

Njuguna Ndung'u: Enhancing the cross border payments system across the East African Community

Remarks by Prof Njuguna Ndung'u, Governor of the Central Bank of Kenya, at the official launch of the East African Payments System (EAPS), Nairobi, 16 May 2014.

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Dr. Enos Bukuku, Deputy Secretary General, East African Community;

Ms. Mwanamaka A. Mabruki, Principal Secretary, Ministry of the East African Affairs, Commerce and Tourism;

Fellow Governors:

Prof. Benno Ndulu, Governor, Bank of Tanzania;

Hon. John Rwangombwa, Governor, National Bank of Rwanda;

Mr. Jean Ciza, Governor, Bank of the Republic of Burundi;

Dr. Louis Kasekende, Deputy Governor, Bank of Uganda;

Distinguished Guests and Colleagues;

Ladies and Gentlemen:

On behalf of my fellow Governors from the EAC Central Banks, it is my great pleasure to welcome you all to the launch of the East African Payments System (EAPS).

The EAPS, which went live on Monday 25th November 2013, is a cross border payment initiative by the EAC Central Banks and the EAC Secretariat, working closely with Commercial Banks in the region. It is part of the East Africa's payments modernization efforts to enhance cross border payments system across the EAC Region.

The System currently integrates with the respective Real Time Gross Settlement (RTGS) Systems of Kenya, Uganda and Tanzania that utilize the internationally recognized SWIFT messaging network for safe and secure delivery of payment and settlement messages.

It sends and receives cross border payments in the region's currencies that is Kenya Shilling (Ksh), Tanzania Shillings (Tzs) and Uganda Shilling (Ugx) from any of the commercial banks in the three East African Countries on a Real Time basis for the region's business community.

EAPS will therefore enable the public to pay as well as receive payments on real time basis. As such, its implementation will address deficiencies in the current cross-border payment methods, through enhanced efficiency and risk controls.

All the commercial banks in Kenya, Tanzania and Uganda are participants in the system. Commercial Banks in Rwanda and Burundi are expected to join later in the Year.

With respect to regional trade, the System is expected to promote, facilitate and support trade within the EAC Region. In this regard, EAPS has many benefits, they include:

- Real time transfer of funds across the EAC borders;
- Transfer of large value payments in the region;
- Enhanced safety through use of the SWIFT infrastructure;
- Increased accessibility as it is available in all the commercial banks;
- Same day settlement;
- Increased reliability through integration with RTGS; and,

- Improved risk control mechanisms.
- Transactions are carried out in any of the EAC local currencies hence reducing (cost of transactions) and risk of the transactions.

Since go-live, a volume of 1106 transactions have successfully been processed through EAPS. The value processed in the three EAC currencies is Ksh.1.6B, Ugx.9.9B and Tzs.2.5B. On average 10 EAPS transactions are processed per day.

All commercial banks open EAPS accounts with their respective central banks. The central banks also open accounts in each other's central banks as they act as participants in their RTGS systems representing the individual commercial banks in their countries. Payments can be sent in EAC currencies. A commercial bank ensures that all its accounts in these currencies have been pre-funded before sending payments. For example, a customer gives the commercial bank instructions, the message is sent to the central bank of the originating country. The message is then sent through SWIFT to the central bank of the country where the payment is destined, at which point it is transformed and settled in the respective commercial bank account through a cross border module.

Finally, let me take this opportunity to thank the Central Bank Governors, the EAC Secretariat and other colleagues in the Banks, Commercial Banks and Bankers Associations in the respective Partner States for working tirelessly in the last few years to make the successful implementation of EAPS possible.

It is my hope that with the launch of EAPS, there will be an uptake in its usage by Commercial Banks in executing their cross border payments.

THANK YOU.