Business Bank. The government aims to allocate around GHS10 billion over the next three years to create a minimum of one million jobs in the economy. Funding will come from various sources, including the Electronic Transaction Levy (e-Levy) and other institutions such as the World Bank, IFC, MasterCard, select PFIs, and other DFIs.

The YouStart program is an initiative of the GHS100 billion Ghana Cares "ObaatanPa" program, which was launched by the government in November 2020 to alleviate the effects of the COVID-19 pandemic, get the country back on track towards stable growth, and establish a more resilient, stronger, and transformed economy.

FINTECH TRENDS & INNOVATIONS

TOP 10 INNOVATION TRENDS TO WATCH IN 2023

1. Digital Payment Services

The development and deployment of digital payment services – the use of mobile payment apps, electronic payment systems, mobile wallets, etc. - without the use of physical cash has become the main offering of Ghana's Fintech ecosystem. These payment innovations particularly mobile money (Momo) have enabled greater financial inclusion than any traditional financial service channels – despite their risks.

While we anticipate the enhancements in existing payment solutions to allow multiple payment options and the development of add-on services, the adoption of other modes of payment such as contactless payments like Apple Pay, Google Pay, Paypal, etc. will be aggressively deployed this year.

The trend will promote the expansion of existing payment solutions such as mobile banking, peer-to-peer payments, etc., and drive the development of new payment technologies.

Additionally, the rollout of the Pan-African Payment and Settlement System (PAPSS) which is providing financial market infrastructures for instant and secured cross-border payments offers new opportunities for the development of payment solutions that support merchant payments and cross-border transactions.

The surge in the associated risks of fraud, privacy, data protection, and user identification will promote the development of new technologies to support biometric identification, enhance KYC processes, fraud detection, and data protection.

Innovators particularly must pay attention to this trend and design tailored solutions to meet the growing demands and facilitate the growth of digital payment platforms.

2. Internet Of Things (IoT)

The Internet of Things (IoT) simply refers to the collective invisible network of connected devices using the technology that permits communication between the devices and cloud services. This is possible due to the ongoing digital revolution which is witnessing the wide use of internet-enabled and connected devices by individuals and businesses.

As part of the revolution, everyday "things" (devices) connected to the internet are integrated and powered to allow seamless connectivity and access between multiple smart devices such as computers, cars, mobile devices, and home appliances among others.

Now, the innovation focus is shifting to making available for use at homes, workplaces, and in industries, IoT technology and devices which can automatically transmit data to and from the internet promoting the use of machines in activities of work and life.

IoT is enabling real-time collection and exchange of data leveraging smart devices, IoT applications, and a graphical user interface to permit several possible uses of internet functionalities today.

And as the IoT trend gains acceptability and use, we anticipate its application to influence the use of connected vehicles, connected homes, smart cities, and smart buildings. Therefore, all stakeholders must plan for its adoption and use vis-à-vis its embedded financial service offerings.

3. Blockchain and Cryptocurrencies

According to a recent BBC report, the US regulators – the US Federal Reserve, Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency have issued their first-ever joint warning to banks over the use of cryptocurrency due to its associated risks – potential fraud, legal uncertainty, and misleading disclosures by digital asset firms.

This warning follows the recent collapse of the world's second-largest cryptocurrency exchange platform FTX in November 2022.

Despite its current challenges, the surge in the trading, use, and acceptance of cryptocurrency as a medium of exchange, a store of value, and a unit of measure in direct competition with the traditional currencies of the world will not be slowing soon. The craze to use crypto digital assets such as cryptocurrencies (Bitcoin being the popular one), crypto commodities, and crypto tokens will continue and may gain further acceptability.

Additionally, Blockchain technology has become the primary technology platform for the development of these emerging financial tools and fintech products and services. It is mainly characterized by data invariability and decentralized operations which allow modifications by its users and such updates on mutual terms. The high dependence on data by Fintech companies makes the adoption of this data-driven technology very crucial for their operations and the design of their services.

Although blockchain technology is mostly associated with cryptocurrencies, its potency transcends digital currencies and can be adopted by both Fintech companies and regulators to secure the huge volumes of financial data generated and used by them.

During the year, regulators particularly must continue to closely monitor the use of these technologies as a means of providing the medium of exchange and strictly regulate same as it has the potential to completely change the structure of the financial market and decentralize the use of money or its equivalence.

4. Artificial Intelligence (AI) and Machine Learning

Artificial Intelligence (AI) and Machine Learning (ML) are closely related and connected technologies. AI illustrates the capacity of a computer system to mimic human cognitive functions such as learning and problem-solving whilst Machine learning involves the process of using mathematical models of data to help a computer learn without direct instructions from humans with the possibility to continually learn and improve on its own based on its experience.

Following the increasing levels of automated processes and digitized transformations in financial services, Fintech companies are leveraging AI and Machine learning in handling "Big data" and predicting market trends. A key enhancement to this technology is the AI-powered chatbox and virtual assistants which have been pre-programmed to provide solutions to customers through data analysis of consumer patterns over a period. This provides a competitive advantage to service providers in cutting down operational costs while efficiently serving customers' needs and making more accurate predictions.

It has been estimated by industry experts that banks and financial institutions will save 826 million working hours in 2023 by introducing automated customer support through AI in Fintech and stakeholders must explore the immediate deployment of AI and machine learning technologies to improve their operations, assist in the detection of fraud, predict

5. Software as a Service (SaaS)

Software as a Service (SaaS) is a way of delivering applications over the internet as a service. As a shift from the current business practice of buying, installing, and maintaining software on hardware devices, one can now simply access software through a web-based platform as an on-demand service – giving 3rd party software providers the responsibility to manage access, security, availability, and performance of the software.

It works through a cloud delivery model through applications which are hosted and made available to its users through web-enabled devices. With the need for high-volume data as well as software performance and backup increasing daily, it has become pertinent and needful for businesses to choose cloud-based providers.

The use of SaaS enables multitenant architecture, easy customization, and better access to provide low setup and infrastructure costs, scalability, and security among others. Fintech companies can scale their services by providing a wide range of software tools on a single platform using cloud computing solutions at low setup and infrastructure costs. SaaS is one of the fastest-growing markets and has high user potential which businesses must explore.

6. Remittances and Money Transfer Services

In a World Bank year-in-review report for the year 2022, remittance in sub-Sahara Africa grew to an estimated 5.2% ($53 billion) more than it did in the year 2021. Previously, the cross-border transfer of funds was only facilitated by traditional financial institutions and channels.

However, with the advent of Fintech innovations, digital money transfer products are being deployed to facilitate instant transfer of funds and their use is on the rise across the world. According to data provided by the World Bank Migration and Development Brief, Ghana maintained its position as the second largest recipient of remittance in Africa, having recorded a 4.4% growth in 2022 – representing a $4.7 billion inflow. Similarly, India set a world record by hitting $100 billion in remittances in the year 2022.

Digital money transfers and remittances are fast becoming the preferred customer choice for sending funds across borders because they are faster, cheaper, and more convenient. And with the worsening economic conditions across Africa, the reliance on the diaspora for economic support and funds will be intensified and the use of digital money transfer channels will become more imperative. It has been forecasted by industry experts that in the face of a growing fintech ecosystem, remittances into the country will grow to $5 billion this

7. Environmental, Social and Governance (ESG) Compliance

ESG considerations are not direct products or services of the Fintech industry. However, the emerging trend for businesses to comply with ESG frameworks in the bid to promote sustainable business practices, attract investments, etc. implies that Fintech companies will not be exceptions to such demands.

The global acknowledgment that ESG considerations must constitute part of the performance benchmark for companies is gaining local acceptance. One such local initiative is the launch in the year 2022 by the Ghana Stock Exchange of its Disclosure Guidance Manual to regulate ESG compliance by the listed companies.

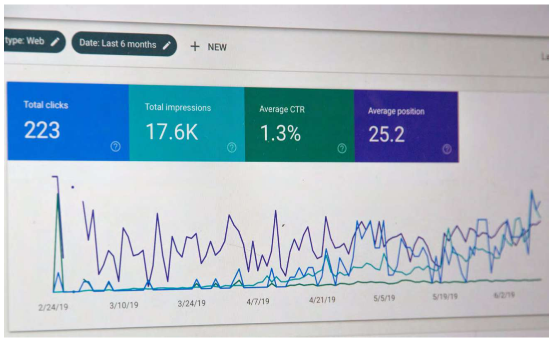
Even though there are no streamlined guidelines for privately owned companies, it is expected that ESG will play a pivotal role in the designing of business models and solutions by Fintech companies as ESG compliance has become a focal area of consideration for investors. For a country like Ghana which relies majorly on foreign investments, Fintech companies

8. Regulatory Trends

Fintech innovations are not unregulated innovations. Regulation of innovations will continue with strict supervisory activities by regulators largely due to the volatilities, risks, and consumer protection concerns of the industry. Existing regulations, guidelines, directives, and/or orders will experience reviews based on implementation insights and the direction of technological advances.

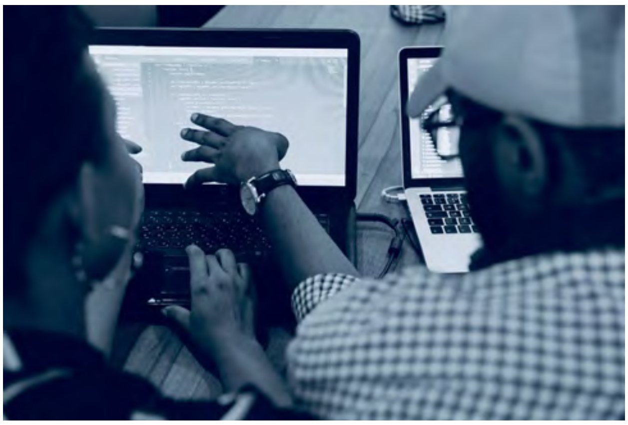
New innovations will be closely monitored, piloted under direct supervision, and rollout strategically to ensure financial stability and protection of the financial market. Policy frameworks to facilitate and promote innovations such as the rollout of a Regulatory and Innovation Sandbox in Ghana will continue as regulatory response and support.

Central bank initiatives such as the deployment of Central Bank Digital Currency (CBDC) (eCedi as the case in Ghana) will be aggressively pursued with the possible development of a comprehensive framework to regulate other digital assets. Fintech companies and other stakeholders must be prepared to engage and contribute to such initiatives.



Again, there is a growing need and preference for Regulatory Technology (RegTech) to enhance compliance by making available regulatory and compliance tools and services to Fintech companies on a universal platform. Industry players – regulators and Fintech companies can leverage this technology to facilitate the regulatory framework and align businesses along compliance streams.

9. Talents – Skilled Professionals



The bedrock of the Fintech industry is its people – talents leading the development of innovations and changing the financial service delivery landscape. Without talents, all the existing innovations and anticipated ones will not be realities.

Nonetheless, the industry is bedeviled by the lack of requisite human resources and at present, the available limited human capital is being outsourced by foreign-based tech giants. There is a need for Fintech companies to attract and develop a new pool of talents to diversify their service offerings in the face of a growing market economy and an increase in mobile and internet connectivity. McKinsey & Company in their Fintech Report in Africa notes that *by supporting the growth of training and skills development through informal technological education programs and training opportunities and focusing on recruiting and rewarding talent with strong IT and data capabilities, fintech and incumbents could develop the skills and expertise they need from local populations to help drive growth.* Fintech companies must roll out strategies to help them recruit, train, and retain talent with the requisite skills for their growth.

Also, the regulators must invest in talent development programs that support their understanding of fintech innovations and offer internal human resources for the effective performance of their regulatory–supervisory functions.

10. Smart Contracts

Undoubtedly, blockchain technology and smart contracts are fast becoming the future of transactions and record-keeping, as traditional paper-based contracts have proven over the years to be expensive, time-consuming, and susceptible to forgery in their adoption. As a new way of enforcing relationships and automating business processes, smart contracts will facilitate streamlining these digital tools and processes to increase efficiency by eliminating the conventional high-level decision-makers and stakeholders.

Also, its operationalization on the back of blockchain technology will allow for faster and more secure transactions. Industry players can leverage this technology in their transactional activities to promote secured transactions, efficiency, and reduced transactional costs.

THE REVOLUTIONARY ARTIFICIAL INTELLIGENCE

CHATGPT AND ITS VERSIONS

"ChatGPT" is a chatbot built on OpenAI's Generative Pretrained Transformer 3 (GPT-3) model which functions as a Large Language Model (LLM). GPT-3, a third version of the advanced language model developed by OpenAI, is an ultra-modern language processing AI model with a wide range of applications - including language translation and language modeling – which can generate answers to questions posed by its users in a manner similar to answers provided by humans.

In its relatively short deployment period, GPT-3 already uses over 175 billion parameters to recognize and form sentences and word groups. Recently, OpenAI launched GPT-4, which is a multimodal large language model – image and text inputs - with an enhanced text input than GPT-3, functioning on over a trillion parameters. GPT-4's creative feature to process both text and image prompts has improved user experiences, making it a powerful task and content creation tool.

Large Language Models (LLMs) are AI tools that can read, translate texts, summarize, and predict words like a human would – just like the autocomplete function in most text or word-based interfaces. However, ChatGPT is a buildup on regular LLMs as it incorporates the Reinforcement Learning with Human Learning techniques by using human modalities to train machines to provide specific answers to users' prompts. The integration with other learning techniques is as a result of LLMs' inability to fully comprehend users' needs to provide useful predictions.

Unlike a simple chatbot, ChatGPT is specifically trained to understand the human intent in a question to provide helpful answers. Thus, it can explain, program, and argue with human intelligence and efficiency. As part of its functionality, ChatGPT is a calibration of the GPT-3.5 model which was trained on huge amounts of data about code and information from the internet, including sources like Reddit discussions, to help ChatGPT learn dialogue and attain a human style of responding.

At present, the GPT-4 API has been adopted and integrated by technological companies such as Microsoft to build on its search engine, Bing, to power its natural language processing capabilities to provide an enhanced user experience - generating better search results and providing more relevant answers to user prompts. Users now have the advantage of enjoying more refined and detailed responses to text and image-based queries. Another use of the technology is the recent introduction of Microsoft co-pilot which combines the functionality of large language models with users' apps (Microsoft suite) and data to deliver what experts and enthusiasts' term, "an enterprise-ready AI" at scale. Following the launch of ChatGPT, Google also released its chatbot, Google Bard, which uses the Language Model for Dialogue Applications (LaMDA) to provide predictive responses to text-based inputs. These examples demonstrate how GPT technology is being used by companies to improve the user experience and provide more intelligent solutions across a range of industries.

USE CASES AND IMPACTS OF "CHATGPT"

Within the short period of its launch, ChatGPT has brought about significant changes to our digital interactions and our work performance. It has maximized the use and analysis of data by individuals, businesses, and industries for optimal outputs. Below are some areas which have been immensely impacted by the ChatGPT technology:-

Education

This chat-based language model has stirred up almost every aspect of the teaching and learning cycle, and it has been met with both amazement and fear by educators largely, since discovering its potential to disrupt the learning experiences, especially of students. Admittedly, students are always looking for easy routes to learning but the efficiency of this language model is quite worrying – especially for the fear that students may never learn to write. For a model that can deliver apt and well-written essays and solve complex assignments, we can bet the over-reliance of students on its capabilities.

Early in the year, the New York City Department of Education reportedly blocked access to ChatGPT on all department devices and networks on the justification of the negative impact it was going to have on students' learning. However, despite the general concerns which have been raised, the ease the technology brings to students' work cannot be over-emphasized. While some educators are opting for the incorporation of the language model in the educational system to maximize its usefulness in the teaching and learning process, others have criticized its use and adoption as according to them, it is 'killing' creativity among students. Currently, there are ongoing engagements by stakeholders to ascertain the adoption and use of this technology by teachers and students.

In Ghana, stakeholders in the educational sector must begin the engagement, discussion, and design of reforms that incorporate the usefulness of this technology into our education system and foster its positive adaptation.

Search Engine

With the chatbot's ability to promptly generate natural language text accurately, ChatGPT has facilitated the generation of answers to searches made by its users. Due to its functionality, experts' reviews have suggested that the technology could pose a threat to Google – our long-cherished search engine. However, there is a school of thought which holds the view that the ChatGPT technology is only a tool and not a service or a product, hence, it can be built into search engines like Google to enhance their data outputs.

The opportunity to incorporate this technology into existing search engines may be the reason Microsoft has recently invested over $ 10 billion to improve its search engine "Bing". This integration potentially threatens Google's dominance as the most patronized search engine.

However, one limitation ChatGPT is facing is the range of information it can provide to its users upon request. Currently, its data output only extends to the year 2021, and it is unable to provide data beyond this date. An example is the inability of the chatbot to name the country which won the recently ended World Cup – a concern that will be resolved in subsequent iterations.

Among the many issues identified with its usage is the concern of copyright acknowledgments. This is so because the chatbot synthesizes information from different sources, hence, its inability to provide absolute references for the data it provides. In this light, emerging conversations are highlighting how the chatbot's usage may infringe copyrights. Hopefully, OpenAI will proffer a solution in an updated version of this revolutionary technology.

Marketing & Customer Service

In our world where businesses are looking to provide cutting-edge market solutions in a very competitive market, this technology has the potential to generate personalized content for a marketing campaign – tailored emails and social media posts for different types of customers. As one of its key features, ChatGPT has the ability to provide quick and detailed responses in conversations – automated responses to customer inquiries – as well as to increase customer experiences by addressing the main pain points for customers.

It is anticipated that ChatGPT will become an indispensable aspect of digital marketing and customer service through the provision of more personalized and helpful responses to customers.

Entertainment

It is interesting how the use of ChatGPT is also impacting our social and entertainment lives. The use of the language model knows no bounds, ranging from writing threads for social media pages, to writing novels to designing games. The chatbot has been trained on texts in books, articles, and websites that have been structured in the supervised learning process so as to write books, make-up songs, write codes, etc.

This is of little wonder as OpenAI's DALL-E, an art generation-based model has been used to generate art and designs in all manner of shapes and colors based on the specifications communicated to it by users. A recent improvement in its capabilities is its ability to provide a summary of a movie. As much as this may sound unbelievable, it is true.

Finance

One of the major ways ChatGPT has had an impact on finance is through its ability to handle complex financial queries and provide accurate, reliable responses. This has made it an invaluable resource for financial advisors, who can use it to assist clients speedily and efficiently.

Also, the technology has been used as a model for new-generation chatbots, which assist customers with tasks such as tracking investments, checking account balances, etc. all through simple natural conversations. Its usefulness in the finance industry transcends customer service. It has been employed to analyze financial data and help prospective investors make prudent investment decisions.

Institutions and firms are leveraging the technology's machine learning capabilities to identify and predict trends so as to streamline their solutions to suit the diversified needs of their customers.

Jobs

Indeed, technology has affected the way we work, and following the onboarding of this new technology, our work life is bound for major transformations. An obvious way in which ChatGPT is impacting the job market is through automation – the advancement of technology has led to the deployment of technological solutions to 'compete' with humans on the performance of manual tasks – mostly data integration and analysis services.

There is a harrowed view that the adoption and use of this chatbot is the beginning of the end for some professionals. Thus, its operation can possibly lead to the displacement of workers whose roles can be efficiently and easily performed by this chatbot – including data analysts and customer service representatives.

Nonetheless, the point has to be made that these language generation models are not completely capable of replacing all manual tasks, and they are most effective when used to complement human capabilities rather than replace them. Many tasks still require human creativity, judgment, and critical thinking skills. The development and subsequent maintenance of these generative models can rather create new job opportunities in fields such as software engineering and data science.

Individuals and businesses will have to view work differently in the nearest future as ChatGPT has come to stay.

INSIGHTS - PITFALLS & OPPORTUNITIES

A GUIDE TO ENHANCING CORPORATE GOVERNACE IN EARLY-STAGE START-UPS IN AFRICA

It is allegedly reported that the Founder and CEO of *“Dash”* – a Fintech Start-up has been suspended pending an investigation into the operations of the company for financial impropriety. This is a Ghanaian-founded company that raised $32.8 million in equity last year and provides an alternative payment network with connected wallets permitting interactions between mobile money and bank accounts in Africa.

Similarly, the Founder and CEO of *“Flutterwave”* – Africa’s most valuable unicorn was also reported last year to have been under investigation for financial and personal misconduct pertaining to the running of the pan-Africa Fintech company.

“Dash” and *“Flutterwave”* are leading examples of Africa’s growing early-stage start-ups with great potential of becoming global brands in the Financial Technology (Fintech) industry. And news of financial impropriety and related misconduct at the highest level of these companies portray the seeming lack of and/or failure of accountability, systems, and procedures that promote best practices in business management.

More importantly, occurrences such as those reported have wider negative implications for the funding and management of other start-ups in Africa and it is imperative such concerns are addressed with pragmatic initiatives that promote good corporate governance in early-stage start-ups.

Therefore, the purpose of this article is to assess the concept and practice of corporate governance as well as offer some guidelines for its promotion in start-ups and small and medium-sized enterprises (SMEs).

CORPORATE GOVERNANCE AND ITS PRACTICE

On incorporation, companies are clothed with the legal personality to carry out their intended objects or purposes. However, the limitation of such legal recognition (artificial personality) implies that human beings must either be appointed and/or employed to steer the affairs of a company within a certain framework. Without this, no company will be able to carry out its purpose and operate.

The governance of a company, therefore, requires the effective implementation of arrangements that allow for the seamless management and operation of a company. To effectuate the proper governance of a company, officers are expected to comply with mandatory arrangements as required by law and permissible ones which may be considered as best practices depending on the operational requirements of a company.

The prescriptions of structures/organs, functions, and powers under the Companies Act are at best the basic expectation of a corporate governance system that companies can enhance in an attempt to build a good corporate governance one that promotes the best interest of a company and seek a balanced interest of all stakeholders.

To achieve the overarching objective and drive the benefits of good corporate governance, companies must ensure that their compliance with legal and non-legal demands of structures, systems, processes, and procedures are aligned to certain principles including a clear definition of roles, accountability, integrity, and ethical leadership, fair and equitable treatment of stakeholders among others.

Therefore, any discussion concerning corporate governance is a call for strict adherence to the mandatory requirements of law and permissible best practices as they relate to the exercise of powers, the establishment of organs/structures, the performance of duties/-functions, the institution of systems and procedures for the efficient and effective management of companies.

WAYS OF ENHANCING CORPORATE GOVERNANCE

There is a cost to the effective institutionalization of a good corporate governance system. Apart from its monetary cost, the implementation has the potential to reduce the influence or exercise of power by founders of a company as it imposes strict procedures on how the affairs of a company are managed.

Nonetheless, its absence may lead to chaos, mismanagement, improprieties, and breaches of company and corporate management requirements. This may result in sanctions by regulators and create an unsustainable and unattractive operation, especially for funding.

To reduce the tendency of start-ups suffering from the consequences of not instituting good corporate governance systems at their early stages, I recommend the following initiatives as must-do to build a strong compliance culture to support corporate governance and its practices.

1. Building the capacity of founders:

Start-up founders are the brains behind the pursuit of the purpose for which start-ups are incorporated. They have the idea and the know-how to deliver the required product or service. In the process, founders assume the responsibility for not only working on the product or service but also, the management of the ensuing company including managing people, service providers, finances, sales, and marketing among others. And largely, these enormous duties are performed by one person or not more than three in co-founders' situations.

Apart from this, most start-up founders are young people with limited professional experience in managing anything. Some are students and immediate graduates with little or no appreciation for management concepts and their practices.

Rightly, these inefficiencies or lack of capacity reflect in the management of start-ups and result in limited or no adherence to the mandatory and permissible prescriptions on corporate governance. Therefore, a starting point for the promotion of good corporate governance practices will be the building of capacity for start-up founders to understand and appreciate the tenets and practices of corporate governance and be able to drive its implementation across their organizations.

Currently, most start-up founders are unaware of these demands and must be intentional about building their capacities on same as the practice of corporate governance is as important as the development of products or services.

2. Staffing:

The governance arrangement of companies permits the appointment and/or recruitment of officers and other management staff to support the overall management of a company. The need to appoint or recruit persons for the various mandated or permissible roles represents an opportunity for a start-up to bring on board, persons with the requisite skills and knowledge. This opportunity must be utilized to appoint or recruit highly skilled personnel with strong commitments to abide by rules, procedures, and practices that enhance accountability and transparency, integrity, and ethical leadership among others.

The role of personnel (staff) in driving a good corporate governance practice cannot be overemphasized. Therefore, start-ups should not miss the opportunity to appoint or recruit persons who can support founders in doing the right things.

If possible, a dedicated staff should be engaged as a compliance officer to ensure strict compliance with the demands of good corporate governance.

3. Systems and Processes:

Good corporate governance is best reflected in the adaptation and compliance with systems and processes. Therefore, the setting up of systems and processes offers the best indication of the commitment to comply with the demands of good corporate governance.

However, start-ups must ensure some level of checks and balances and/or the placement of limitations on the exercise of powers underlying the systems and procedures put in place.

Particularly, clear procedures must be in place for the management of the funds, recruitment of key management personnel, the exercise of key decisions, among others to forestall improprieties that could impair the company's growth.

4. Prioritize the use of technology:

Technology is simplifying our ways of work and life. Its innovations are providing cost-effective and convenient ways of performing tasks hitherto performed by humans. And the surge in the number of start-up companies is also attributable to technological advances. Therefore, start-ups cannot seek to use technology to provide innovative products or services without leveraging its usefulness in the management of their operations.

It is practically useful to use humans and paper-based processes to achieve compliance with corporate governance demands. However, it will be more beneficial to explore the use of technology by way of systems, processes, and procedures for managing the finances, decision-making, etc. of a company.

We are in a technology era; start-ups must explore the full advantages of technology to comply with demands and promote efficiency and traceability in their operations.

5. 3rd party advisor:

Establishing internal arrangements to comply with corporate governance demands is great. However, having an external person (3rd party) to serve as a second layer of compliance checks and balances will help provide feedback on and recommend improvements to internal compliance arrangements. So, start-ups must explore the option of having an independent 3rd party who serves as a chief compliance officer(s) and build the attitude to take and implement his or her feedback or recommendations.

CONCLUSION

There is no *"one-size-fits-all"* approach to building a great start-up. But there are no great and thriving companies without compliance with rules, procedures, and practices which are underpinned by the demands of good corporate governance. Therefore, as many young people take on the challenges of entrepreneurship and pursue the provision of solutions – products or services across Africa, these founders must understand and appreciate the need to incorporate good corporate governance principles and practices into their operations as part of their early-stage initiatives to promote their sustainable operations. And some of the recommendations in this article must be highly considered.

COLLABORATION BETWEEN TRADITIONAL BANKS AND FINTECH COMPANIES:

THE GAME CHANGER TO DRIVE FINANCIAL INNOVATIONS AND INCLUSION IN AFRICA

The evolution of financial technology (fintech) innovations in Africa is not in a vacuum. It is on the back of a historical financial service industry with tried and tested, regulated, and developed service providers – traditional banks that have provided financial services in various forms over time.

The need to encourage new financial innovations in the bid to drive financial access and inclusion so as to reduce the cost of financial services, and enable speed and convenience for consumers, among others, cannot be a call for competition that seeks to replace traditional banks with fintech companies. Rather, the enormous benefits of both ends must be harnessed in a collaborative manner to drive greater benefits for consumers and financial service providers while facilitating the ease of regulation, compliance, and supervision by central banks.

Therefore, the purpose of this article is to discuss how the challenges of both traditional banks and fintech companies can be compensated through the recommended forms of collaboration.

TRADITIONAL BANKS

We are all familiar with traditional banks, their services, and products and possibly we are customers of one or more of these banks. Hence, the focus of the discussion is not to explain what traditional banks do and how they do them but what advantages or leverages they have gained over the years performing their regulated roles.

Commercial banks (as we call them) have evolved from small operations, merged, or acquired others to become formidable financial service providers – some at regional and continental levels. In the process, they have gained the following advantages which make them indispensable partners in the provision of financial services going forward despite the disruptive nature of fintech innovations.

1. History and Heritage (H&H)

on average, traditional banks across Africa have more than a decade-plus history of operations and have developed into leading brands focused on various segments of the financial services industry. Some traditional banks are centuries old and have established presence and operations – directly or through partnerships across various countries on the continent.

The long period of operations (the stability and certainty of operations) cannot be taken for granted. It is proof of the growth of sustained operations in a regulated environment, which will count for something in terms of consumer trust, consumer confidence, brand equity, and operational resilience. These can be leveraged to drive acceptability and consumer trust in new collaborative innovations between traditional banks and fintech companies – as fintech companies are new and without such history and heritage.

2. People

People are central to the operations of traditional banks. The staff list of these banks includes persons with competence in customer service, investment advisory, operational management, treasury, risk and compliance, and people management among others.

These are personnel who were recruited based on specific and specialized skill sets, trained over time to enhance their competencies and have become the brains for the sustained profitable operations of traditional banks across the continent.

Their understanding of the development, operationalization, and review of financial services, compliance, risk, customer service, product development, etc. cannot be discounted as they are opportunities for leverage to drive new innovations in the financial service industries. Demonstrably, traditional banks have evolved by themselves through history – from cheques, atm services, online banking, etc. using their people no matter how slow their response to innovations has been.

Therefore, traditional banks have a pool of qualified and competent personnel with a precise understanding of the demands of regulations, compliance, product development, etc. of the financial service industry which is imperative for any successful deployment of financial innovations. At worse, traditional banks have the financial capabilities to recruit, train and retain personnel in response to the emerging demands of the provision of financial services and will be of enormous benefit to any collaboration with fintech companies.

3. Business

Traditional banks have known lines of business – viable business models. They have evolved from ideas to licensed operations with verifiable services and products. Not only have they been licensed, but they have also demonstrated compliance with the dictates of their licenses and have remained in operations, undertaking expansion projects, opening new branches, and offering new products and services over time.

Visibly, consumers are able to undertake financial services with these banks. There is no way to describe this than to say traditional banks are in business and have "business"- and of course, profitable ones over time. Quite differently, some fintech companies are still ideas or early-stage businesses with no viable business model. To compete with established businesses such as traditional banks will mean huge investments by fintech companies which are strained due to the current global economic crisis.

4. Customers

Traditional banks provide services for end users – customers. Over the years, traditional banks have recruited millions of active customers and continue to develop initiatives to recruit new ones for their various products and services.

The service offerings to these customers have enabled profitability for the traditional banks and offer the opportunity for the development of innovative products based on the existing relationships.

There are product/service limitations in the existing bank-customer relationships due to the dominance of some financial services such as savings and withdrawals, loans, etc., and the absence of new innovations that are been driven by fintech companies. Opportunities, therefore, exist for traditional bank-fintech collaboration which leverages insights from existing customer relationships of banks to develop new products or services which can be made available instantly to millions of customers. Such collaborations will reduce the customer acquisition cost of fintech innovations and promote greater market penetration and adoptions.

5. Systems

Traditional banks have and continue to make huge investments in systems, processes, and information technology (IT) infrastructures to support their operations. Some of these investments are in fulfillment of the regulatory requirements for licensing and operationalization of the banks.

The associated cost of such investments to ensure a 24-hr availability of financial platforms, protection against fraud, cyberattacks, and breaches of customer data, improvements in service offerings, and adaptation of technological advancements, among others, are costs that fintech companies cannot undertake – thereby limiting their ability to procure independent licenses and operate in line with regulatory demands.

These legacy investments and the ability of traditional banks to procure new and advanced IT infrastructures, secure required certifications, and maintain compliance are tools that can be leveraged fully through some form of collaboration with fintech companies that are in dire need of these investments.

FINANCIAL TECHNOLOGY (FINTECH) COMPANIES

Across Africa, new companies are emerging and driving financial innovations to enable greater access and inclusion for customers through the platforms of internet-connected devices or feature phones. These companies are unbundling traditional financial services and offering same to customers – individuals, merchants, businesses, etc. with the assured benefits of speed, convenience, and reduced cost.

To some, fintech companies present not only a challenge for regulation but also greater competition for traditional financial service offerings due to their evolution on the back of advanced technologies such as blockchain and therefore have greater potential to disrupt the established financial sector. Despite the associated challenges, the emergence of fintech innovations presents some advantages which existing financial service providers can harness to improve service offerings in the new technological era.

1. Technology and Innovation

What is enabling disruptive innovations in the financial services sector is technology. Today, the advances in technology in the form of blockchain, artificial intelligence (AI), machine learning, etc. have opened wide the doors of possibilities for new ways of service across many industries including finance.

The net effect is that fintech companies are leveraging these advances in technology to develop new products and services in payments, savings, lending/credit, remittances, crowdfunding, and investments among others. In most instances where they are offered independently, these products have been shown to compete with services offered by traditional banks. In Africa, a good example of such competition is mobile money services with enabled wallets which allow customers to keep and maintain floats, withdraw, send money, and perform other services on their mobile phones without visiting a branch of a bank.

Currently, the greatest threat of innovations by fintech companies is the attempt to democratize the use of money as a store of value or medium of exchange - through the use of crypto-currencies. This is a demonstration of the possibilities that have been enabled by technology and has the potential to fundamentally change the way money (fiat) has historically been stored and used as a financial tool.

The best approach to dealing with the threat is not to imagine the limitations of technology and its impact on the financial service industry. Rather, its benefits and potential should be leveraged in a collaborative manner by existing players in ways that foster regulated use and promote greater access to financial services by all.

2. Speed

Fintech companies are credited with "speed" in terms of product or service development and deployment. This is made possible by the lack of bureaucracy which is a key feature of the operations of traditional banks. The response time of fintech companies is quicker and facilitated by the strong desire to gain market advantage as new businesses. Fintech companies are able to innovate at greater speed, with greater efficiency and technology which means they are able to respond to the emerging needs of customers in real-time.

The benefits of this attribute can be useful to fast-track the development time frames of innovations by traditional banks and make them responsive to the changing financial landscape should collaborations be forged.

3. Cost of operation

Fintech innovations have proven to be less costly to run despite the investment outlay required for the licensing and operationalization of such innovations. The heavy reliance on technology coupled with the benefits of reduction in operational cost has significantly made fintech operations less expensive compared to the establishment of physical infrastructure, etc. as associated with operating traditional banks.

The trade-off ensures investments into IT infrastructure and systems with the attendant benefits of improved service offerings and customer experience.

The cost of operation, therefore, is less expensive compared with the huge cost of running traditional banks. companies. Therefore, there is a need to consolidate and expand reach through collaboration with fintech innovators so as not to lose customers over time.

5. Youthful Innovators

The brains behind emerging financial innovations are young people and this trend is going to continue. Young people are taking advantage of technology, and insights to develop amazing new products and services that address pain points for consumers – either at the individual, merchant, or business levels.

The understanding of the problems underlying these innovations is remarkable. And with greater participation of young people in the financial service sector either as entrepreneurs or users of services or products, fintech innovators have a greater advantage of building products from personalized perspectives and insights – which ultimately addresses problems for the teeming youth of the African continent.

A partnership by traditional banks will enable access to these insights, energies, and understanding of these young innovators in championing relevant financial innovations.

THE NEED FOR COLLABORATION AND PARTNERSHIPS

The call for collaboration and partnership between traditional banks and fintech companies across Africa is not a call for them to abandon their strategies in search of collaborative market efforts. It is to prompt the consideration of leveraging synergies where appropriate to drive greater benefits, reduced the cost of operations, and promote financial stability, access, and inclusion across the continent.

Each player has compelling advantages for greater efficiency and effectiveness in delivering financial services in a regulated manner and the following recommended modes of collaboration and partnerships can be explored.

1. Joint projects

Traditional banks and fintech companies can constitute joint project teams with specific scopes of reference and support to design co-branded products or services with mutual ownerships of ensuing intellectual property assets.

2. Out-sourcing

fintech companies may have the skills and competence to develop new innovations that traditional banks require. Instead of outsourcing to primary software or technology development companies, traditional banks can outsource innovations to fintech companies with a better understanding of the financial services industry.

3. Innovation sandboxes and incubation

There is a growing interest by traditional banks to facilitate and run innovation sandboxes which grant fintech companies access to their platforms to test and innovate new solutions. This should be encouraged on a scale to promote new innovations based on identified gaps and run in partnership with other industry stakeholders.

This recommended innovation and incubator model should be pursued differently from regulatory sandboxes which seek to pilot and test already developed innovations (without an existing licensed regime) prior to regulatory approvals.

4. Whitelabelling

Under various partnership arrangements, traditional banks could adopt innovations by fintech companies and run with them.

CONCLUSION

Technology is changing the financial services landscape across Africa and creating new players – fintech companies with competitive advantages to compete with and in some instances outcompete traditional banks. However, as a result of the significant importance of traditional banks to the financial sector, deliberate attempts must be made to drive collaboration between emerging fintech companies and traditional banks with the aim to protect the integrity, gains, and stability of the sector while driving greater financial inclusion. And this article discusses some points of leverage and partnerships.

REGULATORY SPOTLIGHT

REGULATORY ACTIVITIES

1. BOG WINS REGTECH AWARD

The BoG received the RegTech of the Year Award at the Ghana Fintech Awards 2022 held earlier this year. This award was in recognition of the central bank's efforts in promoting responsible innovation in the financial services sector through initiatives such as the establishment of the Fintech and Innovations Office, the adoption of the Payments Systems and Services Act 2019 (Act 987), and the roll-out of the Regulatory Sandbox program.

2. BOG'S REGULATORY AND INNOVATIONS SANDBOX UNDERWAY

The Bank of Ghana as part of its commitment to driving innovations and financial inclusion collaborated with EMTECH to roll out the first cohort of the regulatory and innovations sandbox program to provide a controlled environment for experimenting unregulated products, services, and models by traditional financial and non-financial institutions, as well as licensed and unlicensed fintech companies. Applications to the program closed on 14th March 2023, and applications are currently under review.

The service areas focused on by the first cohort of the sandbox include payments, micro-lending, remittances, and crowdfunding. It is expected that new products and services may be added to the existing stream of digitized services upon the applicants' successful exit from the program.

3. CERTIFICATION OF ICT SERVICE PROVIDERS COMING - NATIONAL INFORMATION TECHNOLOGY AGENCY (NITA)

During the National ICT Stakeholders' forum themed, "Regulating ICT Businesses in Ghana; opportunities and challenges" hosted by the National Information Technology Agency (NITA) in December 2022, the Minister for Communications, Ursula Owusu-Ekuful indicated that NITA was going to reinforce its mandate as the primary regulator of the ICT sector. This according to the Minister will include the deployment of standardized global certification and capacity-building measures by the Agency to boost the operations of the various sector players. The regulatory focus of NITA will therefore range from ICT service providers, practitioners, infrastructure, and operations to e-commerce. The Agency also indicated its commitment to collaborating and partnering with other industry regulators to provide a flexible uniform regulatory framework.

4. CYBER SECURITY AUTHORITY (CSA) LAUNCHES LICENSING REGIMES

In line with the mandate of the Cyber Security Authority (CSA), the Authority has embarked on a licensing and accreditation exercise of Cybersecurity Service Providers, Cybersecurity Establishments, and Cybersecurity Professionals respectively. Applications for licensing and accreditation were opened on 1st March and applications still remain open for eligible applicants.

The exercise focuses on services such as Vulnerability Assessment and Penetration Testing (VAPT), Digital Forensics Services, Managed Cybersecurity Services, Cybersecurity Governance, Risk and Compliance (GRC), and Cybersecurity Training applicable to the different license and accreditation categories.

FINTECH INDUSTRY SPOTLIGHT

FINTECH INDUSTRY ACTIVITIES

1. THE GHANA FINTECH AND PAYMENTS ASSOCIATION LAUNCHED

The Ghana Fintech and Payments Association (GFPA) was launched during the 2nd Edition of the Ghana Fintech Awards held in January this year. The Awards ceremony themed, “Leveraging on Fintech; an opportunity to achieve economic empowerment and financial inclusion”, aims to recognize and acknowledge the efforts and achievements of individuals and companies driving innovative solutions.

Generally, the Association will bring together key players in the fintech ecosystem including startups, established companies, regulators, and other stakeholders. The GFPA aims to promote the growth and development of the fintech and payments industry in Ghana by providing a platform for collaboration, knowledge-sharing, and advocacy.

The launch of the Association marks a significant feat for the payments industry in the country and emphasizes the growing importance of these sectors in the nation’s economy in driving innovation, financial inclusion, and the overall development of the country.

2. THE 2ND GHANA FINTECH AWARD

The Ghana Fintech and Payments Association (GFPA) was launched during the 2nd Edition of the Ghana Fintech Awards held in January this year. The Awards ceremony themed, “Leveraging on Fintech; an opportunity to achieve economic empowerment and financial inclusion”, aims to recognize and acknowledge the efforts and achievements of individuals and companies driving innovative solutions.

The Awards ceremony recognized the innovative contributions and inroads made by Fintech companies and startups in the ecosystem. There were 23 award categories including:-

- Fintech company of the year
- Lifetime achievement for Financial Inclusion — Honorary award
- Male Fintech personality of the year
- Female Fintech personality of the year
- Fintech CTO/CIO of the year
- Fintech Start-up of the year
- Young Fintech leader of the year
- Leading Payments Technologies Service Provider
- Leading Fintech Solutions Provider
- Regtech of the year
- Cybersecurity company of the year
- Pentech/Insurtech of the year
- Fintech Discovery of the Year
- Fintech & Bank partnership of the year
- Fintech & Non-Bank partnership of the year
- Fintech Innovation of the year
- Fintech Platform of the Year
- UI/UX Fintech company of the year
- Fintech for Financial Inclusion firm of the year
- Emerging technology of the year
- Agritech of the year
- Healthtech of the year
- Edutech of the year
- IT/Tech firm of the year

The session had companies like Hubtel, a leading quick commerce and messaging technology company winning six (6) awards, DPO Pay, a digital payment company in Africa also winning Fintech Discovery of the Year and Binance, the largest cryptocurrency and blockchain infrastructure provider bagging Emerging Technology of the Year".

The launch of the Association will bring together key players in the fintech ecosystem including startups, established companies, regulators, and other stakeholders. The GFPA aims to promote the growth and development of the fintech and payments industry in Ghana by providing a platform for collaboration, knowledge-sharing, and advocacy.

Further, it marks a significant feat for the payments industry in the country and emphasizes the growing importance of these sectors in the nation's economy in driving innovation, financial inclusion, and the overall development of the country.

PAST & UPCOMING EVENTS

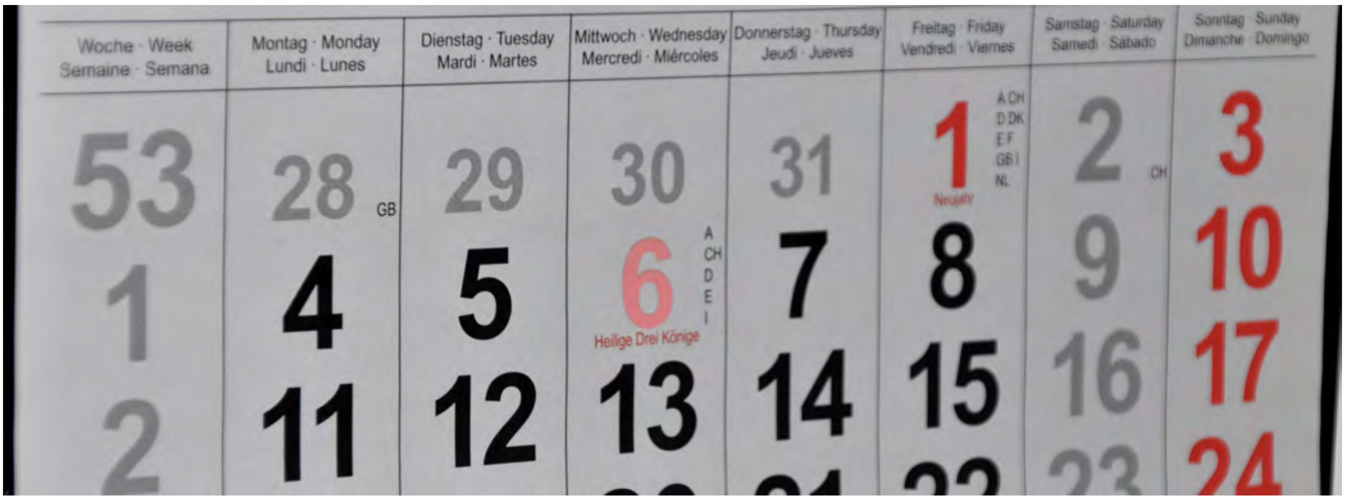
FUND OF FUNDS LAUNCHES IN GHANA TO UNLOCK $75M OF FUNDING FOR LOCAL CAPITAL PROVIDERS

Impact Investing Ghana (IIGh) launched the establishment of its Ci-Gaba fund of funds last month with the aim of assisting local capital providers to invest in start-ups and small and medium-sized enterprises (SMEs) and to further promote the Sustainable Development Goals (SDGs) by unlocking US$75 million in domestic and international funding.

The initiative is a private-sector-led effort geared towards creating an impact investing ecosystem in Ghana. With the support of a grant from the UK Foreign Commonwealth and Development Office (FCDO) RISA Fund, the fund will secure anchor funders and begin operations in Ghana and across West Africa.

The initiative has enjoyed contributions from local pension funds, foundations, international development partners, and development finance institutions in designing the framework of the initiative. The CEO of IIGh, Amma Lartey, expressed enthusiasm about this critical milestone in the establishment of the fund of funds. Meanwhile, Michele Bradford, the RISA Fund team leader, praised the initiative for its innovative financing approach and pledged to extend support to similar initiatives across the region.

SOME PROGRAMS TO WATCH OUT FOR IN Q2



a. Francophone Fintech Summit

This Summit is being organized under the auspices of the Ghana Fintech and Payments Association and it has been designed for sector players to better appreciate and understand the francophone fintech ecosystem. The Summit will bring together investors, regulators, and industry players on discussions on how best to navigate and effectively benefit from the ecosystem.

b. Pipe Cohort – 2023

The PIPE COHORT 2023 is an initiative by FX Kudi launched in collaboration with the Ghana Fintech and Payments Association and Start OA with a focus on identifying and supporting early-stage Fintech startups building remittance and payments solutions and products in Ghana. Applications for the cohort opened on 28th March 2023 and closes on 17th April 2023.

c. Construction of $25M Multipurpose ICT Hub

The CEO of MTN Ghana recently announced that the Telcos giant has committed itself to construct a $25 million ICT Hub in Accra, as part of its commitment to the *#Digital-Ghana#* Agenda. This initiative is expected to equip over 200,000 youth with ICT and digital skills and provide the needed infrastructure to promote the development of transformative technological and digital solutions.

CONTACT INFO

@SustineriAttorneys

For more enquiries,
visit ***www.sustineriattorneys.com/resources***

Call Us on
+233302553892