



BANK OF UGANDA

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EVOLUTION AND OVERSIGHT OF NATIONAL PAYMENT SYSTEMS IN UGANDA THE ROLE OF TECHNOLOGY

**Workshop for Members of the 11th Parliament
National Payment Systems Department**

10th December 2021

Mission: To Foster Price Stability and a Sound Financial System



Outline

- Background – Key Definitions
- National Payments Ecosystem/Landscape
- Evolution of the National Payment Ecosystems
- Regulatory Developments
- Challenges and Opportunities
- Discussion



Background - Key Definitions

Payment systems

- Rules
- Procedures
- Institutions
- Mechanisms -Transfer money 2 or more Economic Agents
- Bank A2 Bank B, BA2Cust. Cust of BA2 CB2, MM-P2P, G2P, B2G
- Supports Transmission of Monetary

Types

Wholesale

- RTGS: High Values – Real time 8.30 - 4.30pm
- ACH: High Volumes -Batch X2- 9.00am &2.00pm
- CSD - opens 8.30am-4.30pm

Retail Payment Systems

- Mobile Money
- Aggregators/Integrators



Payment Ecosystem Landscape

The National Payment landscape can be visualized in 3 aspects:

- Legal and Regulatory,
- Instruments,
- Payment Service Providers (PSP),
Payment Systems Operators (PSO),
Fintechs - Utilities



Evolution of Payment Systems in Uganda..

❑ Interswitch East Africa (U) Ltd:

- Operated a switch under a no objection from BOU – 2005.
- Granted 2 licences to operate as a PSP & PSO in July 2021.
- 24 Participant – 15 Banks, 2CIs, 2 MDIs, 5 MMSP & Aggr.
- **Non-Uniform charges - International Switching**

❑ VISA/Master Card

- Support X-ATMs Transactions
- International Txns
- **Varied /high charges -International Switching**

❑ Agent Banking:

- Introduced in April 2018 backed up by Agent Banking Regulations (2017).
- Country wide network of agents
- September 30, 2021, 19 commercial banks 1 CI
- So far, the best platform and lowest charges



Evolution of Payment Systems ..

Mobile Money:

- Launched in March 2009.
- NPS ACT, 2020 – 11 licensed PSPs/PSOs
- MM registered customers **32.5mn** - Sept 2021.
- Active Customers 21.3 million - **65.5%**.
- Monthly transactions value at UGX. 12.3 trillion in Sept 2021.
- Escrow account at UGX 1.2 trillion in September.
- Lower value transactions - UGX.50,000 (93.3%).
- Dormant Accounts stood at UGX17.96 billion



Evolution of Payment Systems..

Regional Initiatives:

❑ **EAPS**

- East African Payment Systems(EAPs) - in 2013.
- Linked to RTGS and cross border payments in UGX, KES, TZS, &RWF.

❑ **COMESA Regional Payment and Settlement System**

- Implemented in 2014
- Transfer of funds within the COMESA member States.
- Payments in USD and EURO.



Regulatory Developments

Key Aspects from the NPS Act 2020

- ❑ Applies to PSPs, PSOs & Issuers of Payment Instruments (s2)
- ❑ Corrective actions by BoU(s12) – Directives, Transfer services to another PSP, Appoint a Statutory Manager.
- ❑ Provides for establishment of regulatory sandbox framework(s16)
- ❑ Establishment of subsidiary legal entity for EMLs (s48)
- ❑ Minimum Capital Requirements using a tiered approach.
- ❑ Trust Account(s49) with SFI as opposed Escrow Account.
- ❑ Consideration to pay interest - S49 (6)
- ❑ Dormant Account(s57) – Criteria for handling dormant accounts.
- ❑ March. 2021 - NPS Regulations
- ❑ Policies–Reg. Sandbox & NPS Oversight Frameworks



Challenges

- ❑ Interoperability limited - Bilateral agreements – high & varying charges e.g., ATM charges, MM charges
- ❑ Lack of a centralized infrastructure – National Switch
- ❑ Large informal sector – High preference for cash
- ❑ Poor connectivity-rural areas – Band width challenges deprived services of Agents.
- ❑ Low Financial and digital literacy levels
- ❑ Need to amend laws and regulations – to promote FI
- ❑ Digital KYC – Limited interface NIRA and PSPS
- ❑ Cyber Challenges



Opportunities

- ❑ Enhance oversight and build confidence of the population in use of payment services under the NPS Act, 2020.
- ❑ Infrastructure Development and Interoperability through the establishment of a National Switch – Discussion between Bank of Uganda and MoFPED
- ❑ Enhance Consumer Empowerment & Digital Financial Literacy Through Public Awareness Campaigns and Issue Consumer Protection Regulations.



Opportunities..

- ❑ Strengthen collaboration and coordination with the players – participants, other Regulators
- ❑ Regional Support from EAC & Devt Partners – Infrastructure, Laws and capacity building
- ❑ National Payment Systems Strategy Developed and agreed with the S/Holders
- ❑ Review of the National Financial Inclusion Strategy 2017-22



Areas for collaboration

- ❑ Support the amendments to the Laws e.g., MDI Act, BoU Act, AML to promote FI and Socio-Economic Development.
- ❑ Advocate for Government to provide adequate Broad Band Width in the rural Areas 4G to support government programs – SAGE, Parish Model – Invest in IT.
- ❑ Government Funding for the National Switch – Request placed with MOFPED FY 2022/23 to bring down costs and minimize variations in service tariffs – eliminate Surcharging to encourage use of digital channels.



Areas for collaboration..

- ❑ Joint FL programs in the various constituencies – BOU to provide materials and resource persons targeting VSLA and Parish Model beneficiaries FL first.
- ❑ Roll out National IDs for all citizens esp. 15 years+, provide adequate interface with SFIs, PSPs, SACCOs – simplified KYC for low-risk categories
- ❑ Ease access to attestation letters and ID for refugees and provide interface with the OPM data base for digital KYC
- ❑ Advocacy for E-Payment/encourage use of e-payments, make use of community meetings or deliberate approach on Market days – cinema vans to demonstrate usage of different digital channels.



*Thank
you*

