

BANK OF UGANDA



**Keynote Address read by Mr. Elliot Mwebya,
Acting Deputy Governor, Bank of Uganda,**

To the National Payment Systems Bill Stakeholder Consultative Workshop

Golf Course Hotel

October 1, 2018

- The PS/ST, MOFPED,
- Officials from the EAC Secretariat,
- Representatives from the MoFPED, other Government Agencies, Supervised Financial Institutions [SFIs], the Mobile Network Operators (MNOs) and Payment System Providers (PSPs),
- The Chief Executive's and Representatives from the Partner Regulatory Authorities (UCC, CMA, USE, IRA, UMRA to mention but a few),
- The ED Uganda Bankers Association,
- All stakeholders present in your respective capacities,
- Ladies and Gentlemen.

It is a great pleasure to welcome you all to this very important stakeholder consultation event on the long awaited National Payment Systems Law.

As we have explained in the past, both the Bank of Uganda Act 2000 and the Financial Institution Act 2004 have limitations on the regulation and supervision of Payment Systems in Uganda. Section 4 of the Bank of Uganda Act which stipulates the mandate of Bank of Uganda is silent on the regulation and supervision of payment systems. Similarly the provisions in the Financial Institutions Act 2004 pose limitations on the regulation and supervision of payment systems since the Act applies to deposit-taking institutions only.

Recognizing the benefits accruing from the recent technological developments in the financial sector, and being mindful of the need not to stifle innovations, Bank of Uganda put in place interim oversight measures to promote the development of payment systems in Uganda. These measures were bench-marked with the Regional Central Banks and included:

- ❖ The issuance of no objection letters to some Commercial Banks to partner with the Telecommunication Companies to provide mobile money services since 2009.
- ❖ Issuance of Mobile Money Guidelines in 2013.
- ❖ Setting up of a technical working group constituted by technical staff from Bank of Uganda and the Uganda Communications Commission.

- ❖ Signing of the Memorandum of Understanding between the two regulatory authorities (BoU and UCC), in 2016 to clarify the respective roles and responsibilities.

However, we have now made a significant progress towards the development of the legal framework for the regulation of payment systems in Uganda. Cabinet in December 2017 approved the Policy and Principles for National Payment Systems Bill which covers; the regulation of Payment Systems, Payment Service providers and payment instruments. Following approval by Cabinet, the Ministry of Finance Planning and Economic Development requested the Office of the Attorney General to draft the Bill.

Before us today is the first draft of the NPS Bill 2018 which has been circulated to the various stakeholders, many of whom have submitted their comments. It is therefore a good opportunity for us to go through the Draft Bill, to clarify on the comments received and to receive additional inputs from the stakeholders. We hope that the draft bill will be submitted to the Minister this month (October 2018).

In addition, in February 2018 Cabinet approved amendments to the BOU Act; to empower Bank of Uganda to regulate and oversee the payment systems. The draft Bank of Uganda amendment bill is being reviewed by a select technical team. The passing of the two (2) draft bills will greatly enhance the BoU supervisory oversight on the National Payment Systems.

While most of the payment systems in Uganda are provided by the Central Bank, the market has recently experienced an upsurge of systems operated by the private sector with powers to control access and set prices. Examples of systems operated by private providers include: Points of sale (POS) for debit and credit cards, Automated Teller Machines (ATMs), the Switch and mobile payment systems. The mobile money services have especially experienced an exponential growth.

At the regional level, the East African Payments System (EAPS) has been implemented to facilitate cross-border payments within the East African Community (EAC) Region. Under the Common Market for East and

Southern Africa (COMESA), the Regional Payments and Settlement System (REPSS) has also been implemented to facilitate regional payments.

Although the legal issues were partly addressed by the above mentioned measures implemented by the Central Bank, a comprehensive NPS law to provide an oversight framework for payment services providers, operators and instruments is urgently required.

The Payment systems are a vital part of the economic and financial infrastructure. The law is therefore intended to provide an overall framework for ensuring safety and efficiency of the payment systems.

The NPS law will provide for the licensing, regulation, and oversight of payment systems by specifying:

- ❖ The licensing criteria and procedure.
- ❖ The regulatory power of the BoU concerning the imposition of norms and standards, rules and regulations on operators of payment systems, and
- ❖ The BoU's power to call for information, to conduct on-site examinations, and take enforcement actions.
- ❖ The administrative sanctions in case of violations of the law, regulations or orders from the Central Bank.

We believe that your contributions will help in the finalisation of this long awaited bill.

Specifically, I would like to thank the following ministries and government institutions for the efforts put in the drafting process; the Ministry of Finance Planning and Economic Development, The Ministry of Justice and Constitutional Affairs, the Uganda Communications Commission, The Capital Markets Authority, the Uganda Bankers Association and the technical staff from Bank of Uganda. In a special way we would like to thank the EAC and the African Development Bank for the support provided under the EAC-Payment and Settlements System Integration Project.

The Next Steps after the Stakeholders Workshop will be as follows:

- ❖ To incorporate comments from the workshop.

- ❖ The draft Bill will be submitted to Parliament through the Minister of Finance Planning and Economic Development for the enactment of the Payment Systems Law followed by the President's assent.
- ❖ Bank of Uganda will then operationalize the law.

With these remarks, I wish the Stakeholders interactive and fruitful deliberations.