

Business Outlook

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Mobile Money. In the financial year ending June 2025, mobile money platforms processed roughly 8.4 billion transactions worth some Shs326 trillion, equivalent to multiples of the country's annual Budget.

Growth. Fintechs grew in Uganda partly because they were not hindered by rules designed for a different era.

Local fintech sector stares at its governance moment

The governance structures of many payment service providers have not kept pace with the volumes they now carry.

BY DEOGRATIUS WAMALA

Digital payments did not arrive in Uganda with a fanfare. They crept in, then suddenly were everywhere. Mobile money agents spread into trading centres and market stalls faster than bank branches ever had. Millions of Ugandans who had never held a bank account found themselves making and receiving payments through a handset. In the financial year ending June 2025, mobile money platforms processed roughly 8.4 billion transactions worth some Shs326 trillion, equivalent to multiples of the country's annual Budget. That is not a promising sector. That is an artery. And arteries, when they rupture, cause damage that is hard to contain.

The Bank of Uganda (BoU) has been watching this growth with a mixture of pride and quiet alarm. Pride, because financial inclusion was always the goal. Alarm, because the governance structures of many payment service providers have not kept pace with the volumes they now carry.

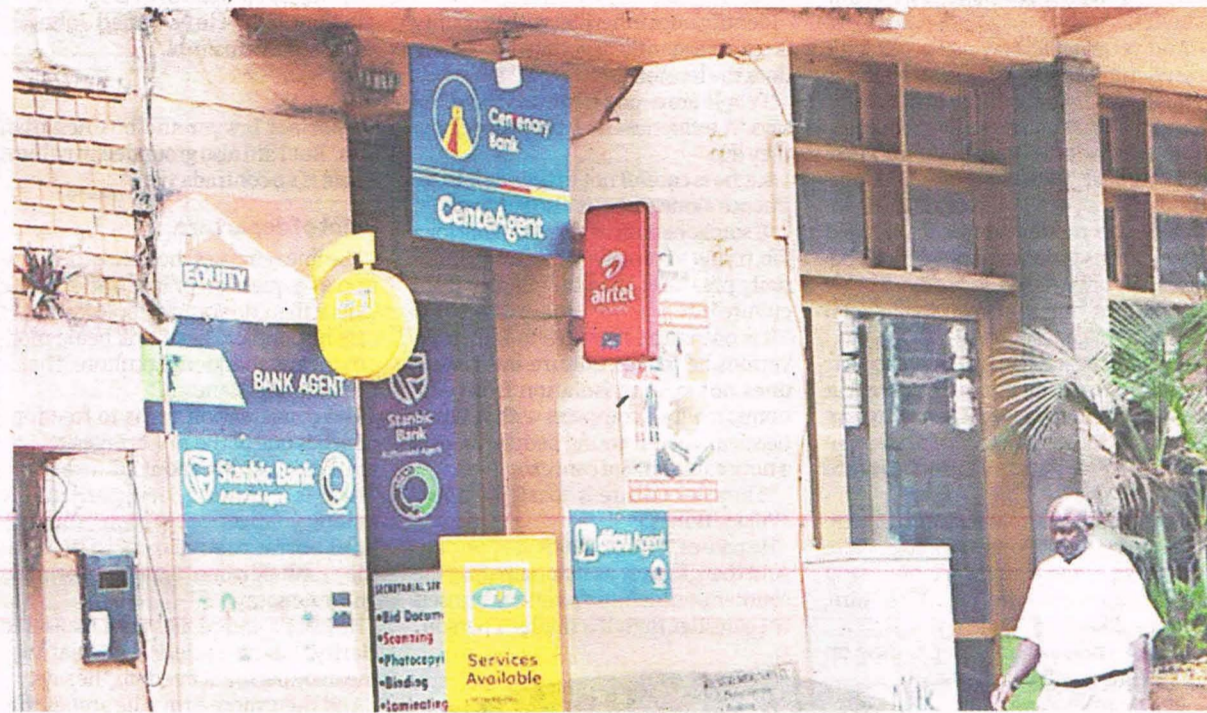
Companies that began as scrappy start-ups—founder-driven, leanly staffed, governed by instinct—are now holding public trust at a scale that demands something sturdier. In response, Uganda's central bank has issued draft Corporate Governance Guidelines for payment service providers, operators and issuers.

Rules for grown-ups

The message, stripped of its regulatory language, is that the game has changed. The guidelines read less like rules and more like a coming-of-age document for the sector. The idea is that fintechs must start behaving like institutions. Every firm is now required to have a proper Board of Directors, with clearly qualified members and key appointments subject to regulatory approval.

The chairperson must be an independent non-executive director, a direct break from the founder-led model where one person owns, runs and effectively oversees themselves. The logic is that those running the business should not also be judging it.

Board terms must be staggered, preventing sudden takeovers or mass exits.



Mobile money agents spread into trading centres and market stalls faster than bank branches ever had, enabling millions of Ugandans who had never held a bank account to make and receive payments through a handset. PHOTO/FILE

Directors cannot simply be labelled "independent", they must first go through cooling-off periods. And no individual is allowed to sit across multiple regulated boards at once. Even family control comes under scrutiny. The guidelines place limits on how many board members and senior managers can come from the same extended family.

This is not about policing ownership. It is about shifting decision-making from individuals to systems. And the shift does not stop at the boardroom. Firms are now expected to build internal structure: audit committees, risk and compliance units, and dedicated strategy and technology oversight. Internal audit is no longer optional.

Finance leadership is also being tightened. Chief financial officers must meet professional standards, and risk management is pushed to the centre. Firms must define how much risk they are willing to take, who is responsible for it, and how it is monitored.

There is also a push for visibility. Payment providers must maintain functional websites and disclose who sits on their boards and who runs day-to-day operations. In a digital system built on trust, what can be seen matters. Opacity, regulators have found, is often where trouble begins.

The guidelines also link governance to broader goals, financial inclusion and digital literacy, signalling a shift in how the central bank views fintech: not just as a risk to control, but as a system with

WHAT IS FINTECH?

Fintech, or financial technology, is a term that describes the mobile applications, software and other technology that enable users and enterprises to access and manage their finances digitally. SOURCE: IBM.com

real economic and social consequences. And there are consequences for getting it wrong. Firms that fail to comply risk suspension, and, in serious cases, losing their licences altogether.

The problem of paper tigers

There is, however, a tension that runs through all of this, and it is not a small one. Ugandan courts have repeatedly held that central bank guidelines do not carry the force of law. They may shape behaviour. They may form the basis for supervisory action. But they do not, on their own, create enforceable rights.

In Choudry versus Bank of Baroda, the court drew the line clearly. A borrower argued that his bank had failed to notify him of interest rate increases, a requirement plainly stated in the central bank's guidelines. The court agreed the standard existed. It also ruled that the standard could not be enforced. The rule was real. The remedy was not.

The picture is not entirely gloomy. Courts have sometimes leaned on the

guidelines to protect customers. In Excellent Assorted Manufacturers versus dfcu Bank, and in Kwagala versus Standard Chartered Bank, the guidelines were applied sympathetically. But the inconsistency is its own problem. Consumers cannot plan around protection that materialises unpredictably.

Phillip Karugaba, a partner at ENSAfrica Advocates, is direct about what this means: "The financial consumer remains exposed unless this contradiction is resolved."

The guidelines, in their current form, operate through supervision rather than litigation. Banks and fintechs comply not because a court will compel them to, but because they want to stay in good standing with the regulator.

So why issue guidelines at all, rather than binding regulations? The central bank's communications director, Kenneth Egesa, explains that the payments ecosystem is evolving faster than legislation can follow. "Regulatory provisions are quickly overtaken by market developments but guidelines allow the regulator to respond to new risks without waiting for a parliamentary process that can stretch over years."

They are, in his framing, "a flexible transitional framework until the market matures." There is also, he concedes, a deliberate restraint.

"Embedding requirements into laws and regulations too early may create overregulation and undermine innovation."

What the neighbours are doing

The problem is that Uganda's neighbours are moving faster. In Ghana, governance requirements for payment service providers are written into formal regulations, not left as guidance. Director terms are capped. Independence criteria are tightly defined. Local representation is mandated on key committees.

In Kenya, the accountability culture is sharper: providers are held responsible independently of their parent companies, and boards can be held liable when technology failures cause consumer harm.

Tanzania has gone further still. The Bank of Tanzania's Financial Consumer Protection Regulations are not guidelines; they are law, with provisions around abusive debt collection and the safeguarding of consumer assets.

Uganda, by this comparison, is the softest regime in East Africa. That has served its fintech sector well in the growth phase. The question, as the sector matures and cross-border integration deepens, is whether it will continue to.

The timing matters. The East African Community is pushing ahead with cross-border payment integration. Standards that once seemed like local preferences are becoming regional entry requirements. Firms that cannot demonstrate governance of the quality now being asked for in Nairobi or Accra will find doors closing.

And international investors, the kind who write large cheques into emerging-market fintechs, increasingly treat a compliant, independent board not as a regulatory burden but as a signal of seriousness. Governance, in other words, is becoming a competitive asset.

The road to something firmer

Mr Egesa's most significant statement is about what they will become. "In future, the guidelines shall be converted into regulations which carry the full force of the law."

In the meantime, the central bank is leaning into supervision and consumer education. Market conduct inspections, both onsite and remote, are being intensified. The National Payment Systems (Consumer Protection) Regulations, passed in 2022, provide a legal backbone that the governance guidelines currently lack. The central bank is trying to hold a difficult balance: stay responsive enough to nurture innovation, stay firm enough to prevent the accumulation of systemic risk.

The guidelines are an interim measure. The commitment to convert them into binding law is on the record. And Uganda is working with regional partners under the East African Community Payment Systems Masterplan to harmonise consumer protections across borders. What is less clear is the timeline, and what happens in the gap.

Uganda's fintech sector is no longer a promising experiment. It is infrastructure. And infrastructure, as any engineer will tell you, is only as good as the standards it is built to.

The BoU has set out what those standards should look like. The harder work, making them stick, is still ahead.