

# NATIONAL PAYMENT SYSTEMS IN ZAMBIA



**ANNUAL REPORT FOR THE YEAR 2013**



**Bank Of Zambia**





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## GOVERNOR'S STATEMENT

### Governor's Statement

The considerable growth that has been witnessed in the Zambian National Payment systems for both values and volumes during the year under review can be attributed to increased economic activity, the introduction of new payment instruments and channels, technological developments and innovations that both the banks and new players such as mobile service providers have continued to deploy in the market. These fast evolving developments have not only continued to shape the payment systems landscape in Zambia but have at the same time continued to create new challenges for the Bank of Zambia.

The developments entail regular review of the payment systems landscape in order to understand all payment related activities, processes, mechanisms, infrastructures, institutions and individuals who provide and utilise payment services, their roles and risks that each player is introducing in the system.

During the year under review, the Bank of Zambia successfully implemented the currency rebasing project. This project involved the introduction of the rebased notes and coins. All banks were able to disburse the new notes and coins on 1<sup>st</sup> January 2013. All the ATMs were configured to enable the customer to withdraw the new notes.

The Systemically important payment systems namely, Zambia Electronic Clearing House (ZECH) exhibited a high degree of availability while the Zambia Interbank Payment and Settlement System (ZIPSS), ZIPSS experienced a degree of downtime.

The Bank of Zambia in collaboration with the industry completed the Vision and Strategy document for the period covering 2013-17 laying down the roadmap for the development of the payment systems in the country in the next five years.

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The Cheque Imaging Clearing System that was introduced in 2013 has enhanced efficiency in the cheque clearing stream and facilitated early availability of funds to customers across the country. The bank further intends to speed up clearance of funds in the cheque clearing stream by implementing the T+1 clearing rule in the first quarter of 2014.

The Bank of Zambia has initiated moves to enhance the safety and security of card payment transactions for both Card Present (CP) and Card Not Present (CNP) transactions by engaging the card participating banks to comply with the fraud prevention international standards of chip and pin technology Europay, MasterCard and Visa (EMV) by December, 2015.

The Bank of Zambia is committed to achieve meaningful reforms in the National Payment Systems through the promotion of electronic modes of payment that are safe, efficient, accessible, inclusive with affordable alternatives to customers, especially those who are still deprived of such payment modes.

**Michael Gondwe (Dr)**

**GOVERNOR**



## INTRODUCTION

### EXECUTIVE SUMMARY

This annual report on the Bank of Zambia's oversight of payment systems sets out developments that took place in the National Payment Systems between January and December 2013.

#### The Bank's Oversight Role

Oversight is a public policy activity through which the Bank of Zambia carries out its regulatory function of oversight of the National Payment System. Section 5 (1) of the National Payment Systems Act 1 of 2007 sets out the framework for the conduct of payment systems oversight by the Bank of Zambia which is to "Regulate and Oversee the operations of payment systems in order to ensure the integrity, effectiveness, efficiency, competitiveness and security of payment systems so as to promote the stability and safety of the Zambian financial system".

Under the National Payment Systems Act (NPSA), the Bank of Zambia is empowered to determine the scope of oversight. In this regard, the bank has set out to recognise all payment systems operating in the country. This means that any entity that wants to set up and operate a payment system or payment system business in Zambia requires designating or authorising by the Bank of Zambia. As at end December, 2013, 20 banks, 28 businesses and 4 payment systems were authorised to conduct payment system business.

The Bank of Zambia currently recognises and oversees three systemically important payment systems (SIPS) namely the Zambia Interbank Payment and Settlement System (ZIPSS) operated by the Bank of Zambia and the Cheque Image Clearing and Electronic Funds Transfers, Direct Debit and Credit Clearing clearing systems operated by the Zambia Electronic Clearing House (ZECH) and four Non-Systemically Important Payment Systems (SWIPS). Systemically Important Payment Systems (SIPS) are payment systems which have the characteristic that a failure of these systems could potentially endanger the operation of the whole economy while Non-Systemically payment systems have been recognised as societally important payment systems. Ensuring systems availability at the highest standards, risk control, promoting the efficiency and effectiveness of the payment systems, information transparency, integrity and competition is therefore at the core of the Bank of Zambia's Oversight functions.

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#### Approach to Oversight of the National Payment Systems

The oversight role begins with the designation process, where the bank sets standards and conditions aimed at controlling payment system risks consistent with the overall stability of the financial system.

The Bank of Zambia monitors performance and compliance of payment systems players through monitoring and analysis of statistics and reports. The Bank also conducts on-sight visits to business premises. This oversight process empowers the bank to seek changes in the business processes, service level agreements, rules and agreements.

The NPSA provides the Bank of Zambia with a range of powers to support its oversight. In the event of failure by payment systems players to comply with requirements, the bank has powers to impose supervisory actions. The supervisory actions include among others sanctions, financial penalties, and removal of management or revoke designation of the system or business. In the year 2013, the bank exercised its regulatory powers under Section 7 (7) of the NPA and revoked the designation of one payment system player.

The Bank of Zambia also recognises and ensures that consumer rights are protected by ensuring that payment system players put in place transparent processes for resolution of conflict and customer complaints. Further, the bank ensures that the payment systems players uphold rights of customers enshrined in service quality charters, service level agreements, clearing arrangements, and code of practice.

#### Performance of the National Payment Systems

The National Payment System in Zambia recorded growth in terms of both values and volumes. The growth was recorded in Currency in Circulation (CIC), Zambia Interbank Payment and Settlement Systems (ZIPSS), Cheque Image Clearing System and Electronic Funds Transfers (EFT) transactions. The use of electronic methods of payment increased, mainly through the use of the Automated Teller Machines (ATMs), Point of Sale (PoS) and Money Transfers. However, there was a decrease in the value of mobile money payment stream.



## INTRODUCTION

### Currency in Circulation

The use of cash as a payment method remained widespread as was evidenced by the increase of value of currency in circulation. During the period under review, the value of Currency In Circulation (CIC) increased by 18.4% to K4.5 million from K3.8 million in the previous year. The increase can be attributed to increased cash demand resulting from growth in economic activity during the period under review.

### Performance of Systemically Important Payment and Settlement Systems

On average, the Zambia Interbank Payment and Settlement System (ZIPSS) recorded an availability of 97.7% and processed payments effectively with all commercial banks transacting actively.

The availability of the clearing systems operated by the Zambia Electronic Clearing House (ZECH) remained at the expected 99.99% with transactions for both the Cheque Image Clearing and the Electronic Funds Transfers settling within the expected timeframes.

### ZIPSS Transactions

The value of transactions processed on ZIPSS increased by 36.2% to K528, 950 million from K388, 322 million in 2012. Similarly, the volume of transactions increased by 22.4% to 294,503 from 240,564 reported in 2012.

### Cheque Image Clearing System

In 2013, the value of cheques cleared through the Cheque Image Clearing System increased by 23.5% to K38, 010.9 million from K30, 790.1 million in 2012, while the volume of transactions increased by 14.3% to 3,200,202 from 2,800,759 in 2012.

### Electronic Funds Transfers (EFT's)

During the year under review, the value of transactions processed through the Electronic Funds Transfer (EFT) payment stream increased by 34.2% to K17, 109.1 million from K12, 750.7 million in 2012. Similarly, the volume of transactions increased by 15.3% to 4,643,599 from 4,027,061 in 2012. The increase in the value and volume of transactions was attributed to the migration of some of the government salaries from the cheque stream to the EFT stream during the period under review.

### Performance of Non - Systemically Important Payment and Settlement Systems

Non-Systemically Important Payment Systems equally operated smoothly throughout the year. The Bank currently oversees four Industry Wide Important Payment Systems (IWIPS) commonly known as retail payments. These include ATM, PoS, mobile payments and remittances.

### Trends in Non-Systemically Important Payments-Retail Payments

The use of electronic methods of payment increased, mainly through the use of the debit cards and Money transfers. However, there was a decrease in mobile payments mainly on account of one payment system exiting the market.

### Automated Teller Machines (ATMs)

The value of transactions processed through the Automated Teller Machine payment stream increased by 20.6% to K21, 855.4 million from K18, 134.1 million in 2012. Similarly, the volume of automated teller machine transactions increased by 11.7% to 38,152,320 from 34,152,340 transactions recorded in 2012. The number of ATM cards in use also increased by 25.5% to 2,104,860 in the year under review from 1,676,982 as at end 2012.

### Point of Sale Machines (POS)

During the year under review, the value of transactions processed through the Point of Sale (PoS) payment stream increased by 12.0 % to K885 million from K790.6 million in 2012. Similarly, the volume of transactions processed increased by 18.2 % to 1,983,089 from 1,677,179 in 2012. The number of PoS machines increased to 2,578 from 2,025 over the reviewed year.



## INTRODUCTION

### **Money Transfers**

The remittances market recorded an increase of 67.3% in values to K2, 126.4 million from K1, 270.8 million in 2012. Similarly the volume of transactions processed increased by 134.3% to 4,498,483 from 1,919,494 transactions recorded in 2012.

### **Mobile Money**

During the year under review, the value of transactions processed through the mobile money platform decreased by 18% to K957.3 million from K1, 163.6 million in 2012. The decrease in the value of transactions was attributed to the exit of Celpay from the mobile money market which was engaged in wholesale mobile payments with corporates. However, the volume of transactions increased by 41.0% to 24,412,326 from 17,430,411.

### **National Payment Systems Projects**

#### **Cheque Truncation**

The Bank of Zambia in collaboration with the Bankers Association of Zambia and the Zambia Electronic Clearing House implemented the Cheque Truncation System on 1st February, 2013. Cheque Truncation is the process of clearing cheques using images as opposed to using physical cheques.

#### **National Financial Switch**

The Bank of Zambia, Bankers Association of Zambia (BAZ) and the Zambia Electronic Clearing House Limited (ZECHL) made considerable progress on the implementation of the National Switch. During the year, various working groups constituting membership from all banks and other financial service providers were reconstituted. A Project Manager was employed and the Specification and bid documents were finalised.

### **Future Tasks and Policy Directions**

#### **Modernization of the RTGS**

The project to upgrade the current RTGS system made some progress following the offering of the tender to the successful bidder. The Bank of Zambia and the commercial banks have been able to set up the Virtual Private Net (VPN) that will enable commercial banks access reports in the RTGS and conduct government securities operations in the Central Securities Depository (CSD).

#### **Participation in the Regional Payment and Settlement System**

A number of regional integration initiatives for payment systems are being worked on by regional bodies such as SADC and COMESA. These developments are aimed at facilitating more efficient cross border payments so as to enhance regional economic trade. The Bank of Zambia, like other SADC and COMESA members are participants in the two payment initiatives.

#### **Enhancements to the National Payment Systems Act and Regulatory Environment**

The National Payment Systems Act (NPSA), 2007 is expected to be reviewed to make it more robust and comprehensive. The review of the Act will also seek to harmonise the NPSA with other laws in the country as well as laws related to regional initiatives that the country is party to.



## INTRODUCTION

### 1.0 INTRODUCTION

This report reviews the performance of the National Payment System in Zambia, in 2013.

Under the National Payment Systems Act Number 1 of 2007 section 5 (1), the Bank of Zambia is mandated to designate and oversee payment systems, payment systems participants and payment systems businesses so as to promote efficiency, safety and competition in the payment systems. The payment systems extend financial services beyond the conventional methods by allowing both the banked and unbanked to access financial services.

In 2013, the Bank of Zambia together with various stakeholders continued with the efforts to modernize the national payment system. This was done with the primary objective of ensuring a payment system that is not only in tandem with international standards but also capable of facilitating commerce and trade in a growing economy. The modernization process also sought to provide payment system infrastructure that ensures a secure, efficient, and effective mechanism for the exchange of money between transacting parties.



## INTRODUCTION

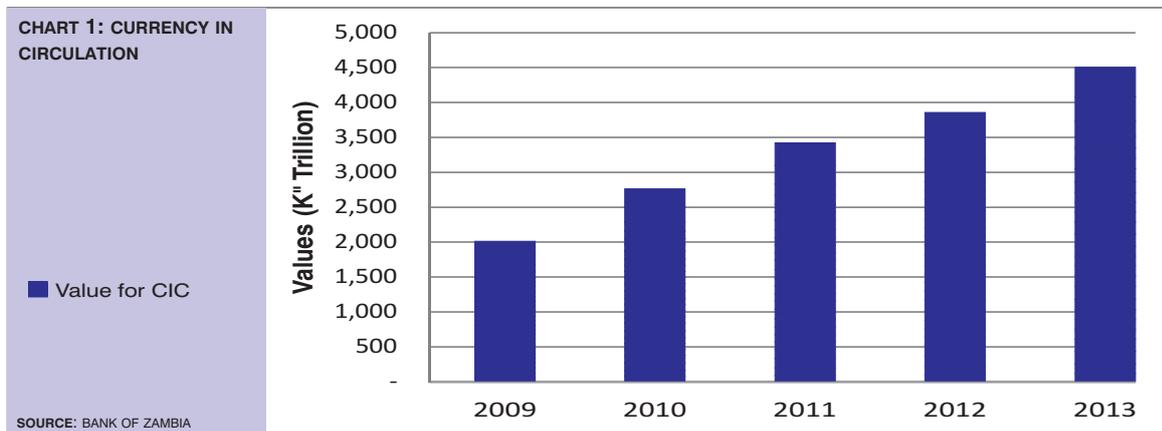
### 2.0 PERFORMANCE OF THE VARIOUS PAYMENT SYSTEM STREAMS

#### 2.1 Key Payment Instruments in Zambia

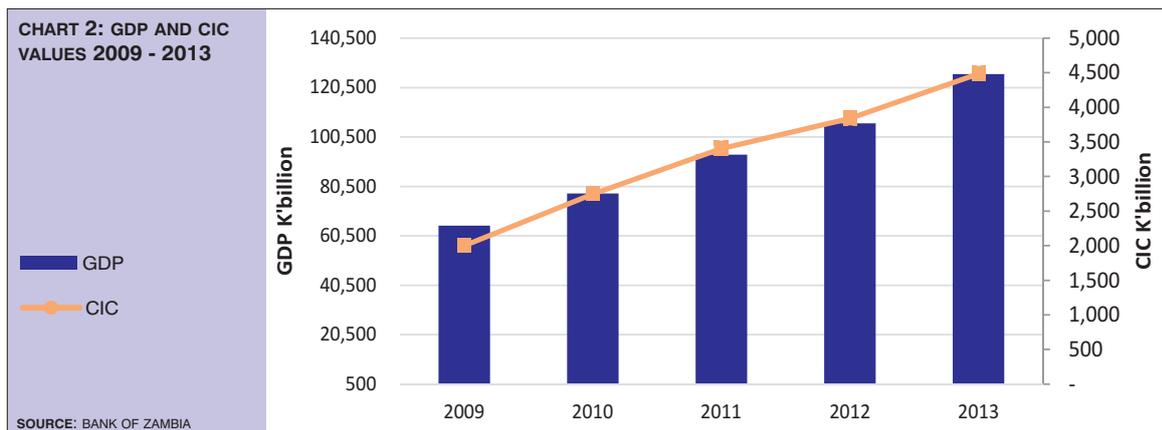
There are two main types of means of payment - cash and bank deposits (bank accounts). Cash represents a claim on the central bank, while bank deposits represent claims on banks.

##### 2.1.1 Currency in Circulation

As at end 2013, value of currency in circulation (CIC) increased by 18.4% to K4.5 billion from K3.8 billion in the previous year. The increase can be attributed to increased economic activity (See chart 1).



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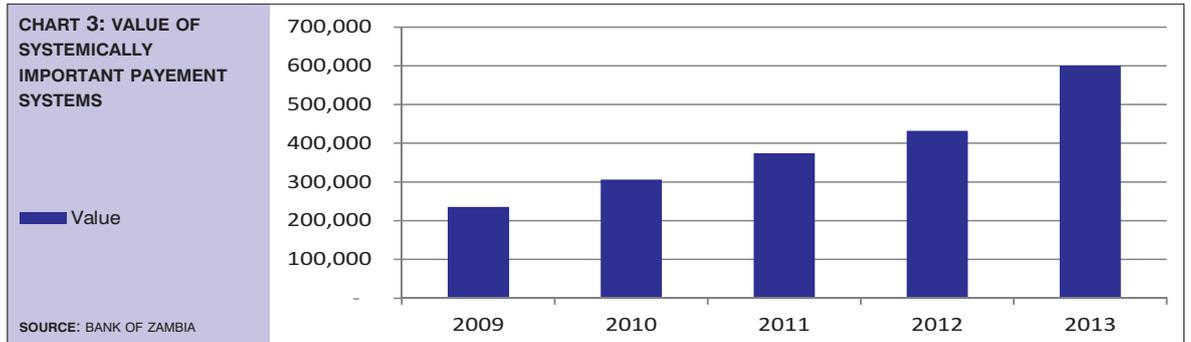
Cash in circulation in 2013 were 3.6% of GDP as compared with 3.5% in 2012 implying a marginal increase in cash in circulation in 2013.

#### 2.2 Systemically Important Payment Systems (SIPS)

Overall, the systemically important payment systems namely the Zambia Interbank Payment and Settlement System (ZIPSS), the Cheque Image Clearing and the Electronic Funds Transfers (EFT's) experienced an increase in both values and volumes of transactions. The value of transactions increased by 39.1% to K600.9 billion from K431.9 billion recorded in 2012. Similarly, the volume of transactions increased by 79.3% to 12,674,299 from 7,068,384 reported in 2012. The rise in both value and volume of transactions in 2013 was largely attributed to a general increase in interbank transactions. (See Chart 3)

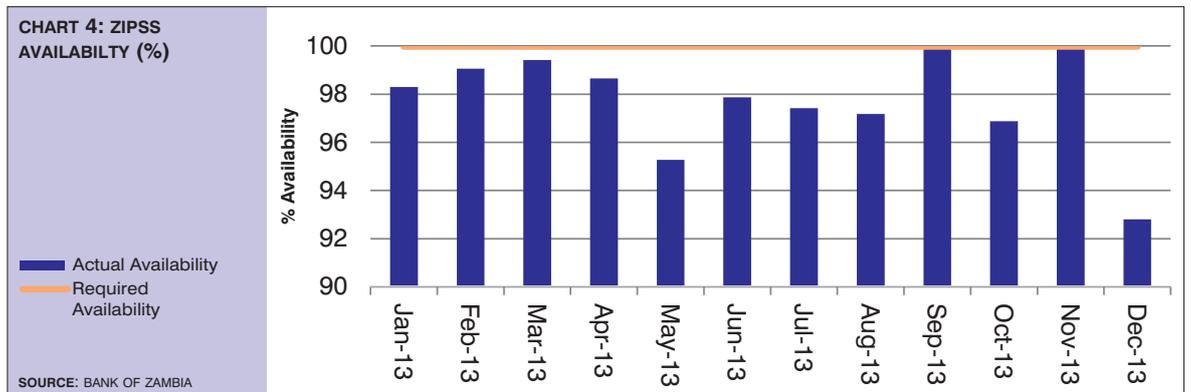


**PERFORMANCE OF THE VARIOUS PAYMENT SYSTEM STREAMS**

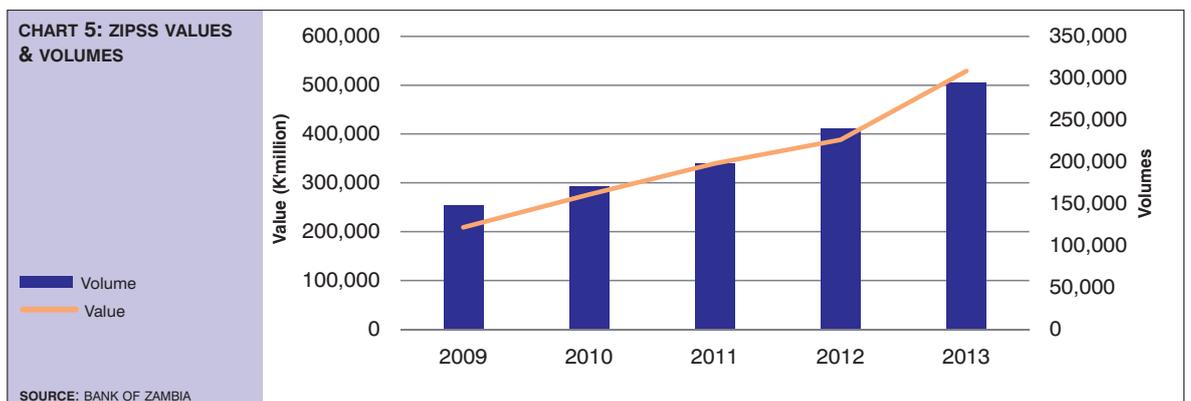


**2.2.1 Zambian Interbank Payment and Settlement System (ZIPSS)**

During the year under review, ZIPSS operations were satisfactory with all commercial banks transacting actively. On average the system availability level was 97.7% which was 2.29 lower than the expected availability rate of 99.99% mainly due to downtime caused by the breakdown of the communication channel. (See Chart 4)



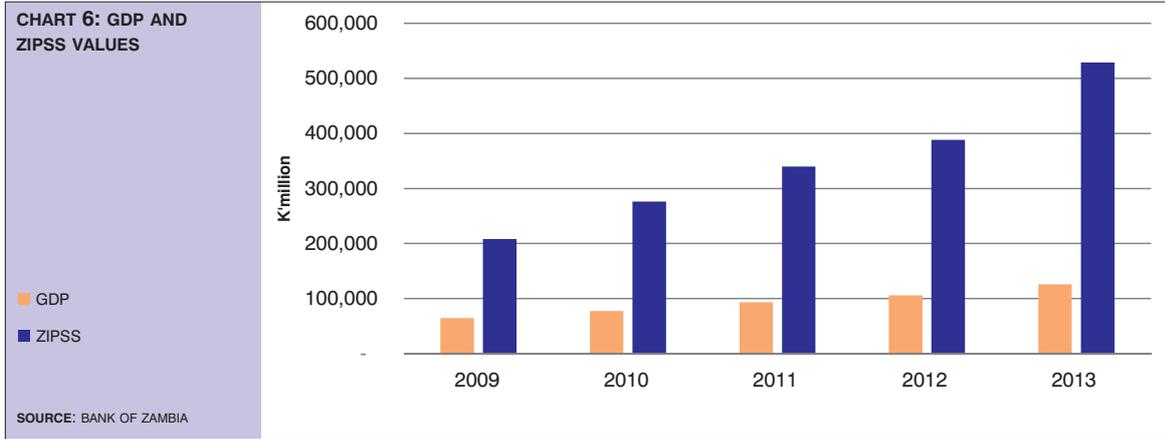
The value of transactions processed on ZIPSS increased by 36.2% to K528, 950 million from K388, 322 million in 2012. Similarly, the volume of transactions increased by 22.4% to 294,503 from 240,564 reported in 2012. The increase in both value and volume of transactions in 2013 was largely attributed to increased economic activity during the year under review (See Chart 5).



The value of ZIPSS transactions in 2013 increased to 420% of GDP from 388.8% in 2012. (See Chart 6)



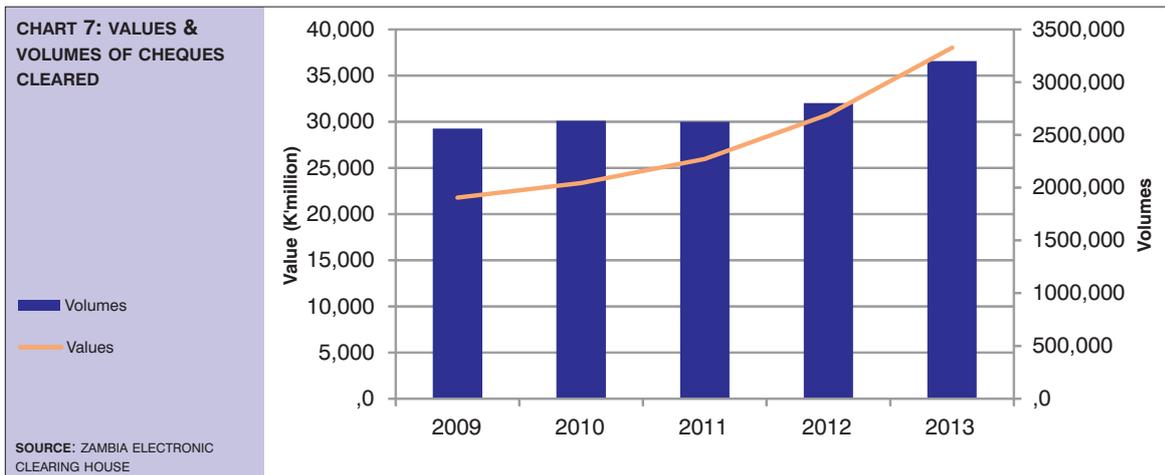
**PERFORMANCE OF THE VARIOUS PAYMENT SYSTEM STREAMS**



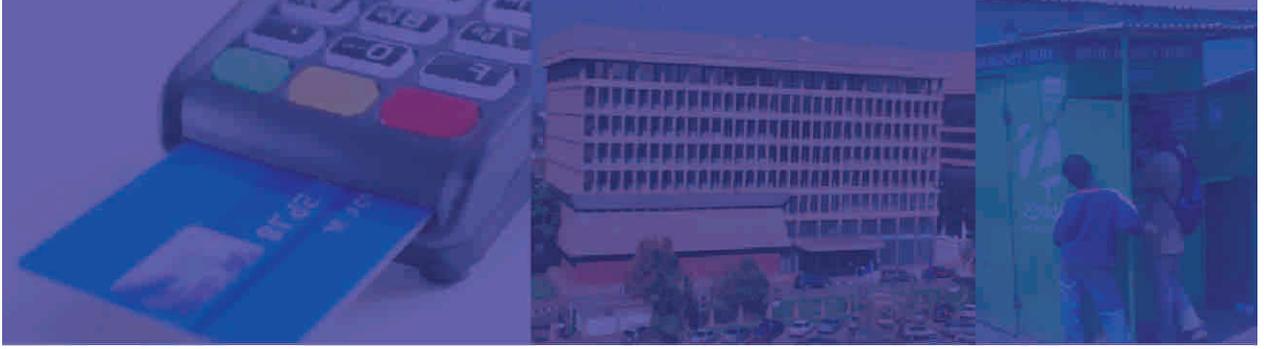
**2.2.2 The Zambia Electronic Clearing House (ZECHL)**

**2.2.2.1 Cheque Image Clearing System**

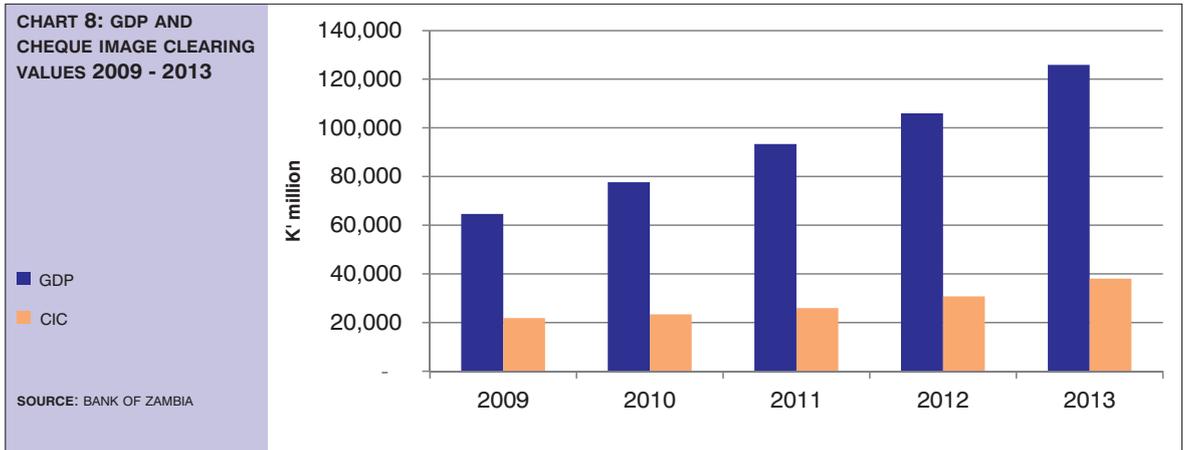
In 2013, the value of cheques cleared through the Cheque Image Clearing system increased by 23.5% to K38, 010.9 million from K30, 790.1 million in 2012 while the volume of transactions increased by 14.3% to 3,200,202 from 2,800,759 in 2012. The use of cheques continued to be on the increase despite having other electronic payment systems in the country. The increase can be attributed to the implementation of the Cheque Truncation System which has enabled country cheques to be cleared within a maximum of three clearing days (T + 2) from the previous 3 to 10 days.



The value of cheques cleared at the Zambia Electronic Clearing House Limited (ZECHL) has over the years been increasing as a proportion of GDP. In the year under review, the increase was 30.2% compared to 30.0% recorded in 2012. This was driven by an increase in the value of cheques cleared in 2013 i.e. 23.5% compared to 18.6% in 2012. (See Chart 8).

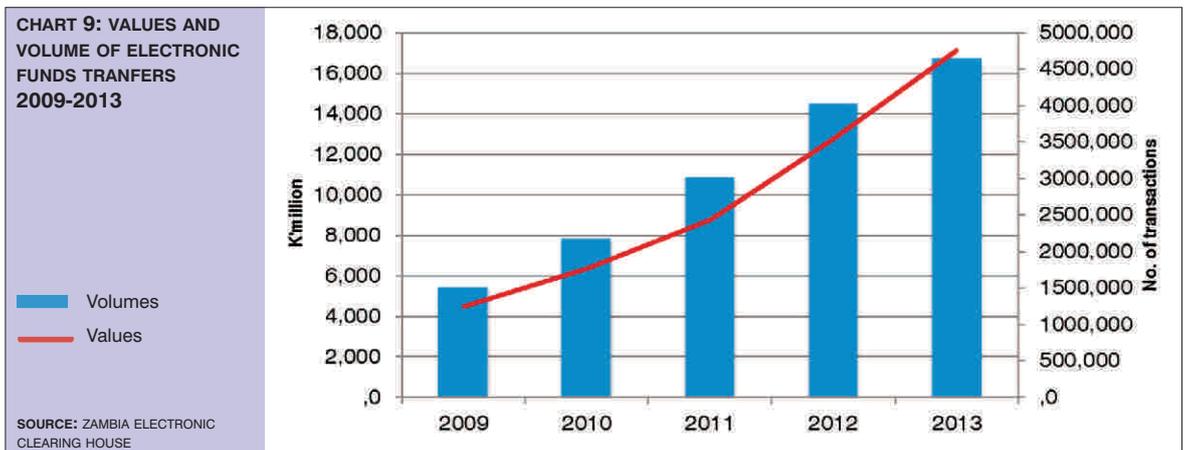


**PERFORMANCE OF THE VARIOUS PAYMENT SYSTEM STREAMS**



**2.2.2.2 Electronic Funds Transfer System (EFT)**

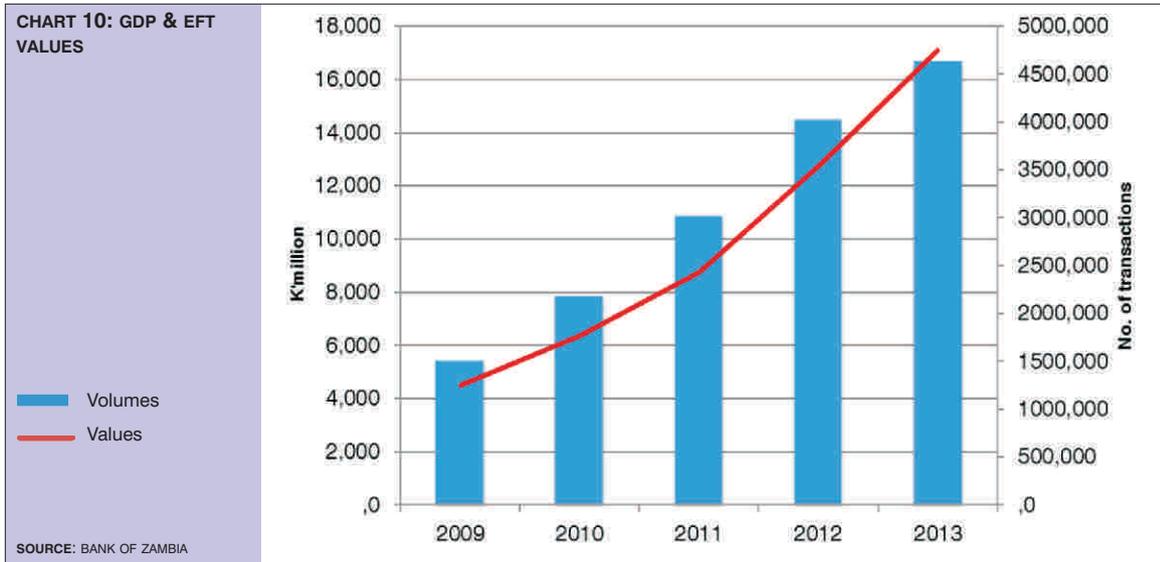
During the year under review, the value of transactions processed through the Electronic Funds Transfer payment stream (EFT) increased by 34.2% to K17, 109.1 million from K12, 750.7 million in 2012. Similarly, the volume of transactions increased by 15.3% to 4,643,599 from 4,027,061 in 2012. The increase in the value and volume of transactions was attributed to the migration of government payments from the cheque stream to the EFT stream during the period under review. (See Chart 9)



In the year under review, EFT values as a proportion of GDP increased to 13.6% as compared to 12.8% in 2012. This was mainly attributed to the growth in the value of EFT transactions. (See Chart 10)



**PERFORMANCE OF THE VARIOUS PAYMENT SYSTEM STREAMS**

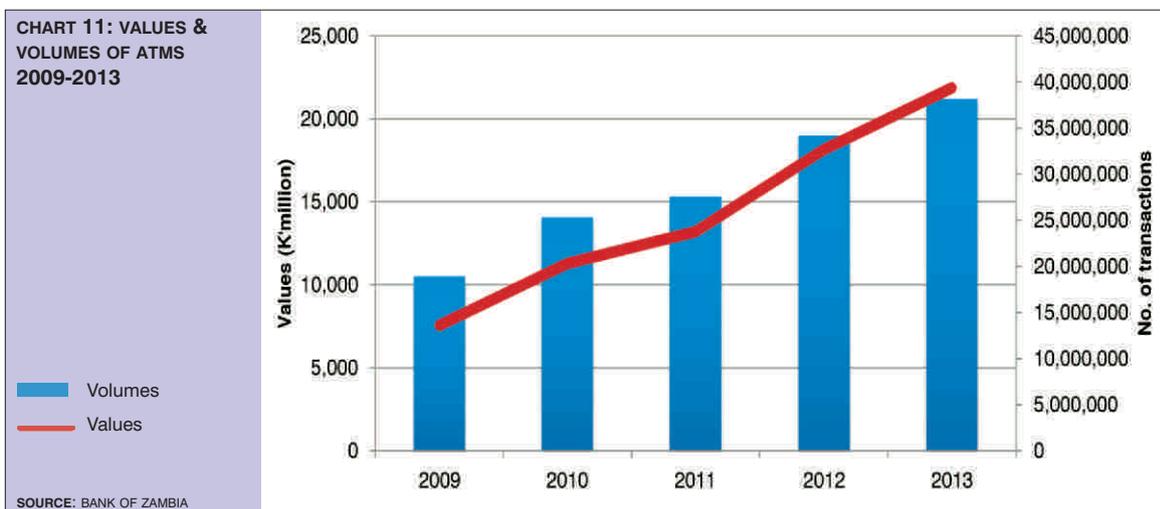


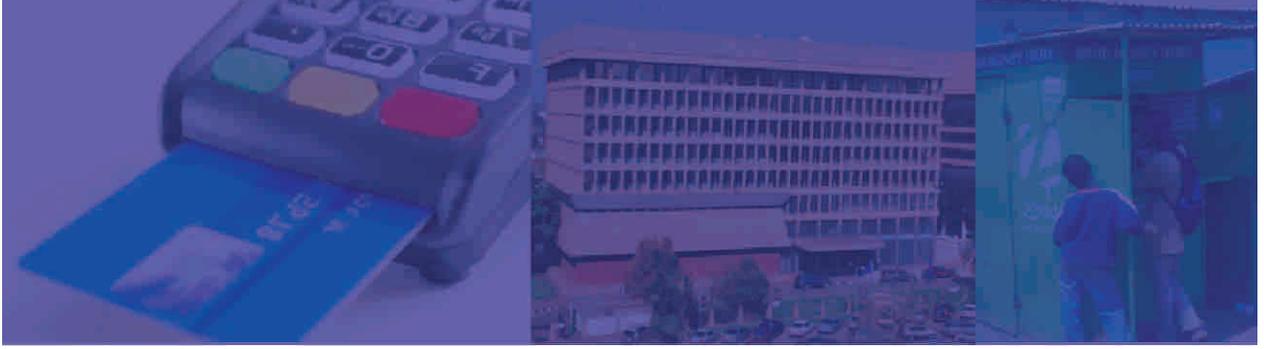
**2.3 Industry Wide Important Payment Systems (IWIPS)**

Overall the IWIPS namely the Automated Teller Machines (ATMs), Point of Sale (POS) and Money Transmission systems and Mobile payments recorded an increase in transaction values of 21%. However, the volume of transactions decreased by 6%. The decrease is attributed to a reduction in mobile payments owing to Celpay exiting from the market during the period under review.

**2.3.1 Automated Teller Machines (ATMs)**

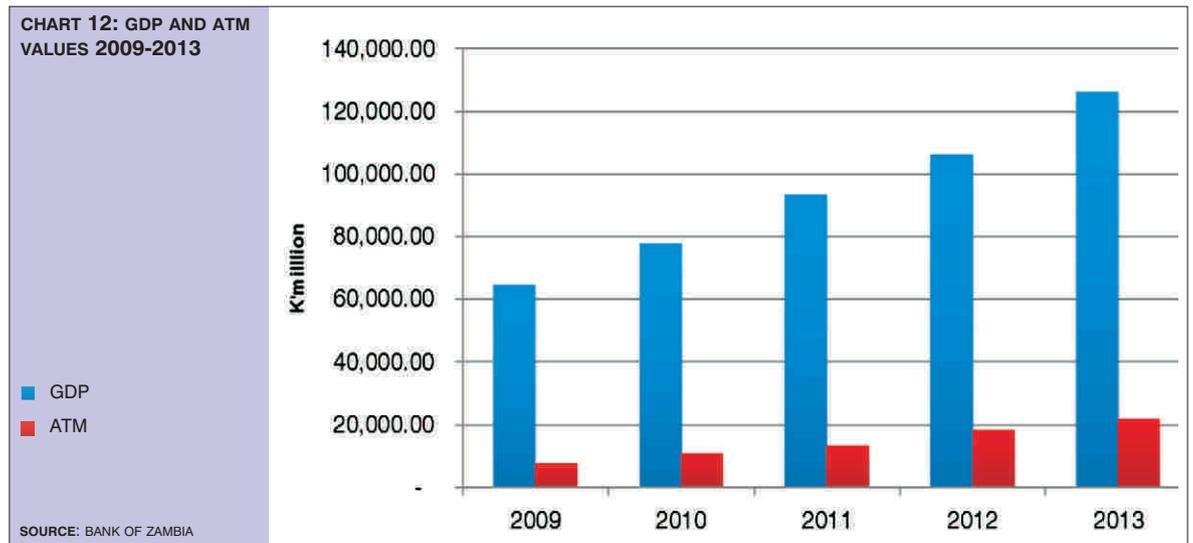
The value of transactions processed through the Automated Teller Machine (ATM) payment stream increased by 20.6% to K21, 855.4 million from K18, 134.1 million in 2012. Similarly, the volume of automated teller machine transactions increased by 11.7% to 38,152,320 from 34,152,340 transactions recorded in 2012. The increase in the value and volume of transactions was attributed to the increase in cards issued as the number of cards in use increased by 25.5% to 2, 104,860 in the year under review from 1,676,982 as at end 2012. In addition, there was an increase in the number of access points. (See chart 11)





**PERFORMANCE OF THE VARIOUS PAYMENT SYSTEM STREAMS**

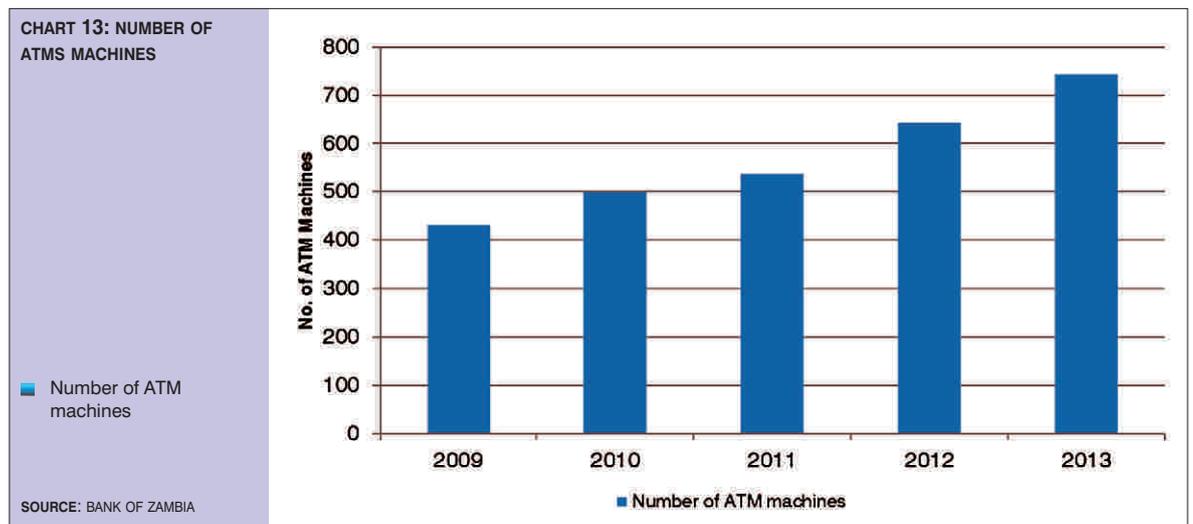
The values of transactions transacted at ATMs as a proportion of GDP were recorded at 17.4% in 2013 compared to 18.2% in the previous year. This was mainly driven by the 20.6% increase i.e. 37.3% in 2012 in the actual values of transaction at ATMs. (See Chart 12)



**2.3.1.1 Number of ATM Machines**

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The number of automated teller machines increased by 15.7% to 744 from 643 reported in 2012. The increase was mainly on account of banks continuously deploying ATM machines during the period under review. Lusaka and the Copperbelt provinces have the majority of ATM machines with 46% and 25% respectively, followed by Southern Province with 9%. (See charts 13 and 14)



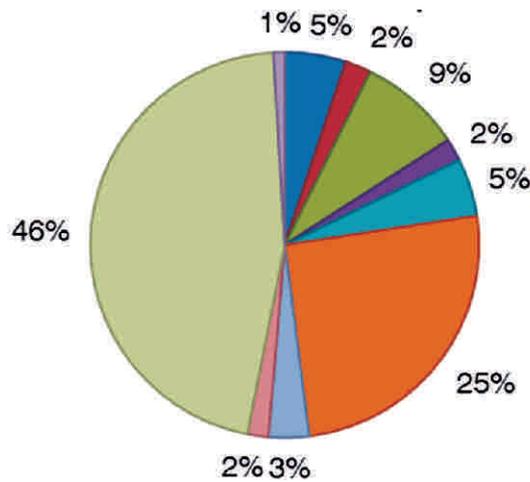


**PERFORMANCE OF THE VARIOUS PAYMENT SYSTEM STREAMS**

**CHART 14: DISTRIBUTION OF ATMS PER PROVINCE**

- Eastern
- Copperbelt
- Western
- North Western
- Southern
- Muchinga
- Nothern
- Lusaka
- Central
- Luapula

SOURCE: BANK OF ZAMBIA



**2.3.2 Point of Sale Machine Transactions**

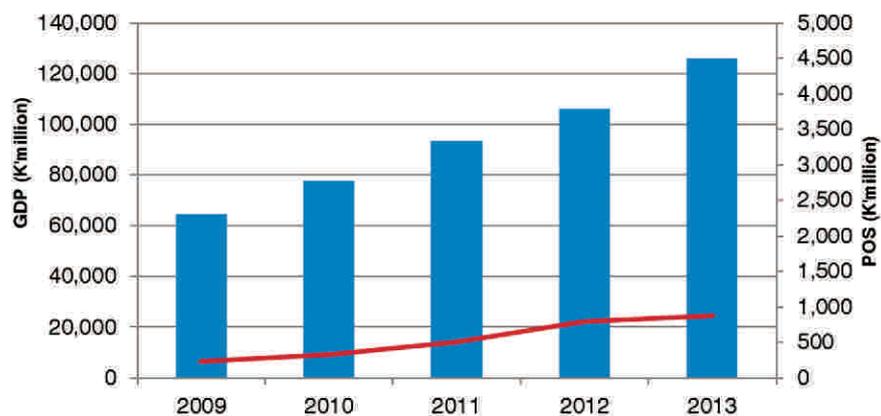
During the year under review, the value of transactions processed through the Point of Sale (PoS) payment stream increased by 12.0 % to K885 million from K790 million in 2012. Similarly, the volume of transactions increased by 18.2 % to 1,983,089 from 1,677,179 in 2012. The increase in the value and volume of transactions was attributed to customer's increased preference for electronic payment methods and an increase in the number of PoS machines deployed.

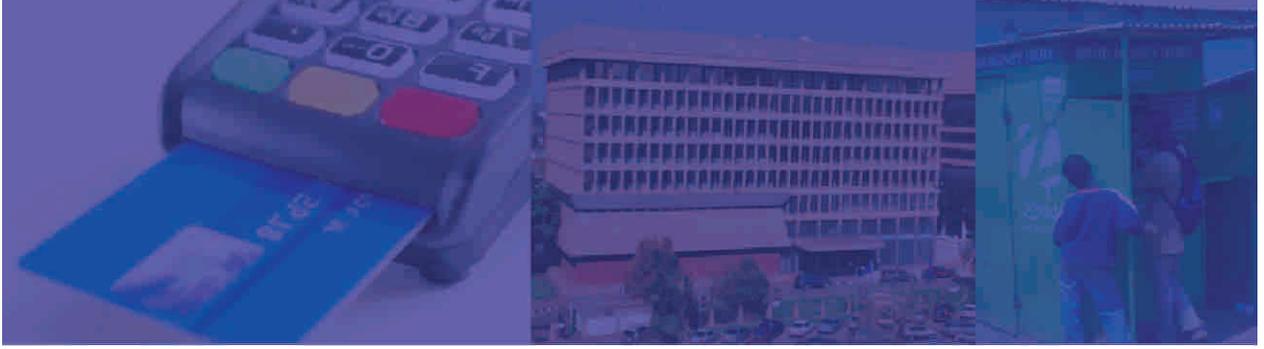
The value of transactions on PoS has remained below 1% of GDP. In 2013, it was 0.70%, a slight decrease from 0.79% in 2012. This was mainly due to the fact that cash has remained the main preferred means for payment for goods and services as opposed to electronic means and the fact that the Point of Sale machines are mainly concentrated in few centres. (See Chart 15)

**CHART 15: GDP AND POS VALUES 2009-2013**

- GDP
- POS

SOURCE: BANK OF ZAMBIA

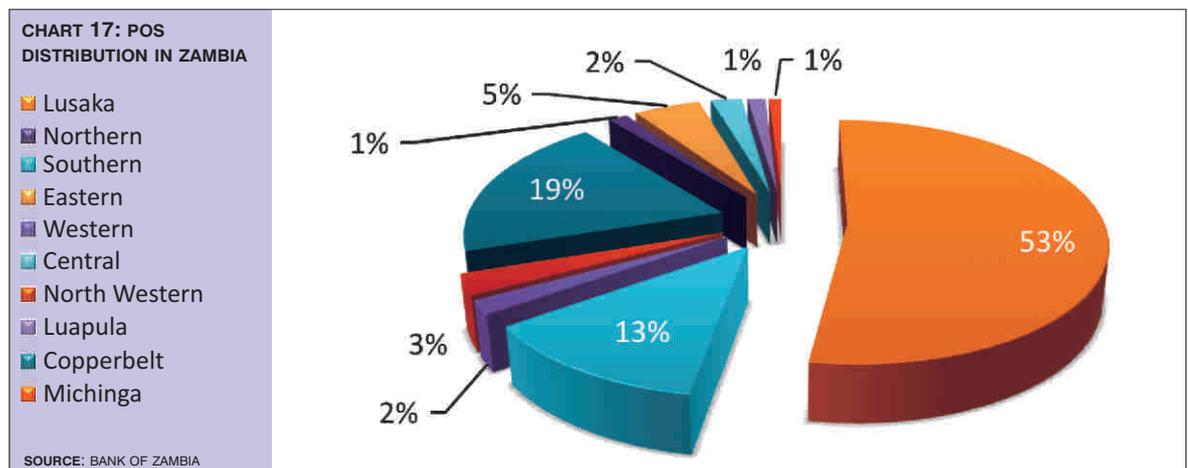
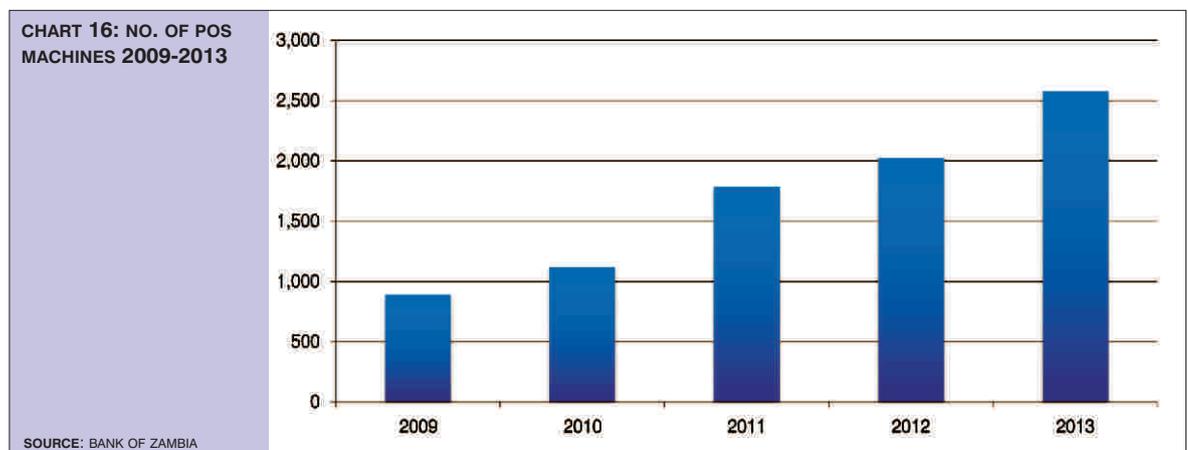




## PERFORMANCE OF THE VARIOUS PAYMENT SYSTEM STREAMS

### 2.3.2.1 Number of Point of Sale Machines

In the year under review, the number of Point of Sale (PoS) terminals increased by 27.3% to 2,578 from 2,025 recorded in the previous year mainly on account of new deployment of PoS machines by banks. Lusaka, Copperbelt and Southern Provinces had the majority of PoS machines with 53%, 19% and 13% respectively. The concentration of PoS machines in the three provinces is mainly due to the high level of economic activity in these provinces. (See charts 16 and 17)



### 2.3.3 Money Transfers

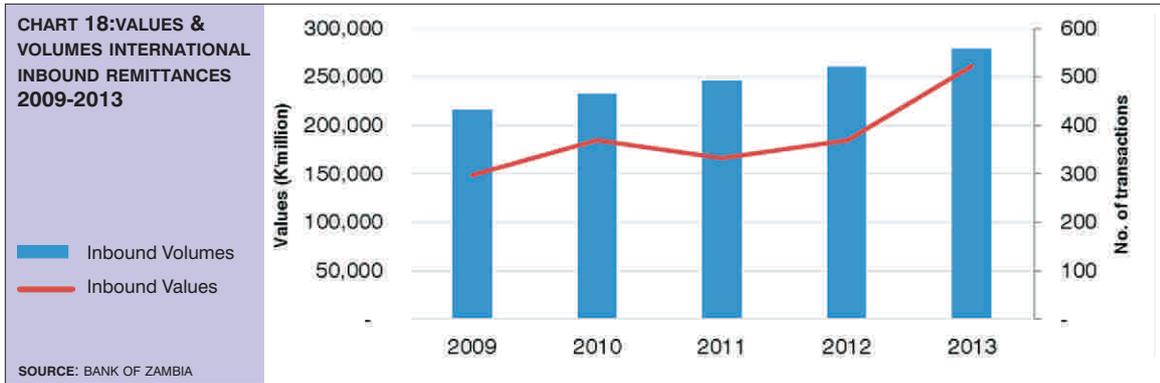
The remittances market recorded an increase of 67.3% in values to K2, 126.4 million from K1, 270.8 million in 2012. Similarly the volume of transactions processed increased by 134.3% to 4,498,483 from 1,919,494 transactions recorded in 2012. The increase was attributed to growth in the local money transfers market which has increased by 202.3% in the value of transactions.

#### 2.3.3.1 International Money Transmission Services

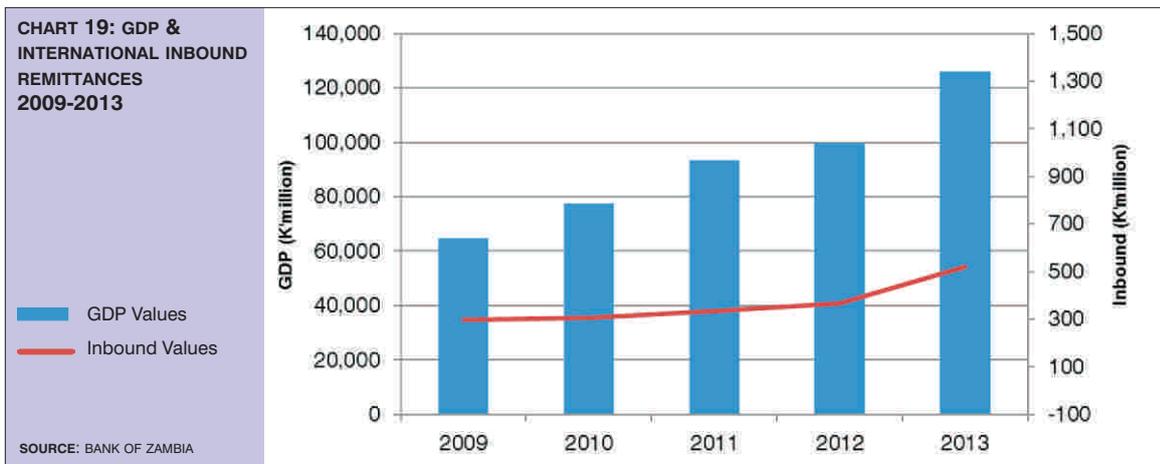
During the year under review, the value of In-bound international transactions increased by 41.6% to K522.4 million from K368.8 million in 2012. Similarly, the volume increased by 6.7% to 278,947 transactions from 261,330 in 2012. The increase in both value and volume of International inbound transactions was attributed to receipts mainly from Zimbabwe, China, India, Tanzania and South Africa. (See Chart 18)



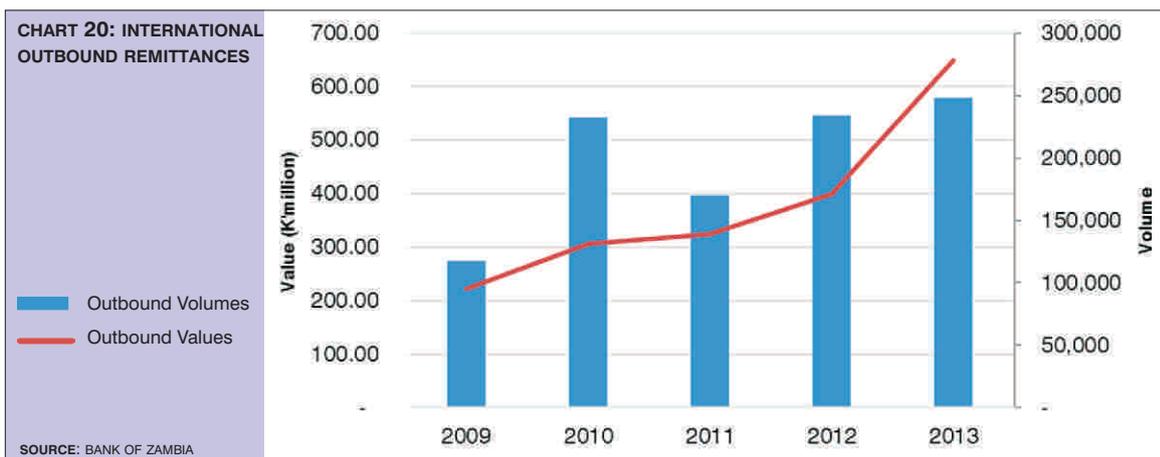
**PERFORMANCE OF THE VARIOUS PAYMENT SYSTEM STREAMS**



In the past five years, the values of inbound remittances have averaged 0.3% (2012: 0.4%) of GDP. (See Chart 19)



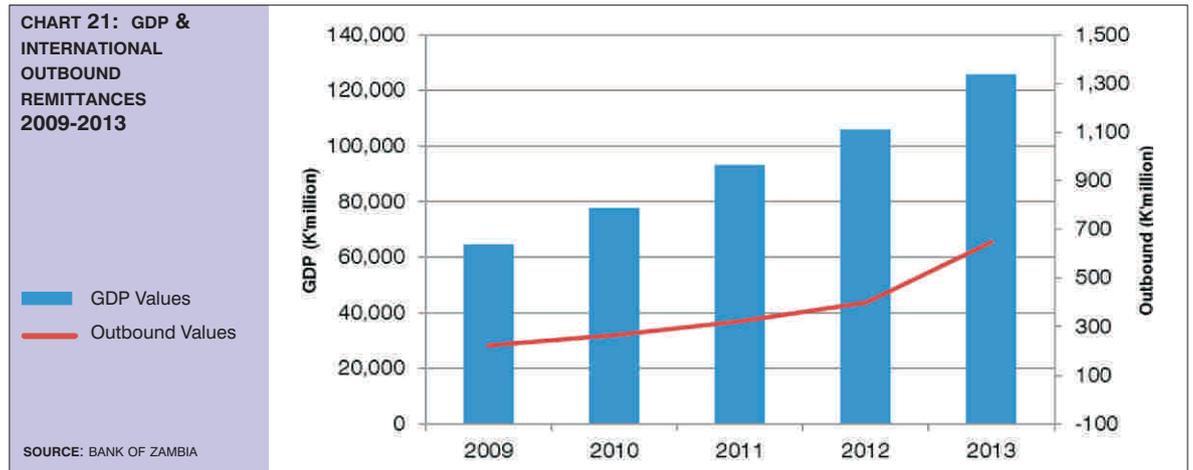
The value of international out-bound transactions increased by 68.2% to K649.2 million from K399.9 million in 2012. Similarly, the volume increased by 6.0% to 247,861 from 233,729 in 2012. The increase in both value and volume of International outbound transactions was mainly attributed to funds transferred to Tanzania, China, Zimbabwe and India. (See Chart 20)



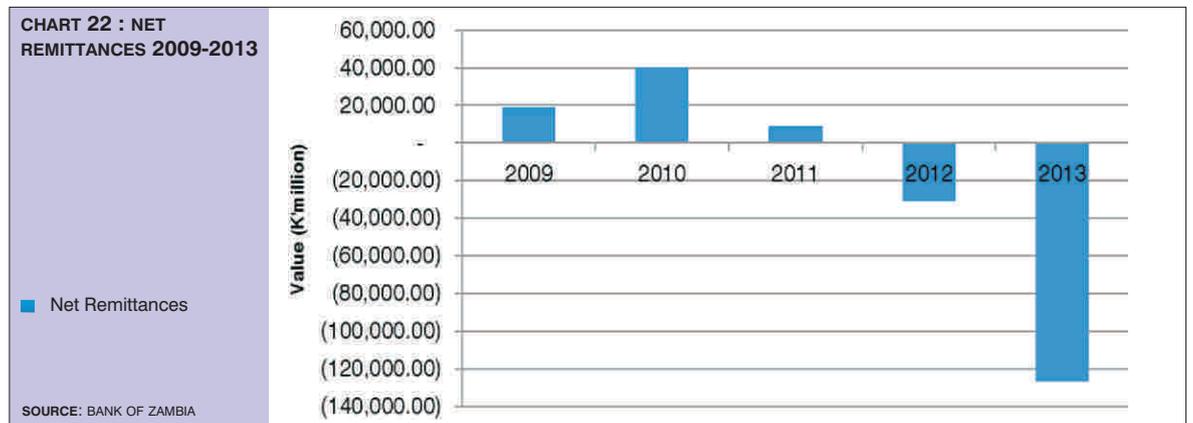


**PERFORMANCE OF THE VARIOUS PAYMENT SYSTEM STREAMS**

In the past five years, the value of outbound remittances averaged 0.3% of GDP. (See Chart 21)



On a net basis, Zambia was a net sender of funds amounting to K126.9 million (2012: K31.1) There was a significant increase in the value of net remittances i.e. K95.8 million higher than the previous year. (See charts 18, 20 & 22)

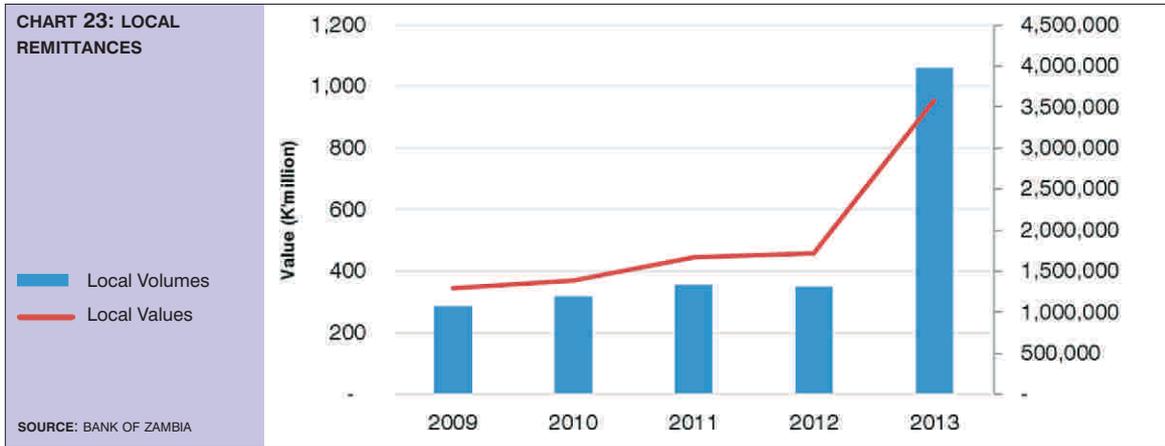


**2.3.4 Local Remittances**

The local remittances market recorded an increase of 108.5% in the value of transactions processed to K 954.7 million from K457.8 million reported in 2012. On the other hand, the volume of transactions increased by 202.3% to 3,971,675 transactions from 1,314,026 transactions recorded in 2012. Over the period under review, Zoono emerged leaders in local remittances followed by MTN, while the Copperbelt and Lusaka Provinces topped net senders and receivers mainly on account of increased commerce, trade and industry in these provinces. (See Chart 23)



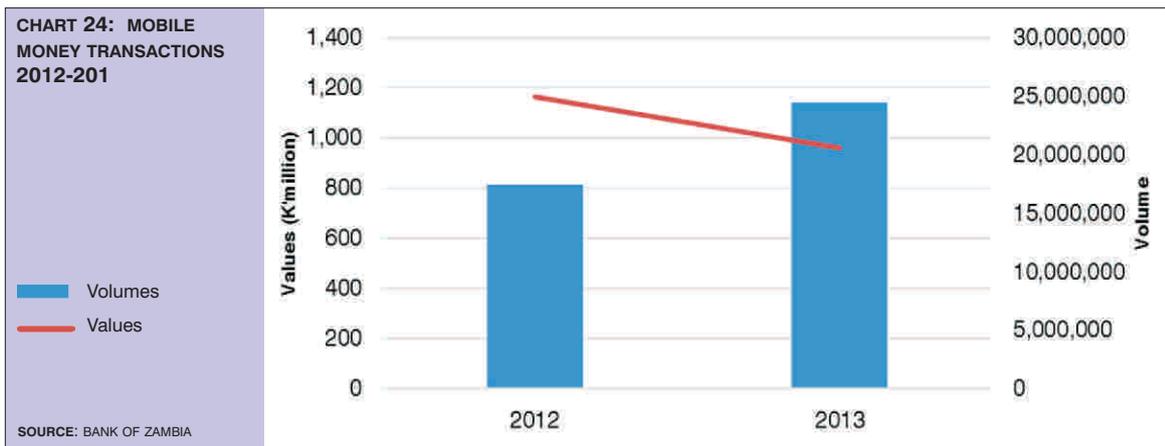
**DESIGNATION OF PAYMENT SYSTEM PARTICIPANTS AND BUSINESSES**



**2.3.5 Mobile Money**

**Mobile Money or Electronic Money (e-money) Transactions**

During the year under review, the value of transactions processed through the mobile money platform decreased by 18% to K957.3 million from K1, 163.6 million in 2012. However, the volume of transactions increased by 41.0% to 24,412,326 from 17,430,411 in 2012. The decrease in the value of transactions was attributed to the exit of Celpay from the mobile money market which was engaged in wholesale mobile payments with corporates. On the other hand, the rapid increase in volume of mobile money was due to the growing retail market through sensitisations and business promotions conducted by the mobile money service providers in the country. (See Chart 24)





## DESIGNATION OF PAYMENT SYSTEM PARTICIPANTS AND BUSINESSES



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### 3.0 Designation of Payment System Participants and Businesses

In 2012, the Bank of Zambia granted two conditional designations for payments system businesses that applied to provide mobile money, switching and ATM services. The two applicants would commence full scale operations after satisfying conditions given by Bank of Zambia.



## NATIONAL PAYMENT SYSTEMS PROJECTS

### 4.0 National Payment Systems Projects

#### 4.1 National Financial Switch

The Bank of Zambia, Bankers Association of Zambia (BAZ) and the Zambia Electronic Clearing House Limited (ZECHL) made considerable progress on the implementation of the National Switch. During the year, various working groups constituting membership from all banks and other financial service providers were reconstituted. A Project Manager was employed and the Specification and bid documents were finalised.

The implementation of a national payment switch will enable systems interoperability between and among various financial players in Zambia thereby increasing access to financial services due to shared infrastructure. This will be the most important step in the near future to enhance efficiency of the Zambian payment system and potentially all Zambians will benefit from the new infrastructure.

Further, the National Switch will increase user friendliness of the payment services which will also contribute towards extending coverage of financial services to the unbanked and under banked. It is also expected to lower transaction costs as well as acquisition costs for the banks and merchants that will take advantage of the benefits from the switch by utilising the switch and offering electronic payments as an alternative mean of payment. The Switch is expected to also contribute to increased innovation and reduced usage of cash.

#### 4.2 Cheque Truncation Project

The Bank of Zambia in collaboration with the Bankers Association of Zambia and the Zambia Electronic Clearing House implemented the Cheque Truncation System on 1st February, 2013. Cheque Truncation is process of clearing cheques using images as opposed to using physical cheques.

The implementation of the Cheque Truncation System standardised and shortened the clearing period of all upcountry cheques from an average of ten clearing days to two days (T+2) thus facilitating the early access of funds by customers. This meant that all cheques deposited across the country were given value on the third business day after deposit.



## FUTURE TASKS AND POLICY DIRECTIONS

### 5.0 Future Tasks and Policy Directions

#### 5.1 Modernization of the Real Time Gross Settlement (RTGS) System

The project to upgrade the current RTGS system made some progress following the offering of the tender to Montran Corporation as successful bidder. The RTGS system is an important electronic payment system for the Zambian economy. It facilitates secure processing of large value transactions among participants.

With the modernization of the RTGS system, the Bank of Zambia expects to achieve seamless integration with other important stakeholders such as the Ministry of Finance, the Zambia Revenue Authority, the Zambia Electronic Clearing House and the Lusaka Stock Exchange.

With the implementation of a new RTGS System, the Bank will also ensure that contingency and backup measures are put in place in terms of connectivity to ensure reliability and highest levels of availability of ZIPSS.

The project is estimated to go live in the second quarter of 2014.

#### 5.4 Implementation of EMV (CHIP & PIN) Technology

The Bank of Zambia has initiated moves to enhance the safety and security of card payment transactions for both Card Present (CP) and Card Not Present (CNP) by engaging the card participating banks to comply and implement the Chip & Pin technology (EMV) for card fraud prevention by December, 2015. This measure will deter fraudsters from invading the Zambian market and enable Zambia to achieve international standards for card fraud prevention measures that have been instituted by Euro Pay, MasterCard and Visa.

#### 5.5 Participation in the Regional Payment and Settlement System

A number of regional integration initiatives for payment systems are being worked on by regional bodies such as SADC and COMESA. These developments are aimed at facilitating more efficient cross border payments so as to enhance regional economic trade. The Bank of Zambia, like other SADC and COMESA members are participants in the two payment systems.

#### 5.6 Enhancements to the National Payment Systems Act and Regulatory Environment

The National Payment Systems Act is expected to be reviewed to make it more robust and comprehensive. The review of the Act will also seek to harmonise the NPSA with other laws in the country as well as laws related to regional initiatives that the country is party to.



## APPENDIX

### APPENDICES: PAYMENT SYSTEMS STATISTICS

#### Appendix I: SYSTEMICALLY IMPORTANT PAYMENT SYSTEMS (SIPS)

**TABLE 1: VALUES OF SYSTEMICALLY IMPORTANT PAYMENT SYSTEMS (SIPS) - (2009 – 2013)**

Year	ZIPSS (K 'millions)	CIC (K 'millions)	EFT's (K 'millions)
2009	209,090	21,787	4,503.8
2010	276,160	23,360	6,352.9
2012	339,771	25,961	8,750.7
2012	388,323	30,790	12,750.7
2013	528,950.60	38,010.9	17,109.1

SOURCE: BANK OF ZAMBIA

**TABLE 2: VOLUMES OF SYSTEMICALLY IMPORTANT PAYMENT SYSTEMS (SIPS) - (2009 – 2013)**

Year	ZIPSS	CIC	EFT's
2009	148,247	2,558,805	1,510,645
2010	170,513	2,623,969	2,182,545
2012	198,586	2,623,169	3,024,080
2012	240,564	2,800,759	4,027,061
2013	294,503	3,200,202	4,643,599

SOURCE: BANK OF ZAMBIA

**TABLE 3: VALUE AND VOLUME OF CHEQUES CLEARED (2009 – 2013)**

Month	Value(K' Million)	Volume
2009	21,787	2,558,805
2010	23,360	2,623,969
2012	25,961	2,623,169
2012	30,790	2,800,759
2013	38,010.9	3,200,202

SOURCE: BANK OF ZAMBIA

**TABLE 4: VALUE & VOLUMES OF EFT AND CHEQUE CLEARING (2009 – 2013)**

Month	Value(K' Million)	Volume
2009	4,503.8	1,510,645
2010	6,352.9	2,182,545
2012	8,750.7	3,024,080
2012	12,750.7	4,027,061
2013	17,109.1	4,643,599

SOURCE: BANK OF ZAMBIA



## APPENDIX

### APPENDIX II:

#### NON-SYSTEMICALLY IMPORTANT PAYMENT SYSTEMS

**TABLE 5: NUMBER OF AUTOMATED TELLER MACHINES AND CARDS (2009 – 2013)**

Automated Teller Machines (ATMs)				
Year	Automated Teller Machines (ATMs)	No. of ATM Cards	ATM Transaction Values K' Millions	ATM Transaction Volumes
2009	431	879,000	7,566,938.45	18,919,304
2010	486	1,082,000	10,684,107.41	23,866,329
2012	537	1,358,711	13,208,820.60	27,560,714
2012	643	1,676,982	18,134,079.60	34,152,340
2013	744	2,104,860	21,855,371,016	38,152,320

SOURCE: BANK OF ZAMBIA

**TABLE 6: NUMBER OF POINTS OF SALE MACHINES(2009 – 2013)**

Year	Points of Sale (PoS) Machines	Values of PoS Machines K' Millions	Volumes of PoS Transactions
2009	889	239,680.87	543,000
2010	1,119	337,575.93	805,000
2012	1,784	506,661.18	1,210,000
2012	2,025	790,635.10	1,677,179
2013	2,578	885,260.6	1,983,089

SOURCE: BANK OF ZAMBIA

**TABLE 7: REMITTANCES (2009 – 2013)**

	Values (K 'Billion)			Volumes		
	Inbound	Outbound	Domestic	Inbound	Outbound	Domestic
2009	298.0	221.6	345.3	216,700	117,460	1,078,520
2010	306.0	265.9	369.1	232,570	140,154	1,191,732
2012	332.9	323.7	446.5	246,318	170,174	1,340,439
2012	368.8	399.9	457.8	261,330	233,729	1,314,026
2013	522.4	649.2	954.7	278,947	247,861	3,971,675

SOURCE: BANK OF ZAMBIA



## APPENDIX

### APPENDIX III

#### DESIGNATED ENTITIES AS AT DECEMBER 2013

	Payment Systems	Services	Address
1	Zambia Electronic Clearing House Ltd	PIC & DDACC Clearing	COMESA House, Ben Bella Road, Lusaka, Tel: 234356
2	Zamlink e-Switch	Switching services	3rd Floor, Indo Zambia Building, Cairo Road Lusaka
3	Calltrol	Switching	377A/45/B/1 House No 2 Reedbuck Road Kabulonga, PO Box 35139 Lusaka
4	Bank of Zambia	ZIPSS/RTGS	Bank Square Cairo Road, Tel:228888
	Payment Systems Businesses	Services	Address
1	Celpay Zambia Limited	Mobile payment services and money transmission services	Tel: +260211220750 Fax: +260211220757, Farmers House, Cairo Road, Lusaka
2	Mobile Payment Solutions	Mobile payment services	47 Independence Avenue , Lusaka Zambia
3	ZMP Limited	Mobile payment services and money transmission services	Airtel House, Addis Ababa Drive, Lusaka
4	Mobile Transactions Zambia Ltd	Mobile payment services and money transmission services	Plot No. 25 Joseph Mwilwa Road Rhodes Park Lusaka
6	National Savings and Credit Bank	Money transmission	Savers House, Cairo Road Lusaka, Tel +260211226834/227534
7	Money Express Limited	Money transmission	Tel: +260211225429 Fax: +260211233503
8	Zampost	Money transmission	Tel: +260212611222, Fax: +260212614831
9	NECOR Transtech	Money transmission	P.O. Box 31465, Lusaka.Tel: +260 211 229782/5, Fax: +260 211 226772
10	Runnymede	Money transmission	Plot No. 97, Tindu Crescent, Kabulonga, Private Bag 383X, Lusaka
11	Bayport	Money transmission	Plot No. 68, Bayport House, Independence Avenue, P.O. Box 33819, Lusaka
12	United Bank for Africa	Money transmission	Stand 22768 Corner Great East Rd and Thabo Mbeki Roads, P O Box 36794 Lusaka
13	Finance Bank Zambia	Money transmission	Finance House Cairo Road P O Box 36762 Tel 221808/229733 42 Lusaka
14	Stanbic bank	Money transmission	Stanbic House, Addis Ababa Drive Lusaka
15	ZANACO	Money transmission	Head Office, Cairo Road, P O Box 32111, Tel: 221355, Lusaka
16	Investrust bank	Money transmission	Ody's Building Great East Road P O Box 32344 Tel 294682/5, Lusaka
17	CFB Money Transfer Limited	Money transmission	Mlife House Dar-es-Salaam Place P O Box 33456 Lusaka
18	Money Link Zambia Limited	Money transmission	P O Box 33604, Nkwazi/Cha Cha Cha Road, Tel 222736, Lusaka
19	Ecobank	Money transmission	Accacia park Corner of Thabo Mbeki and Great East Road Lusaka
20	PostDotNet	Money transmission	Tel: +260211255542 Fax: +260211252617 P/B E891 3550/11 Lagos Road, Rhodes Park Lusaka, Post.net@zamnet.zm
21	Cactus Financial Services	Money transmission	Suite 9, Tazama House , Ndola
22	Standard Chartered Bank	Money transmission	Standard House, Cairo Road P O Box 32238, Tel222046/229242-60, Lusaka
23	Access Bank	Money transmission	Plot 682, Cairo Road; P O Box 35273; Tel: 227941 Lusaka
24	Brookfield Limited T/A Genesis Global Finance	Money transmission	Tel: +260211253166, Fax: +260211252798 Lusaka
25	FX Africa Bureau de Change	Prepaid Payment Card	Shop No. 3, Kenneth Kaunda House, P.O. Box 51086 RW, Lusaka
26	AB Bank	Money transmission	South-end, Cairo Road, Lusaka
27	Intermarket Bank Limited	Money transmission	2nd Floor Farmer's House Cairo Road P O Box 35832 Lusaka



## APPENDIX

### APPENDIX III

#### CONT': DESIGNATED ENTITIES AS AT DECEMBER 2013

	Payment Systems Participants	Services	Address
1	Access Bank	RTGS, PIC, DDACC	Plot 682, Cairo Road; P O Box 35273; Tel: 227941, Lusaka
2	AB Bank	RTGS, PIC, DDACC	Southend, Cairo Road, Lusaka
3	African Banking Cooperation	RTGS, PIC, DDACC	ABC Pyramid Plaza, Church Road; P O Box 39501 Tel: 234541/232991-3, Lusaka
4	Bank of china	RTGS, PIC, DDACC	Plot No.2339 Kabelenga Road; P O Box 34550 Tel 2386/238688, Lusaka
5	Barclays Bank	RTGS, PIC, DDACC	Elunda Park Plot 4644 P O Box 31936;Tel 366150/366100, Lusaka
6	Cavmont Capital	RTGS, PIC, DDACC	Anchor House Sapele Road P O Box 32222 Tel: 224280/6/7, Lusaka
7	Citibank	RTGS, PIC, DDACC	Citibank House, Cha Cha Cha Road P O Box 30037 Tel 229025-8, Lusaka
8	Ecobank	RTGS, PIC, DDACC	Stand 22768 Acacia Park Great East Road Tel: 250202/4,250056/7, Lusaka
9	Finance Bank	RTGS, PIC, DDACC	Finance House Cairo Road P O Box 36762 Tel 221808/229733 42, Lusaka
10	First Alliance Bank	RTGS, PIC, DDACC	Alliance House Cairo Road P O Box 36326 Tel.229303-6, Lusaka
11	First National Bank	RTGS, PIC, DDACC	Stand 22768 Acacia Park Great East Road Tel 845852/4, Lusaka
12	International Commercial Bank	RTGS, PIC, DDACC	Plot 4302, Corner of Great North & Washama Road, Villa Elizabetha, P O Box 32678,Lusaka
13	Indo Zambia Bank	RTGS, PIC, DDACC	Plot 6907, Cairo Road P O Box 35411 Tel 224653/225080/228074, Lusaka
14	Intermarket Banking Corp.	RTGS, PIC, DDACC	2nd Floor Farmer's House Cairo Road P O Box 35832, Lusaka
15	Investrust Bank	RTGS, PIC, DDACC	Ody's Building Great East Road P O Box 32344 Tel 294682/5, Lusaka
16	Stanbic Bank	RTGS, PIC, DDACC	Stanbic House, Addis Ababa Drive Lusaka
17	Standard Chartered Bank	RTGS, PIC, DDACC	Standard House, Cairo Road P O Box 32238, Tel222046/229242-60, Lusaka
18	United Bank for Africa	RTGS, PIC, DDACC	Stand 22768 Acacia Park Great East Road, Lusaka
19	ZANACO	RTGS, PIC, DDACC	Head Office, Cairo Road, P O Box 32111, Tel: 221355, Lusaka

SOURCE: BANK OF ZAMBIA



## APPENDIX

### APPENDIX IV: ZIPSS CHARGES

**TABLE 9: BANK OF ZAMBIA ZIPSS CHARGES SCHEDULE**

Processing charges (K)	Window 1	Window 2	Window 3	EOD
FSI processed on RTM	5	10	15	20
Report request processing	5	10	15	15
Processing concurrent batch	Free	Free	Free	Free

Exceptional charges	Charge (K)
(1) Insufficient funds for RTM (single FSI)	1,000
(2) Repo becomes permanent trade	1,000
3) Bank causes Position Window to be extended (Charge both parties)	100
(4) Charge to act on a RAFSI send (ASA)	100
(5) Charge to act on a RAFSI accept (ASA)	100
(6) Incorrect REC code and/or payment information on FSI to BOZ	50
(7) Defaulter of concurrent batch (RTM and LOM)	5,000
(8) Invalid Instruction	50
(9) Charge to remove/discard a RAFSI (Charge both parties)	200
(10) ASA Transaction Processing Charge (per FSI)	30

SOURCE: BANK OF ZAMBIA





