



**Southern African Development Community
Committee of Central Bank Governors
Payment System Project**

**PROGRESS REPORT
FOR PERIOD OCTOBER 2008 TO APRIL 2009**

1. Introduction

During the period under review:

- i. Payment system statistical data for 2007 was published on the SADC website;
- ii. An analysis on the responses on the use of the RTGS systems was completed, and the findings circulated to the country leaders;
- iii. The project team visited Lesotho to assist the resident payment system team to evaluate which areas of operation could be improved to enable the more efficient use of their RTGS system;
- iv. A survey to establish the level of development of correspondent banking was conducted. The findings are published on the SADC website;
- v. A list detailing the activities to integrate the payment systems in the region was developed and circulated to the country leaders;
- vi. the annual payment systems regional conference was held in conjunction with the World Bank's global payment systems conference in Cape Town;
- vii. A proposal for a cross-border payment settlement system based on a single currency was developed; and
- viii. The annual SADC Payment System newsletter, the "Vulindlela", was published.

The project team aims to undertake further activities during 2009, subject to discussion and consideration by the country leaders. These include:

- i. Refining the process of collection and publication of payment system related statistical data;
- ii. Providing further assistance to countries on the efficient use of their RTGS systems;
- iii. Facilitating the refinement of the regulatory diagnostic templates and the conducting of focussed interviews with member countries;
- iv. Identifying and initiating action on preliminary requirements for the integration of the regional payment systems;
- v. Executing a pilot project to determine the crucial elements in reducing the costs of cross-border remittances;
- vi. Proceeding with the detailed design of the cross-border payment settlement system based on a single currency; and
- vii. Following-up on possible opportunities for project funding.

2. Payment system statistical data

Member countries provided payment system statistical data for 2007. The data was reformatted to international standards and published on the SADC website. Reports on the individual countries statistics as well as a composite picture of the SADC region is now available on the website.

A facility is being developed to allow countries to capture the statistics for 2008 on-line, through entry screens on the internet. It is estimated the facility will be available in the third quarter of 2009. The reporting will also be automated.

3. Analysis on the RTGS survey

A survey was conducted by the project team in 2008 with member countries on their use of the RTGS systems. From the responses aspects of payment settlement arrangements and facets of the different countries operations were plotted on graphs and a report was made available to the country leaders, to

allow them to assess areas of their operations and compare these with operations of the other countries. The programme for the 2008 SADC Payment System Conference made provision for countries who were strong in certain areas of their operations to share their experiences in operating their RTGS systems with the other countries.

4. Visit by the project team to Lesotho

A consequence of the survey was an invitation from the Central Bank of Lesotho for the SADC payment system project team to visit the central bank to assist in evaluating the soundness and efficiency of use of the RTGS system. The team conducted interviews with various role-players including users of the system and the central bank staff. The team found that the implementation of the RTGS in Lesotho had been completed successfully. Some recommendations were made to the central bank relating to the possible implementation of an ACH which are currently being followed up.

5. Correspondent banking relationships in the SADC region

A survey was conducted by the project team to determine the level of correspondent banking relationships in the region. The survey differentiated between banks with correspondent relationships and corporate links, and banks that had correspondent relationships with banks they had no corporate links with.

A consolidated table of correspondent banking relationships between commercial banks in the SADC member countries is published on the SADC website.

6. Regional integration

The project team together with the country leaders developed a checklist highlighting activities for regional payment system integration. The project team will map out time-lines and procedures for the integration process to proceed according to the RISDP. It is proposed that work-groups will be established to address specific integration tasks and project meetings will have to be held regularly to monitor progress.

A detailed description on the cross-border settlement model was presented to the countries for comment. The model will be presented to the CCBG meeting in May 2009. The next step in the process is to develop a detailed design of the system. This will start after the governors approve the model and they give the project team permission to continue.

7. The annual payment systems regional conference

The 2009 SADC annual payment system regional conference was held in Cape Town, South Africa on 6 April.

The date and location of the SADC conference was chosen to coincide with the World Bank's global payment system conference, which started on the 7th April. Experts on payment systems from the World Bank, in Cape Town for their conference, were invited to present sessions on current payment-related topics and to provide insight in areas relevant to regional integration.

The first morning of the World Bank conference was dedicated to payment system initiatives in Africa. The World Bank conference, other than dealing with the safety and efficiency of payment systems, has again stressed the need for improvement in the cost of international remittances. The second version of their data base on remittance prices reveals that the corridors between South Africa and some of its neighbours are amongst the most expensive in the World. The Governors will be requested to approve a pilot project between a sample of countries to determine ways of reducing these costs at the May meeting of the CCBG.

8. Funding

There is no current funding from external parties. The World Bank has indicated that it will fund regional projects which could have an impact on a broader community eg Africa. A remittance pilot in SADC may be considered such a project.

9. On-going supporting projects

The *Vulindlela* newsletter and the sadcbankers.org website continues to support communication and developments on the project. The *Vulindlela* was redesigned to include the progress reports from each of the countries, and articles of interest submitted from member countries.

10. Interaction with other international institutions and bodies

The SADC Payment System Project Team continues to maintain good working relationship with international bodies, such as the World Bank, the Bank for International Settlements and other international organisations and institutions.

11. Conclusion

The SADC project team's focus presently is to assist member countries to optimise the use of their RTGS systems and establish a more efficient clearing process, to collect analyse and disseminate payment and settlement information that is of benefit to the countries individually and to the region as a whole, and to prepare the countries to focus on regional payments systems integration to bring it to reality.

The project team will also focus on a possible pilot project to improve the affordability of remittances in the region.

The SADC Payment System Project Team remains grateful for the co-operative working relationship with the payment systems project country leaders and the support of the CCBG and its Secretariat.