



OVERVIEW OF EAC REGIONAL PAYMENT SYSTEM INTEGRATION INITIATIVES



Outline

- **Introduction**
- **The East African Monetary Union (EAMU)**
- **Status of EAC Payment System**
- **EAC initiatives for Payment and Settlement System**
- **Way forward**



Introduction

The East African Community (EAC) is a regional organization mandated by the Governments of the Republics of Burundi, Kenya, Rwanda, Uganda, South Sudan and the United Republic of Tanzania to spearhead the East African economic, social and political integration. Under Article 5(2) EAC Partner States undertake to establish among themselves a Customs Union, a Common Market and subsequently a Monetary Union and ultimately a Political Federation



The East African Monetary Union (EAMU)

Signed in 2013 and ratified in 2015

The Protocol provides for the attainment of a single currency within the Common Market and is expected to be in place in 2024 with a regional central bank

Preconditions to the above include

1. Establishment of institutions to support the Monetary Union
2. Attainment of macroeconomic convergence criteria, and
3. Harmonization of policies and regulatory frameworks



The East African Monetary Union (EAMU)

Protocol envisages the development and implementation of secure, efficient, reliable and integrated payment and settlement system that is;

- i. Adopt an integrated trading and securities depository system and
- ii. Harmonize and integrate the payment and Settlement system financial market infrastructure with other system



Status of EAC Payment System

- Varied payment system development
- Inconsistent legislation and regulatory framework
- Developed and under developed Communication infrastructure
- Large Value and Retail systems are limited in all member states
- The region has small financial systems that are dominated by the banking sector
- Low Levels of access to formal financial services



EAC Initiatives for Payment and Settlement System

- i. Supporting the implementation and upgrade of Real Time Gross Settlement (RTGS) systems
- ii. Support Retail Payment System Automation and clearing systems-ACHs
- iii. Support SWIFT messaging platforms



EAC Initiatives for Payment and Settlement System Cont..

- i. Support Business Continuity arrangements and Disaster Recovery Sites
- ii. Support Network infrastructure and IT operating environment
- iii. Support implementation of Central Securities Depositories
- iv. Support for modalities on setting up National switches



The East African Payment System (EAPS)

The system operates on a real time gross settlement basis by utilizing the linkage between the various Partner States' Real Time Gross Settlement (RTGS) systems using SWIFT messaging network and the local currencies of the East African Partner States countries.



EAC Initiatives- The East African Payment System (EAPS)

- **WHAT**

The East Africa Payment System (EAPS) is a cross border system that facilitates transfer of funds within the East Africa Region.

- **When**

The project commenced as a result of a MAC Directive which required the Central Banks to “Work out Modalities to facilitate settlement of cross border transactions” commenced operations in November 2013

- **WHO**

Membership is open to all EAC Partner States member states.

- **COSTS**

EAPS transactions are charged at the same rate as local transactions in respective partner states RTGS



The East African Payment System (EAPS)

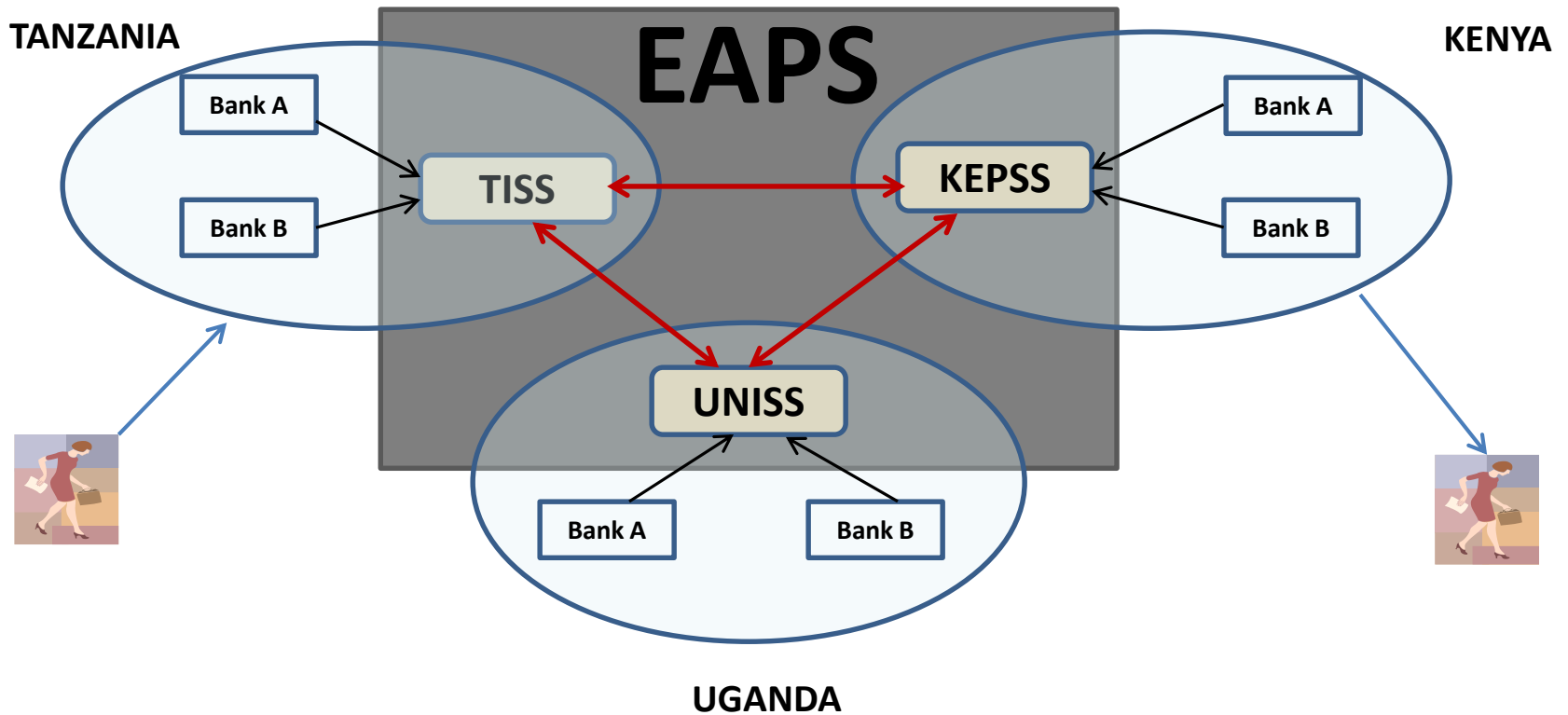
- The system uses the existing RTGS infrastructure to achieve safe and efficient cross border transfer of monetary
- Based on a prefunding model
- It is a multi-currency system that uses currencies of the partner states
 - Tanzania – TZS
 - Kenya – KES
 - Uganda – UGX
 - Rwanda - RWF
 - **Burundi – BIF**
 - **South Sudan - SSP**



The East African Payment System (EAPS)

- Exchange rate risks is borne by the customer and the commercial banks
- The role of the EAC central banks has been primarily
 - the provision of the infrastructure
 - development and implementation of operating rules
 - oversight of the system
- FIN-Y Copy Full Topology has been used to facilitate anti-money laundering efforts
- The systems uses an inbuilt calendar to determine the operating days of each country and has an automated mechanism for informing participating RTGS' on non-working days

EAPS Architecture





EAC Initiatives- Capital Market Infrastructure (CMI)

Implementation of the trading and settlement systems through a Capital Market Infrastructure (CMI) project; ***a technology platform linking the stock exchanges and central depositories of the East African Partner States. The objective is to enable seamless transaction of financial securities across the Community.***



EAC Initiatives- Capital Market Infrastructure (CMI) cont...

The CMI achieves this via three subsystems;

- The Smart Order Router (SOR) that enables the buy and sell of financial securities electronically across borders. The SOR also comes with an Automated Trading System (ATS) for the markets of Rwanda, Burundi, and later South Sudan.

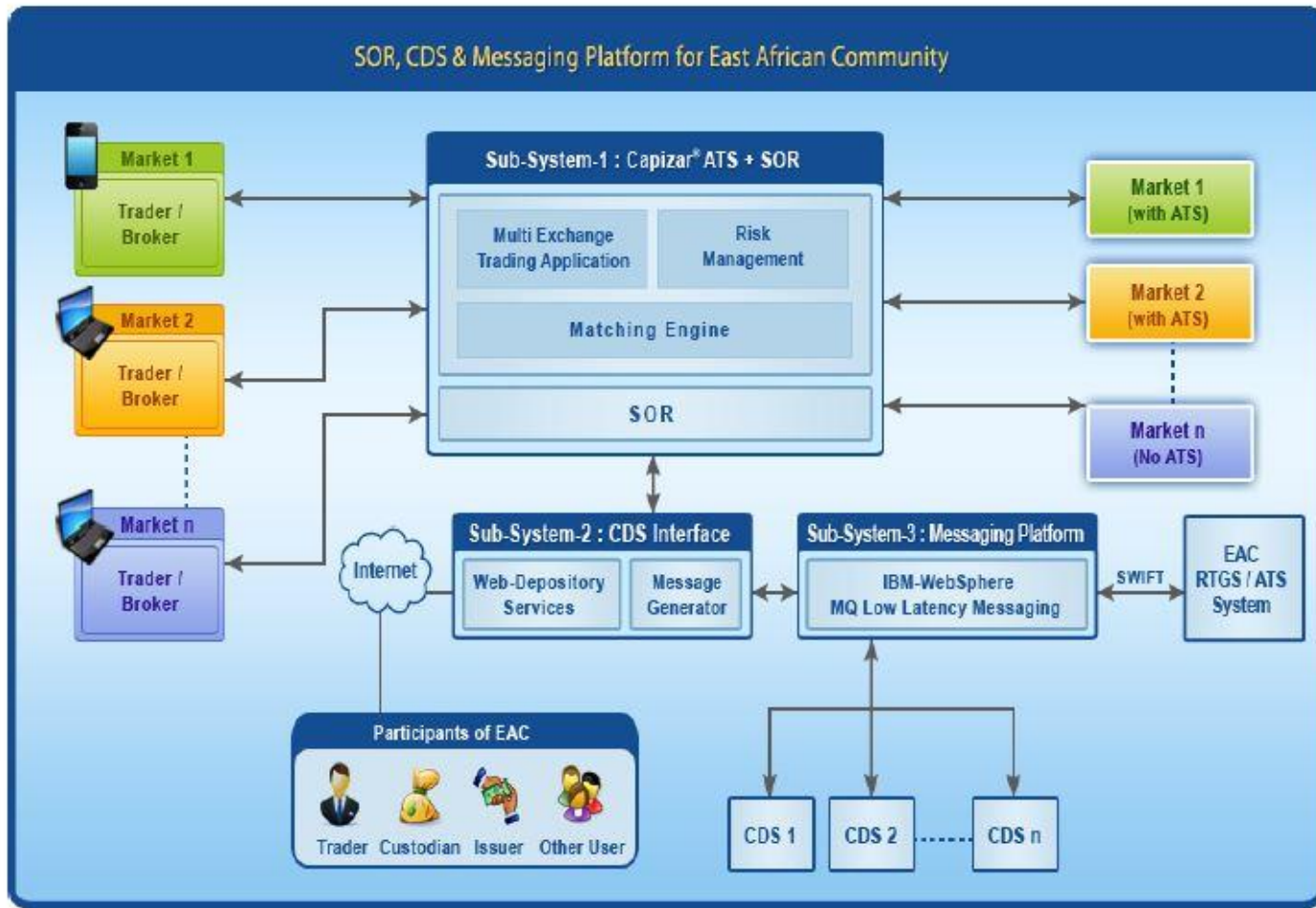


EAC Initiatives- Capital Market Infrastructure (CMI)

- The Central System Depository Interface (CSDI) provides a consolidated view of national securities depositories and;
- The messaging platform between depositories is SWIFT MX ISO 20022 message formats

The project is still in implementation stage and is estimated to complete in the third quarter of FY 2019 – 2020.

EAC Initiatives- Capital Market Infrastructure (CMI)





Harmonization of financial laws & regulations

- EAC is working on a legislation and policy to ensure that payments & settlement systems are adequately supported in the region by;
 - Developing a harmonized legal and regulatory Regional Framework
 - Cross Border Regional Regulatory Framework
 - EAC Regional Oversight Policy Framework
 - EAC Regional Failure to Settle Policy

Capacity building

- Training and skills support to strengthen the capacity of National Central Banks officers and other stakeholders in the area of Payment and Settlement Systems by; through
 - ✓ Facilitating study tours and exchange programs to institutions with developed PS
 - ✓ Organising Courses and training in PSS

Capacity building

- Sensitizing the population on retail payment systems and use of electronic means of payment
- Support to the formation of a Regional Association of Bankers.
- Facilitation of Financial literacy/education and establishment of regional/national strategies for banking and Payments in the region

Way Forward

1. The EAC is commencing preparation for an integrated Single Payment System for the region (EAPS 2)
2. Establishing real time clearing for low value retail payments in the region
3. Establishment of a regional switch that will connect to the national switch in each EAC country



Thank you

Thank you



East African Community



East African Community

One People, One Destiny



EAC 20TH ANNIVERSARY

THEME

DEEPENING INTEGRATION
WIDENING COOPERATION

