THE EAST AFRICAN PAYMENT SYSTEM (EAPS)

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Content

• Background to EAC
• The architecture of EAPS;
• Principles of the System;
• Rules and Procedures of EAPS;
• The Challenges
Background

- In existence since 1897 with the Kenya Uganda Railway
- Customs Collection centre 1900
- East African Currency Board 1905
- EA joint Economic Commission 1940
- Treaty for EA Cooperation 1967
- Treaty dissolved in 1977
- Mediation agreement signed in 1984
- In 1999, the EAC treaty was signed between Uganda, Kenya and The United Republic of Tanzania
- 2006, Rwanda and Burundi were formally admitted into the EAC
Composition

- Burundi
- Kenya
- Rwanda
- Tanzania
- Uganda
The Monetary Affairs Committee

- The Monetary Affairs Committee is the committee of the Central Banks Governors tasked with Monetary cooperation.
- Among the decisions taken towards the monetary cooperation is the harmonization of the Payment Systems.
East African Cross Border Model
An overview of the EA Cross Border System

**Accounting Entries**: (Outgoing transaction)

**In BNR/RTGS System**:
- **DR**: BK A/c
- **CR**: BOT Settlement a/c

**Accounting Entries**: (Incoming transaction)

**In BOT/RTGS System**:
- **DR**: BOT Settlement a/c
- **CR**: Barclays a/c

**In BOT GL**:
- **DR**: BOT Settlement a/c
- **CR**: TISS Suspense a/c
Principles of EAPS

- The system will use the existing RTGS infrastructure to achieve efficient & safe cross border transfer of monetary value.
- The role of the EAC central banks will primarily be the provision of the infrastructure, development and implementation of operating rules and oversight of the system.
- It is a multi-currency system in which the currencies of the partner states will be used.
- Exchange rate risks will be borne by the customer and the banks.
Participation

- Participation in the EAPS is open to a participant provided that it meets the eligibility criteria and conditions provided in the respective RTGS participation requirements/rules.

- By maintaining or using an account with a Central Bank for settlement of instructions or by accepting payment instructions from a Central Bank, participants agree to:
  - comply with the applicable RTGS rules
  - process the payment instructions in accordance with these Regulations;
Payment processing

- Each participant shall maintain a settlement account for each participating currency in their respective RTGS system.

- Participants shall ensure that their settlement accounts are pre-funded as the settlement provider will not avail an intra-day liquidity facility.

- A participant shall send a payment instruction to any of the other partner’s central banks, provided that the beneficiary’s bank maintains a settlement account at the central Bank in the currency in which the original instruction was sent.
Payments processing Cont...

- A participant shall be required to return unapplied funds within 2 hours from the time of receiving the SWIFT notification of credit entry on its settlement account at the Central Bank.

- Payment instructions that are not successfully processed should be rejected immediately.

- The participants shall credit the beneficiary’s account not later than two (2) hours after the receipt of a payment instruction of the credit entry on their settlement account at the Central Bank.
SETTLEMENT

- Settlement shall be done in accordance with the rules and operational procedures of the respective partner state RTGS systems.
- All payment instructions shall be on Real Time Mechanism (RTM).
- Payment instructions in EAPS are deemed final and irrevocable once the sending participant account is debited and the receiving participant account is credited with the amount specified in the payment instructions.
## OPERATING SCHEDULE

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
<th>Activities and Available Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>08.30 (EST)</td>
<td>Start of Day (commencement of RTGS operations)</td>
<td>EAPS start of Business operations</td>
</tr>
<tr>
<td>16.00 (EST)</td>
<td>Initial Cut-Off</td>
<td>Closed to new payment instructions except for bank-to-bank</td>
</tr>
<tr>
<td>15:00¹</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16.30 (EST)</td>
<td>Final Cut-Off</td>
<td>o  No further inputs accepted o  At session close, queue/settlement processing will cease and any transaction still in queue will be cancelled by the system.</td>
</tr>
<tr>
<td>15:30¹</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16.30 (EST)</td>
<td>Start of End – of – Day process</td>
<td>Creation of reports and closing the system.</td>
</tr>
<tr>
<td>15:30¹</td>
<td></td>
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</tbody>
</table>
BUSINESS CONTINUITY

- For the purpose of mitigating operational risks each participant must implement a comprehensive Business Continuity Plan (BCP).
OVERSIGHT ISSUES

- The oversight shall be carried out in accordance with the East Africa Payments Systems oversight Benchmarks.
- For effective oversight a designated lead Bank shall perform the oversight function.
- The function of lead oversight shall be rotated annually among the central banks.
TERMINATION

- A Participant may exit from the EAPS by giving 30 days written notice to other participants.
- A Participant may be terminated if:
  - a participant is declared bankrupt or insolvent
  - there is a fundamental adverse change in financial conditions, status or organizational structure of the participant
Status

- Business and Tech specs signed off
- A project manager has been appointed
- Testing is going on between Montran and Perago
- Banks are being consulted
- Oversight framework is being drafted
Challenges

- Presence of RTGS systems in all Central Banks
- Upgrade of the existing RTGS systems to accommodate multi currency
- Getting all the Banks on board
- Sensitization of the population on the use of electronic payment streams
- Ownership was a problem
THANK YOU VERY MUCH FOR YOUR ATTENTION