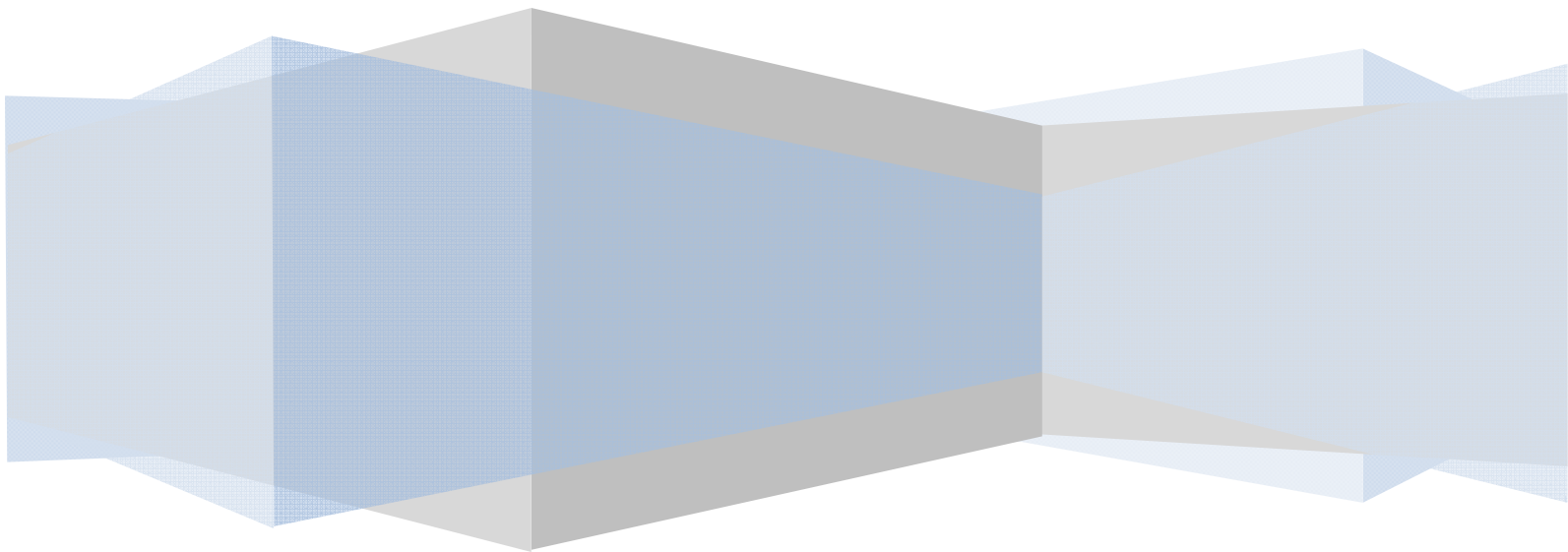


NATIONAL BANK OF RWANDA

**NATIONAL PAYMENT SYSTEM
FRAMEWORK AND STRATEGY**



SEPTEMBER 08

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1. INTRODUCTION

The National Payment System refers to defined institutions, instruments and procedures that are used to effect payments in a specific country. It's the infrastructure that provides the economy with the channels for processing payments that result from all the economic activities that take place between economic agents from payment initiation and exchange of value to settlement or payment finality. Payment systems play an important role in all modern economies by providing the transmission mechanisms through which the settlement of transactions between banks as major players and between their clients - buyers and sellers of goods and services - takes place. An efficient and smooth operating payment system is a necessary precondition for business development and economic growth. Accordingly, safety, integrity, efficiency and reliability of both domestic and international payments are prerequisites for the safety and stability of the financial institutions and the financial markets within which they operate.

The development of the new Rwandan NPS is crucial because of the rapid changes and developments in the whole economy. It gears up to providing the necessary infrastructure for smooth capital movement in both public and private sector. It will allow broader access to financial services and improve the mobilization of more long term savings and financial investments.

Further, in line with vision 2020, of which emphasis is put on developing an economic sector based on offering services with emphasis on ICT and making Rwanda the regional financial hub, the modernization of the National Payment System is completely aligned to these goals. The projects in the modernization of the National Payment System fully utilize ICT and are geared towards reducing costs for business and risks by developing the appropriate infrastructure.

More still, economic integration, both at regional and international levels, is becoming an important reality with far reaching consequences for global finance and trade

relationships. Membership of the COMESA and EAC has not only highlighted the need for a re-look at our own infrastructures, but also has brought in its wake the need for strategically re-evaluating our national and cross-border payment and settlement interfaces to match the expected growth in regional trade and finance.

2. THE PRESENT RWANDA NATIONAL PAYMENT SYSTEM

2.1 The current payment instruments/systems

Rwanda's payment instruments comprise cash and paper based instruments like cheques and credit transfers. In addition, the banks also offer card based services both on ATMs and POS terminals to their clients through the SIMTEL Switch but at a very small scale. Two banks also issue international credit cards and one bank has a VISA International acquiring license. At present, cash is predominantly the most important part of the formal payments system in Rwanda. The payment system in rural areas is mainly characterized by the use of notes and coins. Access to banking services outside Kigali and the major towns is still very limited as they are mainly being served by the network of Banque Populaire du Rwanda (BPR). Generally, the volume of none/cash transactions exchanged and cleared among banks is low.

There is a semi automated paper clearing system that settles at T+1 and clears three instruments namely; the cheques, credit transfers as well as the debit cards operations because the ATMs and POS are on a shared network and interbank settlement is necessary. All interbank payment systems (clearing and settlement) are semi-manually processed in paper form and the settlement of clearing/house balances are posted manually in the NBR accounting system. Cards transactions are cleared at SIMTEL and a settlement report is sent to the BNR system electronically.

2.2 The existing Institutional framework

A Payment System usually comprises of the following; Banks and other financial institutions including Microfinance, telecommunication companies and the related regulatory agencies, settlement systems, payment instruments, the accompanying legal framework and the infrastructure.

In Rwanda, the institutions involved in payments systems include, banks, microfinance institutions, the national switch-SIMTEL and the national post office. There are currently 7 commercial banks, 1 development bank and 1 housing bank in Rwanda with one that acts as a microfinance bank. Apart from the development bank the other banks offer to their clients most of the payment instruments as mentioned in 2.1 above.

The Microfinance institutions are 115 and spread over the whole country and offer payment services but the bulk of which are based on booklets that are presented for cash with draw.

The post office operates a post bank that issues bearer's cheques, however, these are internal only encashed at any postal branches and does not participate in the Clearing House. The other institutions are the National Pension Fund that is mandatory and no private pension schemes as yet.

The National Switch-SIMTEL offers interoperability for all cards transactions both on the ATMs and the POS.

There are various legislations that impact payments system in general in Rwanda. There being no specific legislation regulating the payment systems, some of the existing legislations include: The NBR law; the banking law; the cheque decree of 1951; The promissory note "lettre de change" law; the Anti Money Laundering law; the 1989 clearing house rules and regulations that provide for the clearing and settlement of

cheques, credit transfers, and other types of payment instruments based on paper documents; from time to time Service Level Agreements (SLA) are signed between participating parties; namely Banks and customers, Banks and SIMTEL. NBR plans to consolidate the broad array of enabling legislation into a more modern and all-encompassing legal framework for the national payments system.

2.3 The weaknesses in the present National Payment System and the Repercussions on the Economy

The weaknesses in the current Payment System can be classified in three categories; rudimentary payment instruments, a long payment lag and lack of electronic means of payment. Most of the population in our country is served by cash as the main payment instrument. Cheques and credit orders, direct debits and standing orders are used to some extent by bank clients, but their processing on the inter-bank level is still manual and needs modernization.

The current cards system is based mainly on the VISA branded debit cards. Unfortunately, the volume of transactions is still insufficient with only 13, 000 cards issued and for which only 40% are active on average each month, this is in the face of over 150 000 accounts. The ATMs network processes an average of 30 Millions Rwf daily; however, it's limited in Kigali City with 22 machines with only one unit located in Butare. As a matter of comparison, the ratio in Western Europe is one ATM per 1000 inhabitants and in Rwanda with the existing ATMs against 9M people the ratio is approximately; 1ATM :400 000 inhabitants. There are approximately 120 EFTPOS terminals, of which only 20 are active for transactions in RWF. There is hence a pressing need to find a card technology that is simple, yet run at the internationally acceptable standards and minimum fraud risk.

The number of paper instruments is also limited as compared to cash transactions. The cheques constitute the largest paper based payment instruments in Rwanda in terms of volume, however, the credit transfers do accommodate the largest values as they usually

used for corporate to corporate and government payments. Annually, cheques cleared constitute close to 250 000 (2007 statistics) as compared to approximately 1 Million for each of the other East African Countries (2006 statistics). The clearing and settlement process is governed by rules and regulations and operates on a semi-automation basis, thereby increasing the payment lag.

The table below shows the structure of selected Payment instruments in Rwanda as per the first Quarter 2008

Instrument	Percentage of the total volume
Cash operations	
1.Cash withdrawals at bank counters	69.15
2. Forex withdrawals at bank counters	5.90
TOTAL	75.05
Non Cash operations	
1.Cheques in clearing house	11.52
2.Credit transfers in clearing house	3.40
3.Certified cheques	1.45
4.Travellers' cheques	0.03
5.ATM operations	7.94
6.POS operations	0.62
TOTAL	24.96

Further, the related legal framework for payments is lacking. Rwanda's payments legal framework needs to be updated to incorporate the new noncash and electronic payment instruments and electronic clearing and settlement systems that are being introduced. The laws applicable to payment systems are out-of-date, based only on paper instruments

given that the economic environment has changed a great deal since their publication. Some of the legal texts in operation presently include: The cheque decree of 1951, which is closely based on the Geneva Convention on Cheques of 1931 and was then adopted by countries of continental Europe and elsewhere at that time (it does not provide for cheque truncation); The promissory note “lettre de change” law; and the 1989 clearing house rules and regulations that provide for the clearing and settlement of cheques, credit transfers, and other types of payment instruments based on paper documents (which do not put into consideration any form of electronic clearing/information (electronic forms, electronic data files). The civil code does not provide for electronic transactions; hence electronic evidence may not be accepted in our courts of law.

The cost incurred by the business community as a result of a slow payment process is enormous, both in terms of money and time. These impediments in payment services increase transactions costs and other risks in doing business in Rwanda. The costs and risks include but not limited to a long period for the payee to receive funds, defaulting on payments by the payer, and loss of time especially in international transactions.

Cash in circulation outside the banking system is enormous and leads to limited funds for lending to the business community which in turn leads to high interest rates and this state of affairs stifles private sector lending and hence investment. So much cash outside the banking system fosters financial crimes like forgery of paper based payment instruments, counterfeiting bank notes and physical robbery.

More still, there is a huge cost to the Central Bank in terms of printing bank notes. As a reference in the NBR 2008 budget printing bank notes and minting coins is allocated 3.5 billion Rfw-approximately 7 million USD. On the other hand, the Commercial banks allocate 30 % of their staff to cash handling activities.

The table below shows some comparisons with other countries.

Proportion of currency in circulation (CC) in broad money (M2 and M1) in selected Countries (in percentages)

country	2001	2002	2003	2004	2005	2006	2007
France(CC/M1)	7.4	8.4	9.3	9.5	9.4	9.9	
Australia(CC/M2)	8.8	10.7	10	9.8	9.9	9.8	9.1
Kenya(CC/M2)				12.6	12.1	11.8	
Tanzania(CC/M2)				32.4	30	31	
Uganda(CC/M2)				29.5	29.2	31.3	
Rwanda(CC/M2)	25.1	24.4	27.2	28.5	27.2	24.1	22

The ratio of currency in circulation to M1 or M2 is very much higher in Rwanda than in advanced economies even if we do better or compare with some regional countries. Usually the acceptable levels are between 5 and 10 percent. The way forward in this situation is the adoption of modern payment instruments where individuals/companies transact and yet the liquidity remains in the banking system. Better still, modern payment instruments smoothen the execution of monetary policy by impacting on the transmission mechanism.

The present National Payment System is characterized by few payment instruments and lack of electronic settlement systems. The current payment system infrastructure and framework is not appropriate to support the needs of a growing economy nor is the existing infrastructure adequately robust in terms of meeting the country's needs on a forward-looking basis. Consequently, the NBR in collaboration with stakeholders has embarked on a program to modernize the National Payment System.

3. THE STRATEGIC FRAMEWORK

3.1 THE VISION

The vision is to change the Rwandan society from cash-based oriented to one using modern means of cash-less payments by encouraging the usage of non-cash payment instruments; ensure access to both domestic and international transactions to the whole population; and have a National Payment System that is compliant with international standards and open to both domestic and international payment service providers with an interoperable infrastructure to increase efficiency of economic management by reducing transactions costs

3.2 Situational Analysis of the System/SWOT

3.2.1 The Strengths

Currently, the financial sector is stable with a well supervised banking and microfinance system. More recently, the non bank financial institutions and pension funds have been added to the list of the institutions to be supervised. This raises public confidence in the financial institutions and people are willing to deposit money with banks.

3.2.2 The weaknesses in the system

The banked population is far below the acceptable levels for example there are less than 1M bank accounts in the whole system. This is about 20 % of the adult population of 5Million people, usually the banked population should be around 70 percent; however, this is to the exclusion of the microfinance institutions (MFIs). The microfinance institutions hold the bulk of the accounts of the depositors though with low amounts. Further, the MFIs operate in an archaic manner and do not participate in the National Payment System. More still the general illiteracy level in the country could impact negatively on the implementation of the electronic payment systems.

3.2.3 The opportunities

Given the present developments taking place in Rwanda, the NPS modernization needs to take advantage of several opportunities including the following:

1. The Government program to build a knowledge/ICT based economy. Rwanda has the fastest tele density in the region and this offers an excellent opportunity to promote modern telecommunication based payment instruments;
2. The Government has prioritized Payment Systems as a way to bring Rwanda to be a regional financial hub, increase tourism and investment promotion as well;
3. There is a very fast growing microfinance industry. Microfinance institutions reach the biggest part of the rural population and are a very strong base to bring on board the bulk of the population onto modern payment instruments;
4. The newly restructured BPR into a fully fledged commercial bank. The BPR has a network of 148 branches with at least three in each district. Its restructuring will certainly ensure that full banking services are brought closer to the population;
5. The existence of SIMTEL. All the banks are shareholders of SIMTEL and adhere to the principle of interoperability with shared infrastructure-ATMs and POS. This is an opportunity as penetration in the banking community through SIMTEL would be faster;
6. All Rwandans above 16 years of age are in possession of an electronic plastic National Identity card which will have a banking aspect. This is a very strong basis to develop the Rwanda Payment Card.

3.2.4 The Threats in the System

There are several factors that may act as threats to the NPS modernization process if not well managed.

1. Electronic payments are traceable in nature. The threat here is the attempt by traders to evade tax and may not be willing to carry out their transactions electronically;

2.The wide spread bad governance, financial mismanagement and misappropriation of funds in microfinance institutions could be a threat as people lose confidence and become reluctant to deposit their money with these institutions;

3.Electronic transactions are prone to operational risks as a result of systems break down. The threat here is the sustainability of a constant supply of electricity and the telecommunication facilities;

1.3 Objectives

The objectives of the National Payment System modernization are:

- 1.To reduce the Currency in Circulation outside the banking system to 10 % by the year 2020;
2. Given the above structure of the proportionate use of payment instruments, the objective is to turnaround the structure that makes non cash payment operations at least 75 percent of the total payment operations by 2020.
- 3.To accelerate the rate of economic growth by increasing the efficiency of economic management through reduction of transactions costs

4. THE STRATEGIES

4.1 Establishment of SIMTEL as a common platform for cards based payment systems

This is the rationale for a small market like Rwanda where so many switches cannot be cost effective and will result into high costs for the end users. SIMTEL will be the gate way for all card based payment systems and provide linkage to international payment associations like VISA international, MasterCard, Diners and American Express.

4.2 Ensure that 100% of adult Rwandans are banked

The Government should take a lead and institute a policy for promoting forced savings through savings and credit cooperatives (SACCO). To this end we should endeavor to establish a SACCO in each sector/district, this practice will entrench the culture of banking and arrive at the strategy of having every adult Rwandan banked. With banking

services nearer to the people, the provision and enforcement of usage of non cash payment means will be made less cumbersome.

4.3 Introduce fees for cash withdraws

In line with the objective to transform society from using cash to non cash instruments, fees will be introduced to cash withdraws. This will used as an incentive to push the population to using the non cash instruments to their benefit.

4.4 Invest in capacity building and Management Information Systems for MFIs

Concerted efforts are also being put into bringing the larger Microfinance Institutions onto the National Payment Platform. This will ensure that the majority of the population can look forward to relatively more efficient payment services being offered by these institutions. While presently it is only licensed banks that have access to NBR Clearing and Settlement System, the broader payment system reform will ensure that other entities will be allowed to participate directly too. One of these institutions or SIMTEL could then act as the clearing agent for the smaller microfinance institutions.

4.5 Discourage Cash Payments within Government and other Public Institutions

Government is the largest issuer of payment orders. In that regard, Government will be encouraged to only accept non cash payments and take a lead in promoting electronic payments. Therefore, Government will be provided with a linkage to the RTGS system so as to ensure real time payment to its clients/suppliers. In The same breath, private employers will be required to use exclusively non cash means of payment to pay salaries to their employees.

4.6 Regulating the use of cheques

Many times, cheques are used to withdraw cash at bank counters. In the meantime, before the electronic payments are fully implemented, cheque usage can be regulated by stopping payment of cheques in cash at counters. Rather all cheques will be required to be banked on accounts and go through the clearing system. This will also be a way to curb forgery and theft of funds from both institutions and individual accounts. A practice that has been noticed to be growing and nurtured by cash with draws using cheques.

4.7 Setting norms and standards in Payment Systems

The envisaged NPS will endeavor to comply with the BIS ten core principles for systemically Important Payment Systems (SIPS). The following norms and standards will therefore be set to ensure compliance.

The NPS would serve as a nucleus for the settlement of a multiplicity of payment instructions and it will provide a common settlement mechanism for money and capital market transactions. In order to increase payment certainty and reduce risks, the aim is for the NPS to provide for same day settlement of domestic payment instructions between banks as the basic minimum, with the system favoring the use of credit-push payment methods over debit-pull.

The NPS through the NPS law will provide assurance of finality and irrevocability of settled payment instructions and discourage unwinding because it promotes systemic risks. Settlement will be executed across the participants' settlement accounts with the National Bank of Rwanda in real time and/or on a same-day basis with respect to credit instruments, and at the end of the clearing day with respect to debit items.

Appropriate contingency measures will be put in place in order to ensure that NPS and the supportive infrastructure are available at all times, and to guard against total failure of the entire system. A high degree of operational reliability will be ensured so that the NPS can promote Rwanda as a viable and risk-free market in which global business can be conducted without fear of loss due to excessive operational risks.

In ensuring the creation of a cost effective payments environment, appropriate mechanisms will be put in place to facilitate the deployment of modern payment services and practices by the government. Ensuring affordability will be one of the guiding principles governing the implementation of the NPS, so that it becomes a viable basis for the entrenchment of modern payments systems across the nation.

In essence, the planned clearing and settlement system under the NPS will provide the required services to support individual payment streams such as Large Value Transfer System, Bulk Electronic Transfer, Integrated ATM/POS, and when appropriate, cheques processing system. It is impossible to say that the Rwandan banking system will immediately get rid of this traditional type of payment. Nevertheless, there will be a need for an assessment of the appropriate solution either to make them less attractive for consumers or to develop modern automated processing solution through the introduction of the Magnetic Ink Character Recognition (MICR)

The features of NPS should conform not only to global industry best practices but also internationally accepted industry and technology standards. Additionally, NBR will also issue broad guidelines to the commercial banks and other participants on preferred standards to be adopted.

4.8 Regional integration

After Rwanda's admission into the East African Community, the NBR will have to harmonize several aspects including some aspects in payment systems. The Monetary Affairs Committee (MAC) composed of the East African Central Banks Governors adopted a principle of a harmonized East African Cross Border Payment System (EACPS), which will involve connecting all the RTGS systems of the regional Central Banks. In the NBR we will endeavor to harmonize with the other EAC Central Banks.

In the spirit of ensuring efficient and safe clearing and settlement of intra-regional financial transactions the COMESA members agreed to set up a regional payment and settlement system (REPSS). This is being put into practice and the vendors have been selected for the procurement of the software and hardware for REPSS and work has

started in earnest. This is a multilateral netting system that will settle in either US dollars or Euros.

5. INSTITUTIONAL FRAMEWORK FOR THE PAYMENT SYSTEMS

5.1 Setting up an appropriate legal framework

A sound legal framework encompassing all aspects of payments system will be a major characteristic of the envisaged National Payment System. Comprehensive payment systems legislation will be established to regulate the payments system. The legislation will conform to established international best practice and facilitate the stipulation of operating rules and standards as well as the broader criteria for the licensing and continued participation in the National Payment system.

5.2 Regulation and Oversight

The NBR will be responsible for monitoring and regulating payment systems, this will enable NBR to manage the integrity of the system dynamically and in real-time. The NBR will also ensure that the NPS process, the centralized clearing and settlement system will link all payment streams and clearing agents. While the NPS could be self-regulating with participants being held collectively responsible for the integrity and security of their systems and the data they introduce into the NPS, NBR will introduce improved risk mitigation techniques, including defining secure collateralization requirements.

As part of the NPS initiatives, NBR will also be charged with licensing, and clarifying the role of Remittances Service Providers (RSPs), including the broader regulatory and operational environments in which they operate.

5.3 Stakeholders and their roles

Building a robust modern payment system requires a strong cooperation among various stakeholders. All stakeholders in the NPS have roles and responsibilities geared towards

the smoother implementation of the NPS project. The National Bank of Rwanda will provide logistical and secretarial services to all the NPS structures, including the NPC and the various working groups.

5.3.1 The National Bank of Rwanda

The lead player in the NPS project, NBR will provide overall policy guidance and coordination for the project. The Bank's responsibilities will, therefore, cover a broad spectrum of activities as an operator, catalyst, overseer and user of the system.

With the introduction of Payment Service Providers (PSPs), appropriate procedures for their licensing and monitoring will be defined and the eligibility criteria for non-bank PSPs will be clearly defined. Alongside this move, banks will automatically be entitled to provide clearing services, however, will be required to inform the NBR of any payment services/instruments being provide. With a view to clearly defining these aspects, NBR will pursue the review of existing legislations and the passage of new national payments system legislation as a matter of priority.

5.3.1.1 : As an Operator

- issuing the settlement asset (Central Bank money) for interbank payments;
- owning, operating or/and participating in the clearing and settlement systems;
- Ensure that adequate contingency arrangements are in place to deal with potential disruptions. This should include well documented and regularly tested business continuity plans, procedures for crisis management including system back-ups and recovery strategies;

5.3.1.2: As a Catalyst

- Initiating, coordinating, researching and consulting on payment system design, operation, policy and infrastructure in terms of risk management, system design and architecture;

- Establishing clear lines of communication and creating a more transparent decision making structure;
- Ensuring managerial competence to achieve effective product delivery and utmost user satisfaction.

5.3.1.3: As an Overseer

- monitor existing and planned system and assess them against safety and efficiency objectives;
- guarantee compliance with business practices, operations procedures and technology applications consistent with international best practices and standards;
- ensuring that operational and risk management conventions are explained and properly understood by all parties;
- Advising and drafting proposed legislation on the national payment system.
- Establishing a suitable legal and regulatory framework for NPS including the drafting of rules and regulations and monitoring and ensuring their strict compliance.
- Publish its oversight principles, policies and guidelines (Oversight criteria based on the BIS core principles for SIPS).

5.3.1.4: As a User

- use systems owned and operated by external parties to make and receive payments on its own behalf or on behalf of its customers (such as the government and its agencies);
- use securities settlement and depository systems for its own operations; and
- use correspondent banking services for other central banks and financial institutions.

5.3.2 Bankers Association, Commercial Banks and MFIs

The Banker's Association serves the useful role of a sounding board for testing the suitability and market implications of any policy decision concerning the payment systems. It is a forum at which bankers discuss opinions and take position on issues, providing feedback to the central bank on policy changes. The existence of a well and

functioning Bankers' Association allows for maintaining a healthy relationship between the commercial banks and other stakeholders during the payments system reform and modernization project. The microfinance institutions have the bulk of the clients; the intention is to bring them on board. The MFIs constitute 115 in number spread over the whole country and most especially in the country side. Their inclusion in the National Payment System will mean a significant coverage of the nation in terms of ensuring access to payment services.

5.3.2.1: The Banks' role includes

1. Ensure that they share the goal of modernizing the financial services in the country;
2. Execute payment instructions from the public;
3. Participate in the interbank clearing and settlement and encourage their clients to adopt modern payment instruments;
4. Act as intermediaries in payment transactions;
5. Manage risks inherent in participating in a payment system;
6. Ensure that they have sufficient liquidity for their interbank settlement;
7. Ensure that the payment processing cycle is complete in accordance with the customer's requirements.

5.3.3 SIMTEL

SIMTEL is the payment switch. It runs a routing and switching system that provides interoperability for the banks. The plan is to make SIMTEL a pre-clearing centre for the low value payments so that the Central Bank just receives the netted settlement report. SIMTEL will keep constant liaison with telecommunication companies so as to ensure that their installation are in conformity with the support required for electronic payments.

5.3.4 The Service and infrastructure Providers

These include the Telecoms and providers of other services like electricity. Their role is to make sure that these services which are very important in running modern payment instruments are available all the time to mitigate operational risk.

5.3.5 The National Payments Council

In order to implement a consensus-driven payment systems modernization program and see to it that individual institutions' strategies are in line with the general Payment System strategy, a platform where all stakeholders meet, has been set up. The National Payments Council (NPC) was established in April 2008 and comprises of the following:

1. The Governor of the National Bank of Rwanda as the Chairman;
2. The Vice Governor of NBR serving as his alternate;
3. A representative of the Ministry of Finance and Economic Planning;
4. A representative of the banks operating in Rwanda;
5. A representative of the institutions of micro finance operating in Rwanda,
6. A representative of the telecommunications companies working in Rwanda,
7. A representative of Rwanda Utilities Regulatory Agency (RURA),
8. A representative of Rwanda Information Technology Authority (RITA),
9. A representative of the « Société Interbancaire de Monétique et de Télécompensation (SIMTEL) »

The Head of the payment systems at NBR will participate as Member Secretary of the NPC.

The NPC will be charged with among others:

1. Basic discussions on legal, technical, organizational and operational issues with regard to the modernization of the national payment system in Rwanda;

2. NPC will strive to highlight and underline the role of NBR as a regulator and lead implementer of NPS project;
3. NPC will decide on the types of payment instruments and the number of system to be supported by the NPS initiative;
4. As there is already a service provider in the area of payment cards, SIMTEL, its role, activities and possible involvement in different aspects of the NPS project will be clarified;
5. At the deliberations of the NPC, issues such as the impact on payments system of regional initiatives like EAC and COMESA will be clarified alongside NBR's policy position and implementation strategy;
6. The essential duties of the NPC secretariat will be to ensure that all stakeholders are kept informed of NPS activities, to manage their involvement and contribution towards the effective implementation of NPS project.

In view of the extensive work load, NPC will establish several Working Groups (WG) of experts comprising both NPC members and specialized experts from the institutional base of the NPC membership.

5.3.6 The Government and Regulatory Bodies

1. Ensure that all legal texts regarding payment systems are passed;
2. The Government sits at the forefront of all developments in the payment system;
3. Create and empower all the organs and structures in the National Payment System Development program;
4. Being a big payer and service provider, the Government plays a catalytic role by enforcing the use of modern payment instruments within its services.
5. Ensure that the national electricity grid coverage is increased

5.4 Public Education and awareness

The success of the NPS initiative depends crucially on public education and information dissemination strategy which focuses on highlighting the role and functions of the NPS, the roles and responsibilities of its participants and the resultant advantages vis-à-vis the broader economy and the general public.

6. MAJOR PROJECTS

There are several projects currently being implemented in order to ease payments for the populations, which include the following: The Rwandan NPS modernization strategy encapsulates several projects. Several of them are on-going and work is underway for the conceptualization of others as specified below.

6.1 The Integrated ATM/POS system

The NPS will continue to support and encourage the adoption of common standards and interoperability in the ATM and POS technologies used by the commercial banks. More still, it will endeavor to Expanding the domestic card based payment system and introducing acceptance of international cards on our ATMs and POS network; this is to ensure that a number of foreigners who spend money here get the services yet do not have to carry lots of cash. This will be linked also to the major centres for Travellers cheques;

6.2 The Rwanda Payment Card

To increase the use of plastic cards in the system, reduce the handling of cash and increase access to payment services, a “Virtual Card” has been designed by SIMTEL and branded “Rwanda Payment Card” (RPC). The RPC would be linked to the National ID card and its unique new national ID number. It will work as a debit card and processed as such, and will enable the cardholder to buy goods and access cash back at the merchant’s outlet. The operating procedure of RPC will include the customer going to any bank/Microfinance branch for linkage to a bank account and obtain a PIN, and from thereafter the ID card gets a banking status.

6.3 The ACH/RTGS

Large Value Transfer System (LVTS) will be undertaken to ensure the processing and clearing of time critical, large value and high risk payments. Final settlement of these items will be conducted exclusively through the Real Time Gross Settlement (RTGS) option. The technical specifications and conceptual design of an RTGS system are being finalized and it's envisaged that it will be up and running by December 2009.

6.4 Automated Payment of Invoices (API)

The introduction of Automated Payment of Invoices (API); many companies, public as well as private, issue on a regular basis many invoices with a fixed due date for payment. These cause enormous cash withdrawals and long queues at the banks and the customer has to queue again at the company to present the payment slip as proof of payment. The current payment methods are a mix, (from time to time inefficient), of automation and manual practices. However, each incursion into manual is a source of administrative work without any added value and it gives a poor image of the entire banking system. The intention of the API project is to ensure that payment orders are sent electronically between the Banks and Service providers and this should constitute proof of payment;

6.5 The CSD for public securities

More still, an electronic book entry system or dematerialized securities depository will be established for Treasury Bills and Treasury Bearer Bonds at NBR. The registry will be integrated with the RTGS component in the NBR's Automated Transfer System –ATS (the Rwanda Integrated Payments Processing System) to ensure Payment Versus Delivery (PvD) in the securities market.

7. CONCLUSION

The strategy underlined here is intended to serve as a guideline, which will be constantly adapted to the dynamics of the changing macroeconomic scenario, institutional circumstances and user needs. In that spirit, this document will be constantly revised to reflect the new realities.

The development and implementation of the NPS will be based on consultations and consensus among the stakeholders. Effective supervision and coordination of inter-organizational system development will be a critical success factor in the development of the NPS modernization project. The Central Bank-NBR as the overseer of the NPS will coordinate and supervise the implementation process.

The NPS will be implemented in a phased manner with flexibility in that the system modernization process can be implemented in parallel with existing live operations such that existing business operations continue unencumbered. It is important to recognize that the introduction of new payments system processes and procedures requires that all participants amend or redevelop aspects of their business operations and procedures in order to benefit from the continued implementation of specific NPS reform initiatives. The NPS implementation takes on an adaptive approach to give due recognition to all existing solutions and practices and modifying them, only where necessary, to align with the broader NPS objective.