

**PAYMENT SYSTEMS PROGRESS REPORT TO COMMITTEE OF CENTRAL BANK  
GOVERNORS (CCBG) FOR THE PERIOD APRIL 2011 TO MARCH 2012**

**Malawi**

**1.0 Introduction**

Between April 2011 and March 2012 authorities in Malawi continued to pursue activities aimed at strengthening the country's national payments system (NPS) infrastructure. As usual the Reserve Bank of Malawi (RBM) has been the fulcrum and catalyst of the changes taking place in the country's NPS. In achieving its objectives, the RBM cooperated with the National Payments Council (NPC), the Bankers Association of Malawi (BAM), the World Bank and other relevant stakeholders for the success of the reform undertakings.

Notable activities undertaken during the review period include; release of mobile payments guidelines to the market; payments system workshops and commencement of the World Bank-funded Financial Sector Technical Assistance Project (FSTAP) which aims at, among others, strengthening the NPS by implementing an Automated Transfer System (ATS) and the National Switch. The RBM also carried out routine oversight and User Trainings for the RTGS system.

**2.0 Operational and information gathering and dissemination Issues**

During the period under review, RBM undertook several information gathering and dissemination activities. In April 2011, the RBM in conjunction with SADC Payment Systems Project organised a workshop on remittances. The workshop, among other things, aimed at discussing the importance and challenges of cross border remittances in SADC region. In addition to this, in May 2011, the RBM received technical assistance from the World Bank to assess the country's remittances market. The assessment aimed at identifying legal, structural and operational rigidities that may impact on the development of a vibrant remittances market. Consequently, several measures were proposed as a means of improving efficiencies in the remittance market.

The RBM further hosted an In-country workshop on payment systems which was facilitated by the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) in June 2011. The MEFMI workshop focused on new innovations in the payments arena such as mobile payments, operation and regulation of national payment switches, financial inclusion and integrity, branchless banking and oversight of national payments infrastructure. Participants to the workshop were drawn from the banking sector, microfinance institutions, and other payments system service providers.

Between April 2011 and March 2012 RBM published two major reports aimed at highlighting progress on national payments reform activities. The Annual National Payments System Report for 2010 and the Financial Stability Report were issued in 2011.

Lastly, in a bid to improve efficiency as well as reduce systemic risks in MITASS, RBM conducted MITASS User Training Workshops in August 2011. MITASS users from both the central bank as well as the commercial banks participated in the training workshops.

### **3.0 Settlement System Developments and Projects**

#### **3.1 Availability and Utilisation of MITASS**

Overall, MITASS availability stood at 98%, reflecting a two percentage point improvement over the uptime recorded in the previous year (i.e. 96%). However, system utilisation<sup>1</sup> slumped from 78.8% recorded in 2010 to 69.4% in 2011. The decline is mainly attributable to a slow-down in money market activity.

#### **3.2 Automated Transfer System (ATS) Implementation Project**

With funding from the World Bank under the FSTAP, the RBM will implement an ATS which, apart from settling transactions in real time and on a gross basis, will also have an automated clearing house (ACH) for cheque and other electronic fund transfers (EFT) processing. The ATS will also be integrated with a Central Securities Depository (CSD) to achieve Delivery versus Payment (DvP) for securities transactions. Meanwhile the RBM, with the assistance of the World Bank Consultant, has prepared the Request for Proposal (RFP) which will be issued to the market for bidding.

### **4.0 Retail System Developments and Projects**

#### **4.1 National Switch Project**

The National Switch Project aims at attaining the interoperability of auto-teller machines (ATMs) and point of sale devices (POS) that are owned and /or operated by different commercial banks/financial institutions in the country. Preparation of the RFP for the National Switch is also at an advanced stage.

### **5.0 E-money and Mobile Banking Initiatives**

In March 2011, RBM released Guidelines for the operation of Mobile Payment Schemes in Malawi. The guidelines, among others, include risk based Know-Your-Customer (KYC) requirements which are aimed at scaling up the adoption of mobile money by the unbanked segment of the population. Meanwhile, only Airtel Malawi has been authorised to roll out a mobile payments scheme dubbed “Airtel Money”. The RBM is also considering an application by another mobile network operator, Telekom Networks Malawi Ltd (TNM).

In a related development, the RBM in conjunction with the World Bank and USAID hosted a Mobile Payments Consultative Workshop in November 2011. The workshop drew a cross section of participants from banks, donor community, Government ministries, Malawi Communications Regulatory Authority (MACRA), Microfinance Network Association of

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<sup>1</sup> Measured as a ratio of single funds settlement instructions (FSIs) to total MITASS throughput

Malawi (MNAM), farmer associations, and fixed and mobile network operators (MNOs). Following the workshop, a Mobile Money Coordinating Group (MMCG) for Malawi was formed to coordinate the implementation of a five year National Action Plan.

## **6.0 Oversight Issues**

Throughout the period under review, the RBM in its capacity as overseer, continued to undertake onsite and offsite oversight activities aimed at mitigating systemic risk arising from credit, liquidity, legal and operational shortfalls in the national payments system. As outlined in Oversight Policy of 2008, these oversight activities were extended to participants in MITASS and ECCH systems. In addition to this, RBM oversight was also conducted on Malawi Switch Centre (MALSWITCH), the technical administrators of both MITASS and ECCH systems.

Besides focusing on the performance of system participants, the oversight visits also provide a platform for fostering a good working relationship between RBM as the operator of MITASS and the financial institutions as participants.

## **7.0 Challenges**

There exist some legal challenges to a certain extent following the absence of the NPS Act. However, during the period under review, the RBM concluded drafting the NPS Bill after consultations with both national and foreign stakeholders such as the World Bank and the IMF. The draft NPS Bill has since been submitted to Government for possible enactment in 2012.

## **8.0 Conclusion**

Between April 2011 and March 2012, authorities in Malawi undertook several initiatives aimed at strengthening the country's national payments system (NPS) infrastructure. A number of reform projects such as the ATS and National Switch commenced during the period under review. The enactment of the NPS Bill later in 2012 will help address potential NPS legal related risks.