

# **BANK OF ZAMBIA PRESENTATION ON PRINCIPLES FOR FINANCIAL MARKET INFRASTRUCTURES**

**Wednesday, 31 January 2024**



**Bank of Zambia**

# PRESENTATION OUTLINE



**Overview Of Payments Systems in Zambia**



**Designated FMIs**



**PFMI Journey**



**Challenges**

# OVERVIEW OF PAYMENTS SYSTEMS

The Bank of Zambia (BoZ) has overall mandate of the National Payments Systems (NPS) in Zambia which is derived from the Bank of Zambia Act No. 5 of 2022 and the National Payment Systems Act (NPSA), 2007

- To effectively execute its mandate of ensuring financial system stability, the BoZ formerly adopted the PFMI in February 2015 through CB Circular No. 4/2015 as the minimum standards against which the Financial Market Infrastructures designated by the Bank are to be assessed against.
- BOZ has a Payment Systems Department divided into two (2) divisions, namely, Operations and Oversight. The two divisions are headed by Assistant Directors. The department currently has a total of six (6) staff under the oversight division.

The Bank has categorized the following systems in Zambia as being of Systemic importance:

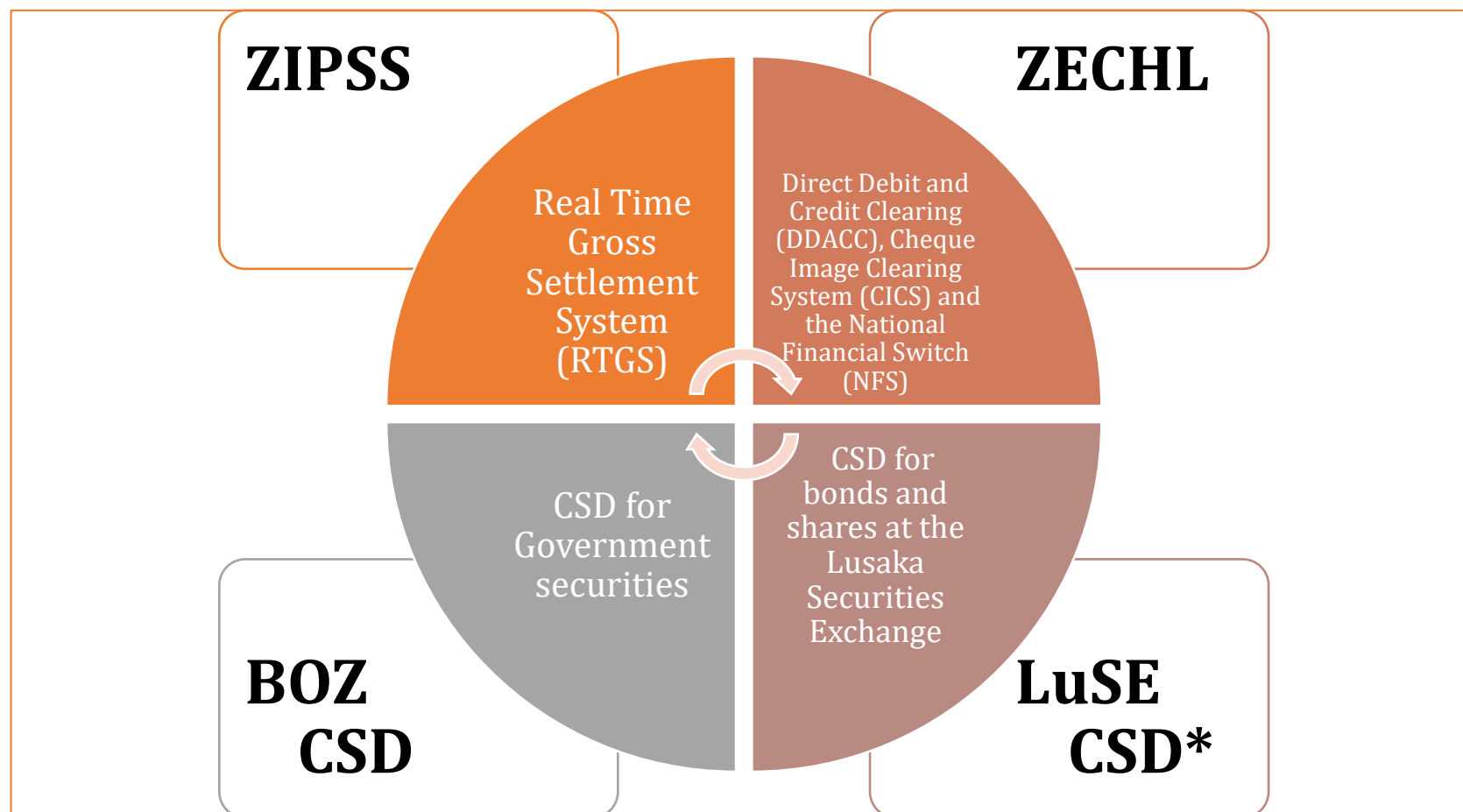
- Zambia Interbank Payment and Settlement System (ZIPSS) (RTGS)
- Zambia Electronic Clearing House Limited (ZECHL), operated systems for Direct Debit and Credit Clearing (DDACC), the Cheque Image Clearing System (CICS) and the National Financial Switch (NFS).
- The BOZ operated CSD for Government Securities (Bonds and Treasury Bills)
- The Lusaka Securities Exchanges (LUSE) operated CSD for Corporate Bonds and Shares

## **Non-systemically important payment systems (NSIPS)**

- Remittances Systems
- Automated Teller Machines (ATMs)
- Point of Sale (PoS)
- Mobile Payments

## DESIGNATED FMIs

The Bank of Zambia has designated the following as Systemically Important Financial Market Infrastructure :



### **\*COLLABORATION WITH OTHER AUTHORITIES**

The Bank of Zambia collaborates with the Securities and Exchange Commission (SEC) through an MOU for the oversight of the LuSE CSD

# PFMI JOURNEY

YEAR	EVENTS/ ACTIVITY
2015	The Bank of Zambia (BoZ) formerly adopted the PFMI in February 2015 through CB Circular No. 4/2015
2018 and 2020	BOZ conducted training for the designated FMIs and reviewed FMI self assessments (with Technical Assistance from IMF)
2022	BOZ conducted training for the designated FMIs and reviewed self assessments on selected principles (PFMIs)
2023	BOZ conducted training on remaining principles and reviewed self assessments for all FMI operators
2023	In the third quarter of 2023, the BOZ received technical assistance from the International Monetary Fund (IMF) through (AFRITAC South – AFS). The IMF experts further conducted a review of the self assessment reports and provided various invaluable comments for consideration. The BOZ has undertaken to enhance the review of the self assessment following the TA provided.
2023 – Going Fwd	The BOZ intends to conduct a self assessment against the five (5) responsibilities and to publish the self assessment for the RTGS after enhancements

## CHALLENGES

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The following have been noted as some of the challenges in the implementation of the PFMI in the Zambian context:

- FMI Operators not dedicating much time to conducting self assessment reviews due to other competing assignments
- Limited exposure to PFMI especially for relatively new staff. Continuous training and capacity building through Technical Assistance helps
- Tendency by self assessors (FMI operators) to rationalize on responses i.e not providing adequate responses and not exhaustively addressing all key considerations
- Lack of in-depth responses provided in self assessments by operators of FMIs making it challenges to effectively conduct reviews of self assessments.



## WHAT WORKED WELL

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The following are some lessons learnt which we consider could help overcome the challenges faced during the implementation process:

- Continuous training and Technical Assistance from the IMF and other Authorities is important
- Recognition of the importance the need for FMIs to conform to PFMI as a strategic objective helped to ensure focus on this activity. The BOZ strategic plan for the period 2020 to 2023 had a specific objective focusing on enhancing the resilience of FMIs and their Oversight. This ensured that we accorded the necessary resources and time to addressing the resilience and oversight of PFMI
- Need to inform FMI operators of the Oversight activities early enough to ensure they plan for the activities expected of them (Conducting self assessments)
- Reading widely and reviewing other self assessment reports published by other jurisdictions helps a great deal
- Involvement of other relevant Departments and functions in the Central Bank

**THE END**  
**THANK YOU**