COUNTRY NAME: TANZANIA

1. INTRODUCTION

Bank of Tanzania continued to operate, modernize and oversee implementation and operations of the National Payments Systems (NPS) aiming at maintaining a sound and efficient financial system. The systems include the Real Time Gross Settlement System, Electronic Clearing Houses (ECHs) for cheques clearing and inter-bank Electronic Funds Transfer (EFT), card switches as well as other retail payment schemes such as internet and mobile banking, mobile payment services, and remittances services.

2. SYSTEMS OPERATIONS

The Bank continued to operate Tanzania Inter-bank Settlement System (TISS), the real time gross settlement system which processes large value inter-bank payments, settlement of net obligations from clearing houses and cards interbank payments. The system’s participants increased from 37 to 41, including the Bank of Tanzania (BOT). Out of the 41 participants, 32 are registered commercial banks, 5 financial institutions and 3 regional banks. Following the system interface with the Ministry of Finance (MOF) payment system, the government continued to effect payments directly through TISS in the books of accounts at the Bank. The system also facilitates government revenue collection online by enabling the taxpayers through commercial banks to remit tax funds to government accounts held at the Bank. This has substantially reduced government expenditure and revenue float and minimized risks associated with large value cheques.
The Bank also continued to provide interbank clearing services for the Tanzanian shilling and USD cheques, as well as the interbank funds transfers, EFTs. In the quest to enhance efficiency of these systems, the Bank continued to advice the commercial banks to implement Straight Through Processing (STP) so as to minimize delays in crediting beneficiary's account.

Further, the Bank spearheaded the inauguration of TISS Dispute Resolution Committee, which consists of representatives of TISS participants and the Bank. The Committee was mandated to ensure compliance of TISS Rules and Regulations and resolve disputes that may arise out of TISS operations.

The value capping which was already imposed on cheques was also introduced on EFT transactions. In that regard, payments above Tanzania shillings 10 million and USD 10,000 were no longer processed through the clearing houses except for the Government payments.

3. **SYSTEMS DEVELOPMENTS**

Systems developments during the period were as follows;

3.1 **SETTLEMENT SYSTEM**

East African Central Banks implemented the East African Payment System (EAPS), which is a cross border payment module to facilitate transfer of funds between East Africa member states. The EAPS module has been built within the RTGS system of the member states. The module is currently being tested with the selected member states being, Uganda, Kenya and Tanzania, and is expected to go live in 2012.

Following the successful connectivity and operations of MOF for effecting government payments, the Bank embarked on the second phase whereby sub treasuries and other government
agencies that process payments from upcountry will be linked to TISS.

3.2 RETAIL SYSTEMS

The Bank in collaboration with Clearing House members is in the process of implementing an Automated Clearing House (ACH) system. Thus, clearing operations will be subjected to complete automation by the implementation of a full Cheque Truncation System (CTS) using image based clearing. The system aims at enhancing safety and efficiency in clearing operations for both cheques and Electronic Fund Transfer (EFT) payments. The ACH project is anticipated to be completed by June 2013.

Also the Bank is finalizing the review of Cheque Standardization and Specification (CSS) document to ensure that cheques will be ready for image clearing and truncation.

In ensuring safe and efficient settlement of interbank card payments, the Bank in collaboration with MasterCard has successfully implemented the interface via SWIFT network.

4. MOBILE PHONE PAYMENT SERVICES

The bank continued to oversee the implementation of mobile payment services in the country. During the period there were four mobile phone network operators (MNOs) providing the service. These include Vodacom (T) Ltd; Airtel (T) Ltd, Tigo (T) Ltd; and Zantel (T) Ltd. The system which facilitate payment using the mobile phone network without necessarily having a bank account has significantly made a positive impact by increasing the financial access level from only 9% (2006 Fin
scope survey) to 45% (by December 2011) in the country following the introduction of the services in 2007. The system has also increased efficiency in the market by increasing competition in provision of financial services. The services offered include person to person payments, person to business (bills payments), business to person (salaries), person to Government (tax payments), Government to person (salaries, pension payments) etc. Whereas commercial banks offer mobile banking services as additive products to their customers, microfinance institutions have also partnered with MNOs to utilise the mobile payment service as disbursement channels for the short term loans to customers. Further developments include cross border payments, whereby some of the MONs have partnered with Western Union Money Transfer for inward international money transfer services only.

5. OVERSIGHT AND LEGAL ISSUES

The Bank continued to oversee the country’s payment system by monitoring the systems’ performance and assessing them against the adopted standard for safety and efficiency, and where necessary induced changes.

The drafts National Payment Systems Act and Electronic Transaction Act were reviewed by a Working Group which comprised of lawyers and policy analysts from the Ministry of Finance, Chief Parliament Draftsman, Tanzania Law Reforms and the Bank. The Bank also prepared a Concept Paper for the proposal to develop a regulatory framework for payment systems in the country which is currently being reviewed by the Ministry of Finance for later submission to the Cabinet for approval before the enactment process starts.

In enhancing the regulatory regime of mobile phone payment services, the Bank is in the process of issuing the Mobile Phone
Payment Services Regulations. During the period the draft regulations was drafted and shared the draft with the stakeholders for comments in ensuring transparency and effective regulatory regime. The draft was also shared for comments with the experts on mobile financial services under the Bill and Melinda Gates Foundation (BMGF) and the Alliance for Financial Inclusion (AFI) Mobile Financial Services Working Group (MFS-WG). The bank also collaborates with the Tanzania Communication Regulatory Authority in the area of Telecoms issuance of mobile phone financial services.

The Bank also reviewed the Electronic Payment Schemes and Guidelines to incorporate the developments taking place in the industry.

6. **PUBLIC AWARENESS PROGRAMS**

The Bank has continued to sensitize banks and service providers on interoperability of card platform being, ATMs and POS which will enhance efficiency and convenience to customers.

A sensitization seminar was conducted in Mbeya Region aiming raising awareness on payment system developments and discussing issues of concern and sourcing for feedback on the already implemented payment systems.

The Bank also published the Seventh issue of the MALIPO Newsletter and participated in National Farmers Day and Trade Fair exhibitions.

The Bank of Tanzania Training Institute conducted various coursers on payment system which drew participants from the within the country and East Africa. The course also aimed at impacting knowledge on regional payment systems developments paving way for the East Africa Monetary Union.
7. REGIONAL HARMONIZATION INITIATIVES

As the member of the Monetary Affairs Committee (MAC) of the East African Community, the Bank participated in the finalization of the implementation of the proposed East African Cross Border Payment System (EAPS). Together with other central banks in the region, the Bank facilitated execution of the Agreement for Implementation of the system where the Governors of the central banks signed the agreement.

Further, the Bank continued with participation into technical testing of the proposed system with a view of the system going live during the year 2012.

The Bank in collaboration with East Africa Central Banks developed the EAPS Oversight Framework and structured format for oversight of payment systems in the region.