



Bank of Zambia

NATIONAL PAYMENT SYSTEMS IN ZAMBIA



Annual Report for the Year 2017

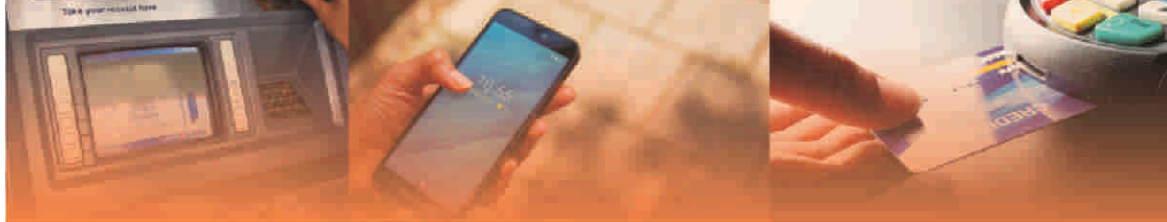
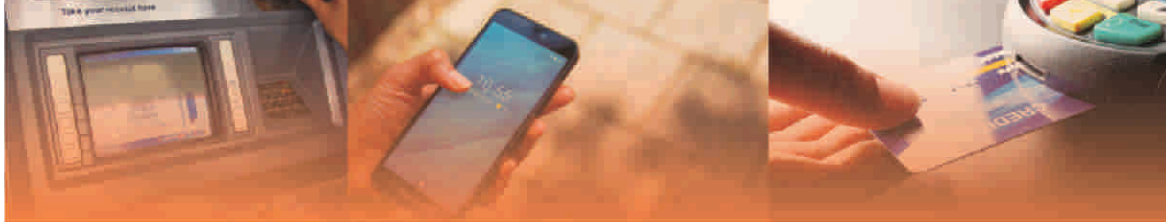


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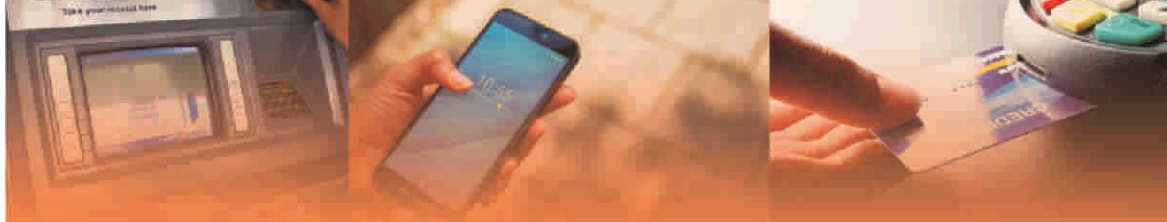
Preamble

The Bank of Zambia is mandated under the National Payment Systems Act (NPSA) No. 1 of 2007 to regulate and oversee the National Payment Systems in Zambia. This is aimed at ensuring safety and efficiency of payment systems in the country.

The oversight activities are undertaken by the Bank of Zambia to ensure that the National Payment Systems and the infrastructure supporting the financial markets are safe, robust and resilient to withstand financial shocks as guided by the Principles for Financial Market Infrastructures (PFMIs). The PFMIs are issued by the Bank for International Settlements (BIS) and International Organization of Securities Commission (IOSCO) to standardise risk management frameworks for Systemically Important Payment Systems (SIPS) and these were formally adopted by the Bank in 2015.

SIPS are payment systems which have the characteristic that a failure of any one of them could potentially have a significant impact on other systems and the economy as a whole. The SIPS in Zambia include the Zambia Interbank Payment and Settlement System (ZIPSS) commonly referred to as the Real Time Gross Settlement System (RTGS), the Central Securities Depository (CSD) for Government Securities, the Direct Debit and Credit Clearing (DDACC), the Cheque Image Clearing (CIC) systems operated by the Zambia Electronic Clearing House Ltd (ZECHL) and the Central Securities Depository at the Lusaka Securities Exchange (LuSE). The ZIPSS and the CSD for government securities are operated by the Bank.

The publication of this report is intended to educate and inform the public on the developments in the payment systems landscape in Zambia and how the Bank conducts its oversight function over the National Payment System as guided by the National Payment Systems Act, of 2007, the Oversight Framework and the PFMIs. The Bank also continues to monitor new developments in the payment systems arena and whenever necessary to incorporate new ideas aimed at enhancing the performance of national payment systems in Zambia.



Governor's Statement

The National Payment System has continued to grow in both volumes and values during the year under review. The most significant growth in National Payment System was recorded on the Electronic Funds Transfer (EFT) payment stream mainly as a result of the revision of the Item Value Limits on cheques and EFTs. The revision of the Item Value Limits was aimed at addressing the risks associated with paper based payment instruments and promoting usage of digital financial services.

The Bank of Zambia, like most central banks has recognized the potential of digital financial services in increasing financial inclusion levels in the country. The National Financial Inclusion Strategy launched by Government in 2017 also includes the promotion of digital financial services as a tool for increasing access to and usage of financial services. In order to enhance the usage of digital financial services, the Bank of Zambia undertook sensitization campaigns aimed at explaining the revision of the Item Value Limits and promoting the uptake of digital financial services.

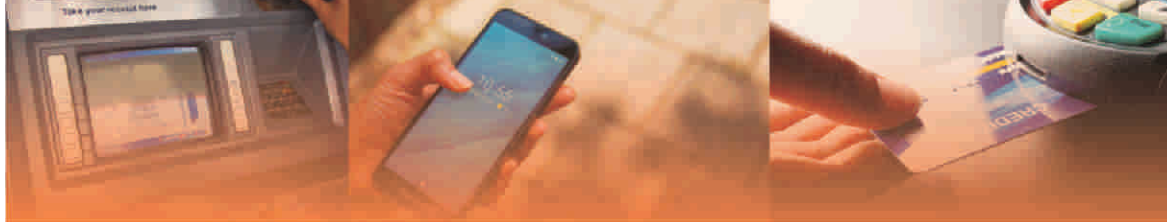
The year 2017 marked the end of the National Payment Systems Vision and Strategy 2013 – 2017. A number of milestones have been achieved under Vision 2017, including upgrading of the Real time Gross Settlement (RTGS) system and issuance of the National Payment System Directives on Electronic Money Issuance. Following the expiration of the 2017 Vision and Strategy, a new Vision and Strategy document to cover the period 2018 to 2022 was issued to build on the achievements made under the National Payment System Vision 2017. The new strategy has incorporated topical matters such as cyber security, amendment of the National Payment Systems Act, promotion of digital financial services and consumer protection.

Going forward, the Bank of Zambia will continue to undertake measures that ensure a safe and efficient National Payment System. Some of these measures include the implementation of the National Financial Switch project that will interconnect various payment streams including ATMs, PoS and mobile payments. The anticipated benefits of the National Financial Switch include creation of a platform for introduction of innovative products, reduced transaction costs due to economies of scale and increased interoperability of payment systems.

In discharging its mandate, the Bank will continue to collaborate with various stakeholders including other regulators, service providers and development organizations.

Denny Kalyalya (Dr)

GOVERNOR



Executive Summary

The National Payments System landscape in Zambia continued to evolve driven by new technological developments resulting in new financial payment products and services which have improved the overall customer experience. In 2017, the Bank in conjunction with various partners and stakeholders continued to improve the payment systems landscape in Zambia to ensure a safe and efficient national payment system.

In the year under review, both the systemically important and non systemically important payment systems (SIPS and NSIPS) recorded growth in both values and volumes of transactions. Payments made through the RTGS continued to dominate, recording the largest value of transactions processed on all the payment systems. Significant growth was noted on mobile payments which grew in value terms by 105% in 2017. A similar growth pattern was also recorded on payments made on Points of Sale (POS) which recorded a growth of 62% in the value of transactions. In terms of volumes, mobile payments dominated by recording growth of 63% in 2017. This demonstrates the level of penetration in terms of financial inclusion using digital financial services. The number of access points for delivery of financial services through the POS, Automated Teller Machines (ATMs), Bank branches, Bank Agencies and mobile money agents also grew by 30% from 19,194 to 24,928 access points across the country.

Further, in 2017, the Bank formulated the National Payment systems vision 2022 strategy document covering the period 2018 to 2022. The new strategy document sets out the following strategic objectives:

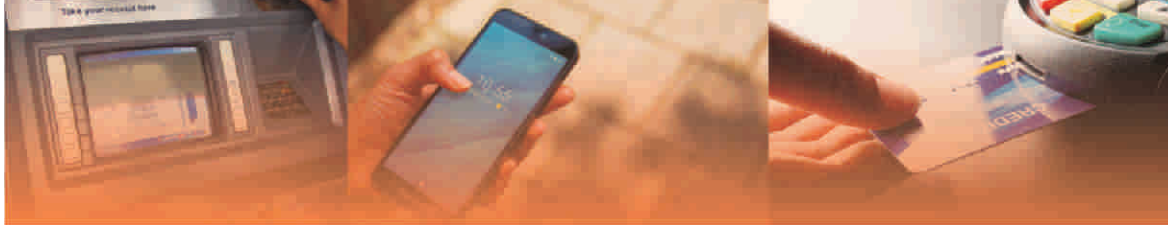
- i. Amendment of the National Payment Systems Act to ensure harmonisation with other laws and to take account of new developments in payment systems;
- ii. Consumer Protection to safeguard and protect consumers;
- iii. Cyber Security to maintain the integrity of payment systems;
- iv. Promotion of Digital Financial Services; and
- v. Enhancement of Remittance Services market to encourage uptake of formal remittance channels

During the year under review, the Bank revised the Item Value Limits (IVL) on cheques and electronic funds transfers which came into effect on 5 July 2017. The limits affected payments made through local and foreign currency denominated cheques, and on electronic funds transfers. The rationale for revising the IVL was manage risks associated with paper based payment instruments and to promote the use of electronic payment methods. The changes yielded positive results during the year as the value of transactions processed through electronic funds transfers increased by 59% while cheque payments reduced by 41%. It is anticipated that the use of cheques will continue to decline as the adoption of digital payments continue to increase.

The Bank, in its role as Banker to the Government continued to render support to the Government through the Ministry of Finance to help improve its efficiency in operations. The support to the Ministry of Finance included the facilitation for receipt and transfer of funds to Ministries, Provinces and Spending Agencies (MPSAs) and other Government suppliers of goods and services through the Treasury Single Account (TSA). In this regard, in 2017, the number of MPSAs migrated to the TSA increased from 9 in 2016 to 44 in 2017.

In 2017, commercial banks completed their self attestations on SWIFT under SWIFT's Customer Security Programme (CSP) which introduced a set of core security standards aimed at enhancing the security of the SWIFT infrastructure. All commercial banks complied by submitting their self attestations to SWIFT. SWIFT's CSP aims to reinforce levels of cybersecurity and transparency of preparedness across the global community and self attestations of compliance with a set of mandatory customer security controls is a key component of the CSP.

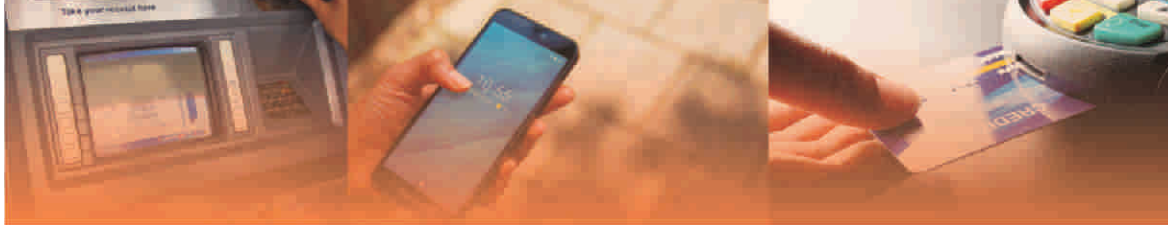
Various digital financial products and services were approved by the Bank during the period under review aimed at broadening payment systems products and services available to customers.



In recognising the importance of financial education for enhancing financial inclusion, the Bank undertook sensitisation campaigns in all the 10 provinces of Zambia to educate the public on the need to use formal financial services such as digital payment methods.

In 2017, the Bank continued to collaborate with international organisations such as the Alliance for Financial Inclusion (AFI), World Bank, G20 and the Southern Africa Development Community (SADC) to enhance the payments landscape.

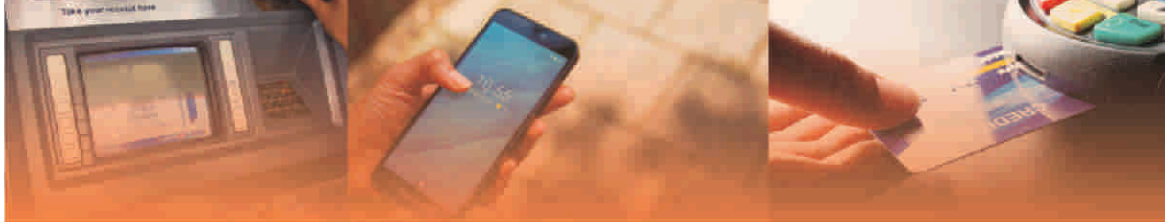
In 2018, the Bank will continue to implement strategies contained in the vision 2022 strategy document among other strategies to build on the gains achieved under the previous National Payments Systems strategy.



1.0 INTRODUCTION

The report highlights developments in the National Payment Systems between January and December, 2017 in Zambia.

The payment systems landscape in Zambia continued to evolve in 2017 with the emergence of new players, products and other initiatives aimed at improving customer product and service offerings. The Bank is mandated under the National Payment Systems Act No. 1 of 2007, to provide oversight of the National Payment System to ensure safety and efficiency of payment systems in Zambia. This role involves designating and overseeing payments, clearing and settlement systems. Payment systems play a critical role in the smooth running of the economy by facilitating the transfer of funds between economic agents (individuals and businesses).



2.0 DEVELOPMENTS AND TRENDS IN INTERNATIONAL PAYMENT SYSTEMS

According to the World Payments report for 2017, there is an emergence of new payments ecosystem driven by a number of factors arising from both the supply and demand side. These factors include the dynamic regulatory landscape, changing corporate and customer expectations for value-added products and services and increase in payments-enabling technologies (Fintechs) as some of the forces responsible for the noted changes. The report predicts that Global digital payments volumes will increase by an average 10.9 percent through to 2020, reaching nearly 726 billion transactions while the growth rate in emerging economies is projected to grow at 19.6%.

Emerging economies are expected to grow at three times the rate of mature economies with Asia (led by China and India) projected to grow at 30.9%. Meanwhile, mature markets which currently account for two thirds of present global volumes are likely to witness stabilized growth rates in the next five (5) years. These regions include North America, Europe and mature Asia Pacific. Africa is likely to experience growth in non cash transactions through to 2020 on account of its young populations with the majority falling within the 15 to 24 age group and a growth in the use of smart phones with an estimate of 400 million smartphones.

The report indicates that debit and credit transfers were the leading digital instruments in 2015. Debit cards accounted for the highest share at 46.7% of global non cash transactions followed by credit cards at 19.5%. The usage of cheques as payment instruments on the other hand is generally on the decline globally shrinking by 13.4%. Countries such as the UK and Australia plan to completely phase out the use of cheques in the near future.

Despite the increased adoption of digital payments, cash remains in the mainstream, especially for low-value transactions. But the good news is that the share of cash use in the total payment volumes is generally declining in most countries, Cash in Circulation remained or slightly increased in the previous five years. The report notes that cash in circulation is increasing globally except in a few countries such as Denmark, the UK, Sweden, Canada and South Africa. This is evidenced by the increasing CIC to GDP ratio which has increased at an increasing rate globally. This state of affairs may hamper progress towards cashless societies. The report notes that the use of cash is strongly linked to demographics. Other factors which promote the use of cash include anonymity of transactions, the lack of modernized payments infrastructure and the lack of access to banking services in emerging markets.

The growth in non cash transactions in emerging markets is mainly being driven by technological advances and promotion of financial inclusion. The increase in mobile payments and digital innovation are expected to drive growth across all regions but differences in adoption methods and the development of new use cases will differentiate regional trends. Emerging economies are expected to continue on a growth trajectory for the next five years due to new entrants, ability to adopt new technologies and the expansion of traditional payment infrastructures into digital means.

Financial inclusion measures in Emerging Asia are predicted to spur high growth rates in non cash transactions in India, Vietnam, Indonesia as the adoption of mobile and other forms of digital payments is scaled up. For instance, the Indonesian Government financial inclusion strategy aims to increase the proportion of the banked from 35% to 75% by 2019.

However, trends in mature economies are likely to be different where a combination of Near Field Communication (NFC)/contactless technology and mobile payments may result in the development of new use cases. The report also states that mobility, connected homes, entertainment, and media are expected to boost non-cash transactions in the future, as will alternate channels, including contactless, wearables, and augmented reality



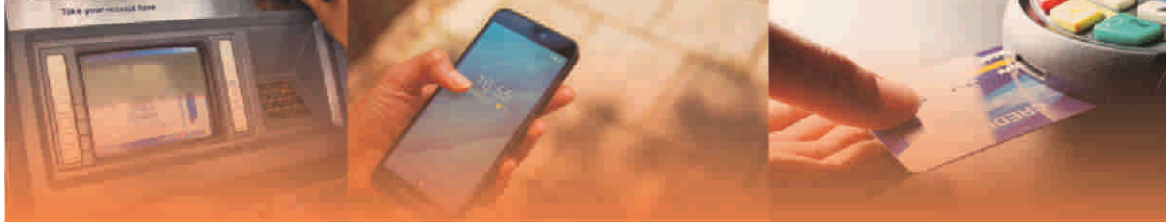
3.0 DEVELOPMENTS IN THE ZAMBIAN NATIONAL PAYMENT SYSTEMS

The year 2017 marked the end of the National Payment Systems Vision and Strategy 2013 – 2017 whose aim was to ensure an efficient, convenient, reliable and secure National Payment System in Zambia by 2017. Below are some of the planned activities over the period 2013 to 2017:

- i. Review of the National Payment System Act to make it robust and more comprehensive Act yet be revised, SADC model law;
- ii. Establishing of rules and standards for online clearing, card schemes, ATMs, POS, etc.
- iii. Enhancement of the oversight role of the Bank;
- iv. Ensuring that large value payments were made using ZIPSS/ RTGS and enhancing the operational efficiency of the RTGS;
- v. Promotion of electronic payment methods such as DDACC and RTGS;
- vi. Implementation of the National Financial Switch/ interoperability of retail payment systems;
- vii. Implementation of straight through processing;
- viii. Increasing of access channels;
- ix. Ensuring that Government payments constituted a key part of all payments;
- x. Establishing linkages between ZIPSS and Intergrated Financial Management Information System (IFMIS) of the Government;
- xi. Implementing cross border initiatives aimed at facilitating trade and investment, and regional financial stability;
- xii. Ensuring that Zambia would participate in SADC/ COMESA regional payment integration initiatives; and
- xiii. Enhancing financial education of consumers and BoZ of Zambia staff to promote financial inclusion

The Bank of Zambia continued in its efforts to promote a safe and efficient payment system in Zambia in line with its National Payment Systems Vision and Strategy 2013 to 2017. Among the key milestones archived under the 2013 to 2017 strategy include the following:

- i. An upgrade to the second generation RTGS that was implemented in 2014 to enhance the resilience of the system.
- ii. Linking of various stakeholders to the RTGS system as follows:
 - a. Linkage of the RTGS to the Central Securities Depository in 2014. This has enhanced efficiency and will allow for implementation of delivery versus payment for Government securities;
 - b. The Zambia Electronic Clearing House systems were linked to the RTGS system to allow for straight through processing of the net settlement instructions resulting in Cheque Image Clearing (CIC) and the Electronic Funds Transfer (EFT) system;
 - c. The linkage of the RTGS and the IFMIS in 2015 has enabled the Ministry of Finance to generate electronic transactions from the IFMIS system for settlement on the RTGS system through the Treasury Single Account; and
 - d. Linkage of the Zambia Revenue Authority to the RTGS in 2015. ZRA is now able to collect more timely information on its revenue collections;



- iii. Implementation of Europay MasterCard Visa payment card standards in 2014 to enhance the security of card transactions;
- iv. Adoption and implementation of the Principles for Financial Market Infrastructures in 2015;
- v. Issuance of the National Payment Systems Directives on Electronic Money Issuance in 2015. The purpose was to provide guidance on electronic money issuance to protect the integrity of the payment stream;
- vi. An upward revision and harmonisation of transaction limits for Electronic Money Issuers and Money Transfer Businesses;
- vii. Revision of Item Value Limits on cheques and electronic funds transfers/Direct Debit & Credit (DDAC);
- viii. In February 2015, the Bank of Zambia developed the Payment Systems Oversight framework to guide its oversight activities adopted the Principles for Financial Market Infrastructures (PFMIs) issued by the Bank for International Settlements (BIS) and International Organization of Securities Commission (IOSCO) as a standard risk management framework for systemically important payment Systems;
- ix. The Bank of Zambia continued to undertake various financial education campaigns including participating in annual financial literacy week exhibitions; and
- x. An increase in Financial Inclusion in Zambia: The Finscope Survey, in 2015 reported that 59.3% of adults are financial included which represented a significant increase from 2009 when only 37.3% were financially included

3.1 The National Payments System Vision 2022

A new National Payment Systems Vision and Strategy document covering the period 2018 to 2022 was launched and will build on the progress made under the National Payment System Vision 2017. The Payments system vision 2022 was formulated in collaboration with other stakeholders and contains five (5) main goals and is guided by six principles or attributes that are meant to transform the payment system landscape in Zambia. It also contains various strategies which will be implemented over the strategy period. The table below highlights the goals, the guiding principles or attributes and the strategies to be implemented.

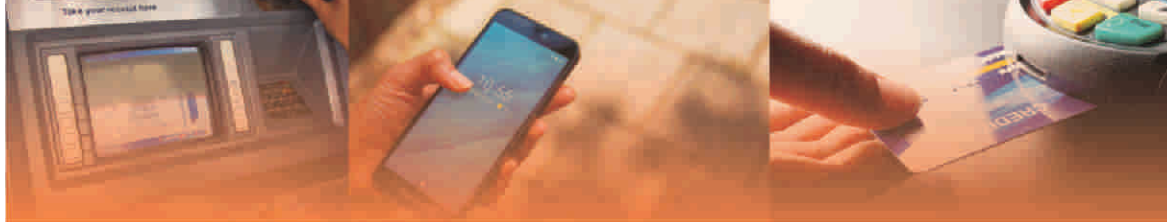


Table 1: Summary of the Payments System Vision and Strategy for 2018 to 2022

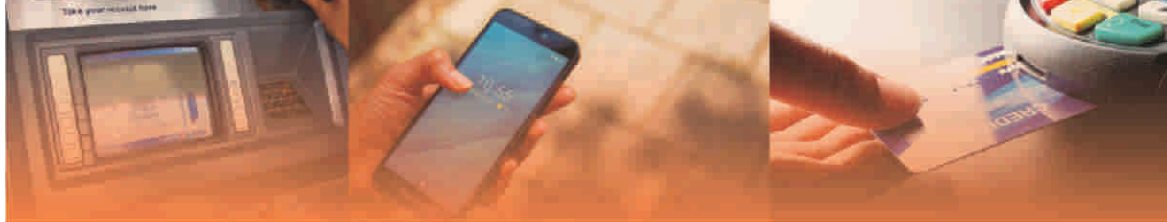
Goals
1) To promote the safety and efficiency in the transfer of value in the economy
2) To promote a cash-lite society
3) To increase access and use of electronic payment methods
4) To reduce transaction costs for all payment systems services
5) To increase the usage of formal remittance channels
Guiding Principles
1) Inclusiveness/accessibility based on a risk based assessment
2) Affordability with win-win outcome for both consumers and providers
3) Appropriateness
4) Efficiency
5) Security
6) Interoperability
Strategies
(1) Improvement of the Regulatory Environment
<ul style="list-style-type: none"> Review of the National Payments Systems Act with inclusion of consumer protection provisions Development and issuance of various national financial switch modules for the ATM, and PoS etc
(2) Improvement of Cybersecurity Resilience for Payment Systems
<ul style="list-style-type: none"> Creation of a national cyber security monitoring system Development of a mechanism for reporting cybercrimes to regulators Adoption of international standards on cyber security and resilience Testing of payment systems for cyber resilience
(3) Improvement of Retail Payments
<ul style="list-style-type: none"> Increase of Access points and interoperability in payment systems Ensuring a near real time retail payment system Development of appropriate products and services that meet customer's needs Affordable pricing of payments products Enhancement of data collection Development of centralised KYC database
(4) Promotion of Electronic/Digital Financial Services and Products
<ul style="list-style-type: none"> Scale up sensitisation and awareness campaigns
(5) Improvement of Government Payments
<ul style="list-style-type: none"> Achieve significant adoption of electronic payments by Government Departments
(6) Promotion of Remittance Services
<ul style="list-style-type: none"> Issuance of money transfer guidelines and standards Reduction in the cost of remittances

3.2 Developments in the Regulatory Environment

During the period under review, the Bank of Zambia participated in a number of activities and issued regulations and directives in its continued efforts to create an enabling regulatory environment that promotes a safe and efficient national payment system as follows:

3.2.1 SADC Payment Systems Model Law

The Bank participated in the redrafting of the SADC Payment System model law to align it with legislative language and address the comments received from country members in 2017. The SADC Payment System model law has been issued to member countries to allow for



domestication of the principles espoused in the model law. The SADC payment system model law aims at harmonizing the various payment system laws in the SADC region as part of the cooperative oversight. Following the issuance of the SADC payment system model law to member countries, the process of amending the Zambian National Payment Systems Act of 2007 in line with the model law is scheduled to commence in 2018.

3.2.2 Review of the National Payment Systems Directives on Electronic Money Issuance 2015:

During the period under review, the Bank of Zambia, Electronic Money Institutions and other stakeholders undertook a review of the National Payment Systems Directives on Electronic Money Issuance which were issued in 2015. The directives were issued in order to provide guidance on the conduct of electronic money services in Zambia. The review process was aimed at harmonizing the directives with developments in the payment systems and to create an enabling environment for increased financial inclusion through promotion of digital financial services. Further, the revision was also aimed at harmonizing the directives with the SADC mobile money guidelines.

The items earmarked for revision included holding of multiple wallets by customers, enhancing of consumer protection requirements and increasing the transparency of the activities of agents. The amendments to the National Payment Systems Directives on Electronic Money Issuance are scheduled for gazetting in the first quarter of 2018.

3.2.3 Revision of Item Value Limits on cheques and electronic funds transfers

The Bank of Zambia revised the item value limits on cheques and electronic funds transfers which took effect on 5 July 2017. These revised limits were issued in line with the Bank's powers contained in Section 5 (3) of the National Payment Systems Act. The decision to revise the limits was aimed at promoting electronic payment methods and to reduce the use of cash. The Bank further introduced a limit on cheques cashed over the counter and also introduced for the first time a limit of USD5, 000 on foreign currency denominated cheques cleared within Zambia. Table 2 below shows the new Item Value Limits (IVL):

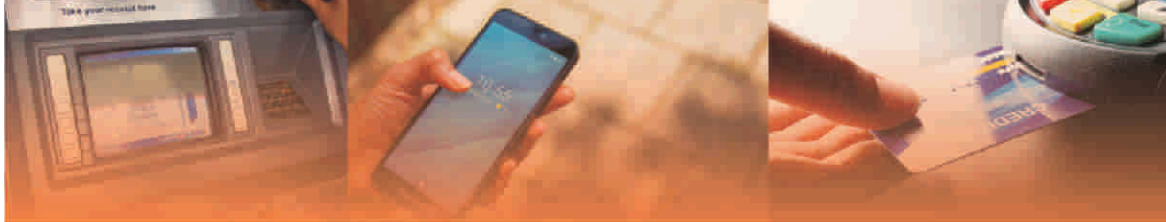
Table 2: Revision of Item Value Limits on Cheques and Electronic Funds Transfers

Type of Payment Instrument	Old Item Value Limit	New Item Value Limit
Local currency denominated cheques		
Local Kwacha cheques cleared through the Clearing House	K100,000.00	K25,000.00
Local cheques presented over the counter	No limit	K25,000.00
Foreign currency denominated cheques		
Foreign currency denominated cheques cleared within Zambia	No limit	US\$5,000.00
Foreign currency denominated cheques presented over the counter	No limit	US\$5,000.00
Electronic Funds Transfers		
Direct debits	K50,000.00	K75,000.00
Direct credits	K100,000.00	K500,000.00

3.2.4 Review of the Draft National Financial Switch Rules and Standards:

Following submission of the draft National Financial Switch Rules to the Bank of Zambia for approval, in accordance with the requirements of the National Payment Systems Act, the Bank undertook a review of the draft NFS Rules. The review was in line with section 17(2) of the National Payment Systems Act which requires all Clearing House rules to be approved by the Bank. Based on the review exercise, the Bank made recommendations to the Zambia Electronic Clearing House Limited, the National Financial Switch Operator, to effect certain changes in the draft National Financial Switch rules.

Further, the Bank is in the process of undertaking similar exercise regarding draft ATM and POS



standards. The ATM and POS standards are aimed at ensuring the efficiency, security and reliability of ATM and POS services. The standards and guidelines are expected to inform the conduct of ATM and POS operations in Zambia.

3.2.5 The Society for Worldwide Interbank Financial Telecommunications (SWIFT) Customer Security Programme Compliance

SWIFT under its Customer Security Programme of 2016 introduced a set of core security standards that all customers should meet to secure their local SWIFT related infrastructure. The programme was overseen by both SWIFT and the Bank of Zambia. The objective of the program was to ensure that institutions secure their environments by taking into account counterparty risk in their business processes in addition to existing risk considerations such as Know your Customer (KYC), sanction screening, cyber threats and Antimoney Laundering and Combating Financial Crimes (AML/CFT). Under this programme, commercial banks were expected to complete self-attestation on the SWIFT website by 31st December, 2017 stating their compliance with the 16 mandatory and 11 advisory controls. All commercial banks complied by submitting their self attestations to SWIFT. Further, commercial banks are expected to implement and report on their compliance status against the sixteen (16) mandatory security controls and eleven (11) advisory controls by 31 December 2018.

3.2.6 Implementation of the National Financial Switch (NFS)

The Bank continued to ensure that ZECHL, commercial banks and payment systems businesses continued their efforts towards the implementation of the National Financial Switch (NFS). The National Financial Switch is a shared payment systems infrastructure that will interconnect various payment streams (ATMs, PoS and mobile payments). As at the close of the year, work was still on-going towards the implementation of the National Financial Switch. The accomplished activities included readiness tests and User Acceptance Tests carried out by some commercial banks and the review of the NFS rules. Among the benefits envisaged from the National Financial switch include the following:

- As a critical component of the financial sector infrastructure, the national switch will act as a catalyst for economic growth by lowering costs through economies of scale and providing a platform for further innovations of other products and services;
- A centralised national switch will make it much easier for new entrants by enabling them connect to the national switch as opposed to entering into various arrangements to access particular payment streams. In this regard, it eliminates entry barriers to the market;
- Lower transaction costs for the consumers of payment services as a result of lower operational costs on the part of participants;
- The implementation of a national switch brings about benefits of adopting best possible risk management systems which include having a reliable business continuity plan (BCP), disaster recovery mechanisms thereby ensuring continued safety and reliability of service to customers;
- The implementation of a national switch also facilitates for the easy adoption of new technology which can be used for innovation of new product offerings to customers. The greater scope for adoption of new technology is made possible through investment in new and reliable modern technology for all;
- The adoption of a national switch will also bring about benefits of adherence to internationally acceptable standards and ensuring that there is effective interoperability between all the providers;
- Effective Interoperability is good because effective risk management is possible, enhances customer convenience by reducing search costs, enhances network effectiveness by increasing uses thereby increasing customer propositions;



- The implementation of a national switch coupled with effective interoperability is further likely to lead to easier acceptability of payment instruments by customers;
- The implementation of a national switch also optimises investments also achieved through lowered costs;
- The national switch will help promote integration with international networks for straight through processing which is critical for our country;
- The implementation of a national switch will also help in curbing of anti competitive behaviours by some players thereby providing a level playing field; and
- Finally, it will optimise the use of individual switches and offer easy provision of valuable statistical information to the central bank which is needed for operations and monitoring of the payment systems.

3.3 Government Payments

In line with Bank of Zambia's function as a banker to Government, the Bank continued to provide banking services to Government to facilitate receipt and transfer of funds to Ministries, Provinces and Spending Agencies (MPSAs). The Bank continued to support the Ministry of Finance to include more MPSAs onto the Treasury Single Account (TSA). In 2017, thirty one (31) MPSAs were migrated to the TSA compared to nine (9) in 2016, bringing the total number of MPSAs migrated to the TSA since inception to forty four (44).

3.4 Designation of payment system participants and businesses

During the year 2017, the Bank of Zambia granted designation as a payment system business to one institution namely FINCA Zambia Limited, to offer money transfer services. FINCA Zambia Limited is also licensed as a deposit taking micro-finance institution.



4.0 PAYMENT SYSTEMS OVERSIGHT ACTIVITIES AND RISK ASSESSMENT

The BoZ National Payment Systems Act of 2007 and the Principles for Financial Market Infrastructure (PFMIs) form the basis for the oversight functions of the Bank. The Bank conducts its oversight activities using a combination of various methods as highlighted below:

4.1 Offsite Analysis of Returns

The Bank conducted its offsite analysis of monthly returns that are submitted by all designated payment systems entities under the supervisory ambit of the Bank of Zambia. This is a continuous monitoring process of the returns submitted by supervised financial services entities which contain supply side information. The information among others includes values and volumes of transactions processed from different payment streams and their distribution channels etc. The information is used by the Bank to inform its decision making processes to institute policy changes

4.2 Risk Assessment and Compliance Checks

In order to ensure the safety and efficiency of the National Payment System, the Bank of Zambia issues regulations and directives from time to time and monitors compliance by individual payment systems and businesses by conducting compliance checks.

In addition, a key objective of the Payment Systems oversight function is to ensure that systemically important payment systems (SIPS) operate in a safe, secure and efficient environment. In this regard, the Bank continued to monitor various risks affecting payment systems which include operational risk, credit risk, settlement risk, liquidity risk and legal risk in line with the Principles For Financial Market Infrastructures (PFMIs).

4.3 Co-operative Oversight over the Cross Border Payment Systems

In 2017, the Bank continued its oversight work relating to oversight of the cross border payment systems which are the SADC Payment System (SIRESS) and the COMESA Payment System (REPSS). The two systems provide infrastructures to process cross border electronic funds transfer payments in the SADC and COMESA regions. Oversight of the two regional payment systems is provided by the member countries through the payment systems departments of their central banks using the PFMIs oversight framework. The objective of the cross border payment systems is to promote regional trade among member countries. SIRESS and COMESA REPSS offers alternative funds transfer systems to the traditional correspondent banking system.

The Bank participated in the regional meetings convened to finalise the SADC Payment System model law which aims at harmonizing the various payment system laws in the SADC region as part of the cooperative oversight.



5.0 PERFORMANCE OF THE VARIOUS PAYMENT SYSTEM STREAMS

This section reviews the performance of the various payment streams in the year 2017.

Overall, both the systemically important payment systems and non systemically important payment systems registered growth in values and volumes of transactions in 2017. Overall, growth in the value of transactions was 11% while volumes grew by 43% from 2016. The table below shows a comparative analysis of the values and volumes in the SIPS and NSIPS between the years 2016 and 2017. A detailed analysis of the various payment streams is provided in later sections.

Table 3: Comparative Analysis of the Various Payment Streams

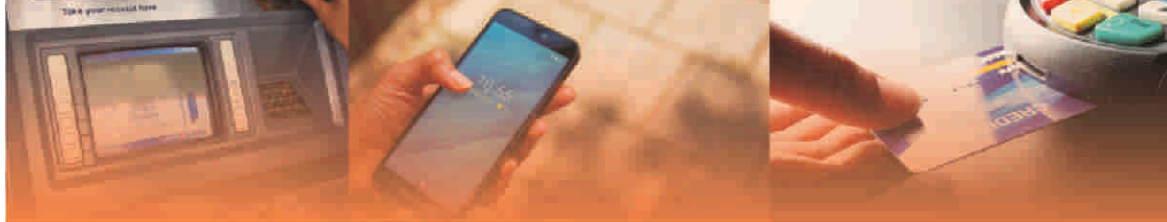
Payment Stream	2017	2016	%Change	Proportion (%)
Values (K' Millions)				
ZIPSS	799,745.0	723,489.50	11	86
EFT	38,863.58	24,451.10	59	4
CIC	21,075.60	35,530.20	-41	2
SIPS Totals*	859,684.18	783,470.80	10	93
ATMs	42,113.65	38,066.40	11	5
POS	8,008.17	4,948.40	62	0.9
Remittances	12,120.02	7,829.30	55	1.3
Mobile	7,287.74	3,561.10	105	0.8
NSIPS Total**	69,529.58	54,405.20	28	7
Grand Total	929,213.76	837,876.00	11	100
Volumes				
ZIPSS	493,964	388,176	27	0.2
EFT	5,895,397	5,297,462	11	2
CIC	2,346,707	2,807,390	-16	1
SIPS Total*	8,736,068	8,493,028	3	3
ATMs	49,726,580	47,081,469	6	16
POS	12,193,060	8,103,127	50	4
Remittances	68,494,302	47,730,977	44	22
Mobile	172,429,910.89	105,934,181	63	55
NSIPS Total	302,843,852	208,849,754	45	97
Grand Total	311,579,920	217,342,782	43	100.0

*Systemically Important Payment Systems

** Non-Systemically Important Payment Systems

5.1 Currency in Circulation

As at 31st December 2017, Currency in circulation (CIC) stood at ZMW 7,315 million out of which banknotes accounted for 98.0% (ZMW7,157 million) while coins contributed 2% (ZMW159 million). This represents an overall increase of 13% from ZMW6,451.5 million reported in December 2016. The increase was largely attributed to continued heightened demand for cash due to among others seasonal factors during the period under review. The currency in circulation in 2017 was 2.6% of GDP compared to 3% in 2016. The currency in circulation as a percentage of GDP (a measure of financial deepening) declined from 3% to 2.6% on account of use of alternative payment methods available in the payments systems. Technology and new payments methods will continue to lessen the use of cash as a medium of exchange.



5.2 Systemically Important Payment Systems (SIPS)

Overall, the systemically important payment systems namely the Zambia Interbank Payment and Settlement System (ZIPSS), the Cheque Image Clearing (CIC) and the Electronic Funds Transfers (EFTs/DDACC) experienced an increase in both values and volumes of transactions. The value of transactions increased by 9.7% to K859, 683 million from K783,470.8 million in 2016. The volume of transactions marginally increased by 2.9% to 8,736,068 from 8,493,028 in 2016.

The increase in value of transactions in 2017 was mostly notable on the EFTs/DDACC which grew by 59% from last year and can be attributed to increased adoption of electronic payment forms due to ongoing campaigns and adjustments in item value limits which encourage use of electronic payment methods as they are safer and efficient compared to paper based payment instruments.. The ZIPSS continued to dominate in terms of the value of payments processed accounting for 93% of total payments of the systemically important payment systems.

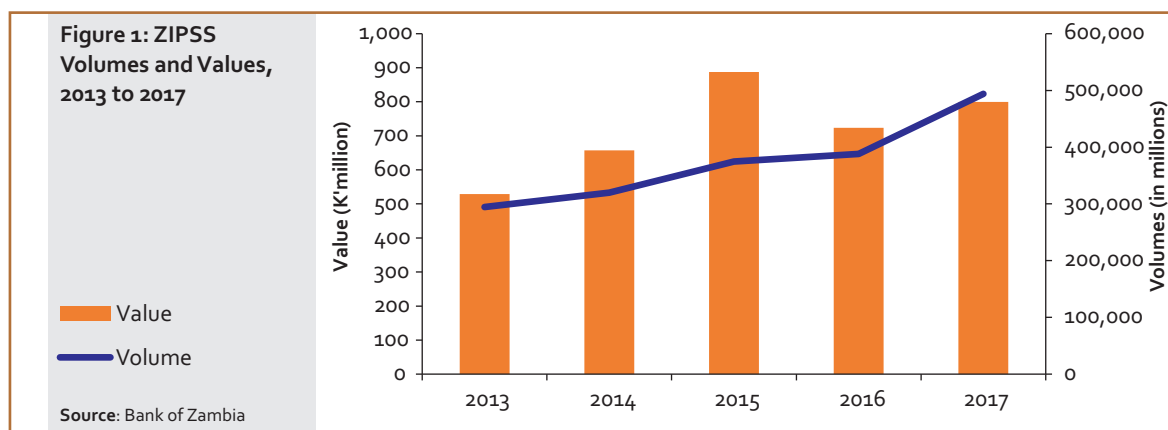
Table 4: Systemically Important Payment Systems (SIPS)

Payment Stream	2016		2017		% Change in Value
	Volume	Value (K' millions)	Volume	Value (K' millions)	
ZIPSS	388,176	723,489	493,964	799,745	10.5
CIC	2,807,390	35,530	2,346,707	21,076	(41)
EFTs/DDACC	5,297,462	24,451	5,895,397	38,863	59
TOTAL	8,493,028	783,470	8,736,068	859,684	9.7

5.2.1 Zambian Interbank Payment and Settlement System (ZIPSS)

The Zambia Interbank Payment and Settlement System (ZIPSS) continued to operate satisfactorily in the year under review. The system's availability remained high at 98.3% compared to 97.8% reported in 2016. The downtime recorded was mainly due to network connectivity and application challenges, which were resolved within acceptable timeframes.

The volume of transactions processed on ZIPSS increased by 10.5% to 493,964 transactions in 2017. The upsurge in the volume of processed transactions was mainly due to increased government payments processed through TSA following an increase in the number of ministries and government departments that migrated to the TSA, which stood at 44 at end-December 2017. Similarly, the value of transactions processed on ZIPSS rose by 27.3% to K799.7 billion in 2017 as shown below. The value of ZIPSS transactions in 2017 as a proportion of GDP decreased to 325% from 335.7% in 2016.



The transaction values of the ZIPSS by payment type are as depicted in figure 2 below while transaction volumes by payment type are depicted in figure 3 below.

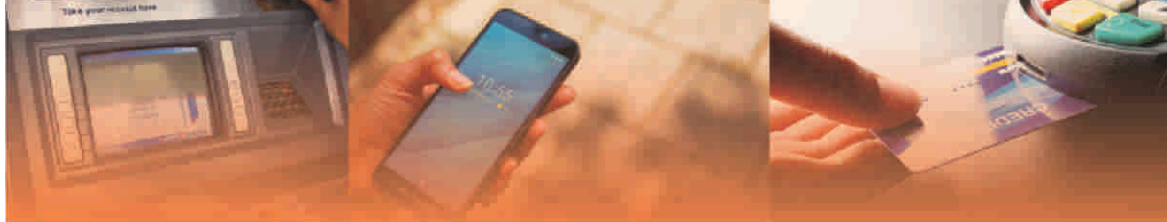


Figure 2: ZIPSS Transaction Values by Payment Type

Source: Bank of Zambia

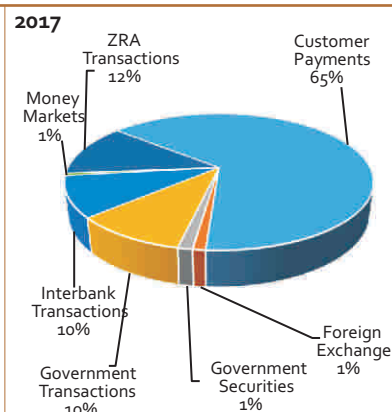
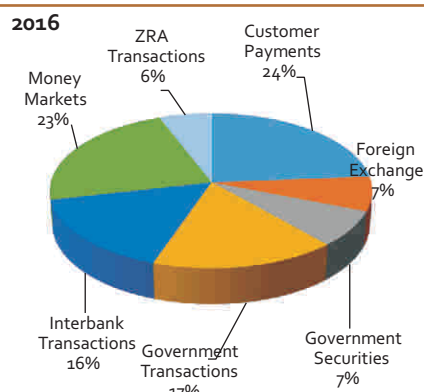
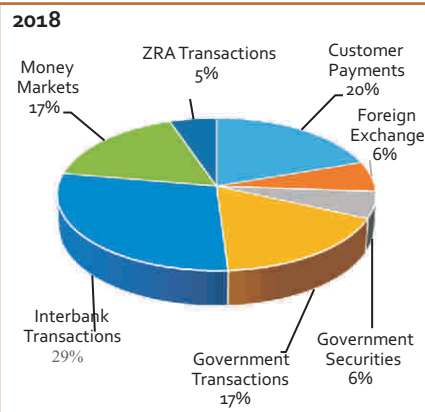
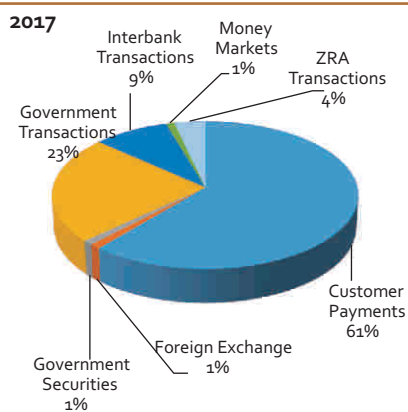


Figure 3: ZIPSS Transaction Volumes by Payment Type

Source: Bank of Zambia



5.2.2 Lusaka Securities Exchange

The transaction value of net settlement instructions for Lusaka Securities Exchange (LuSE) processed on ZIPSS decreased by 75.2% to K0.72 million in 2017 from K2.89 million the previous year. Similarly, the total number of settlement instructions decreased by 56.5% to 67 in 2017 from 154 in the previous year signalling very low participation of the public in the Capital Markets.

5.2.3 The Zambia Electronic Clearing House (ZECHL)

5.2.3.1 Cheque Image Clearing System

The value of cheques cleared through the Cheque Image Clearing system decreased by 41% to K21.10 billion during 2017 (2016; K35.5 billion), similarly the volume of cheques cleared decreased by 16% to 2,346,707 from 2,807,390 in 2016. The value of cheques cleared at the Zambia Electronic Clearing House Limited (ZECHL) as a proportion of GDP declined to 8.6% during the period under review compared to 16.5% in 2016.

The reduction in the value and volume of cheques cleared in the period is as a result of the downward revision of the item value limits for cheques in July, 2017.

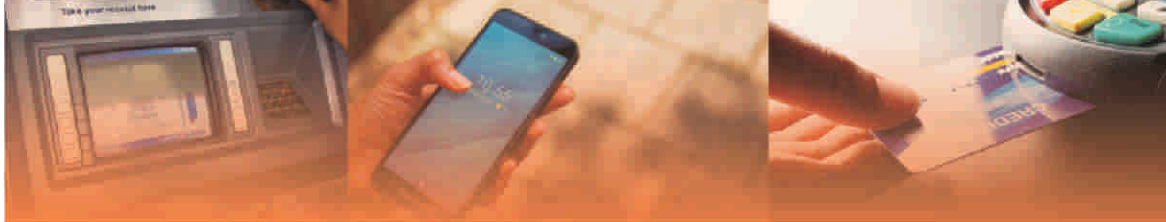
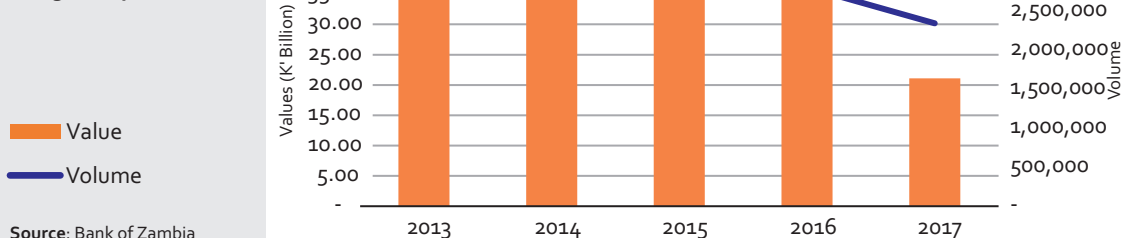


Figure 4: Cheque Images Cleared (2013 – 2017)



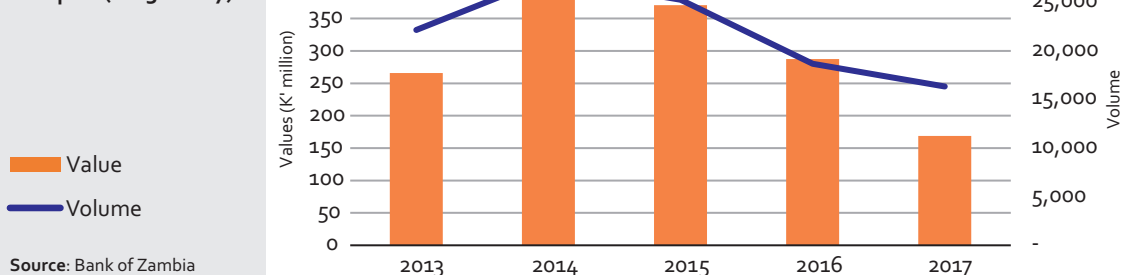
Source: Bank of Zambia

Cheques Returned Unpaid on Account of Insufficient Funds

The value of cheques returned unpaid on customers' accounts due to insufficient funds decreased by 41% to K168.80 million (2016; K287.40 million) and the volume of cheques decreased by 13.0% to 16,342 in 2017.

The decrease in the value of unpaid cheques follows the reduction in the item value limits whereas the reduction in the number cheques was attributed to the continued reduction in the volume of cheques issued year on year following the continued sensitization campaigns promoting electronic payment methods.

Figure 5: Unpaid Cheques (2013 – 2017)

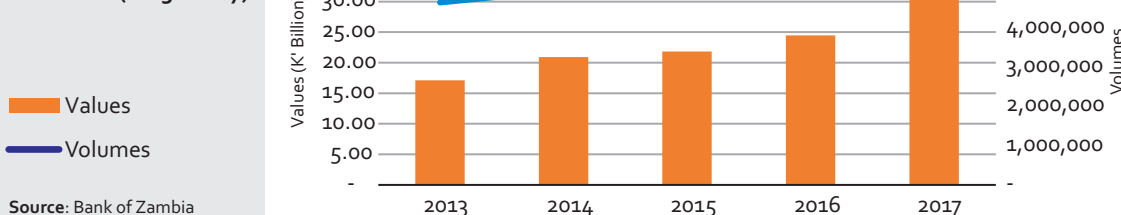


Source: Bank of Zambia

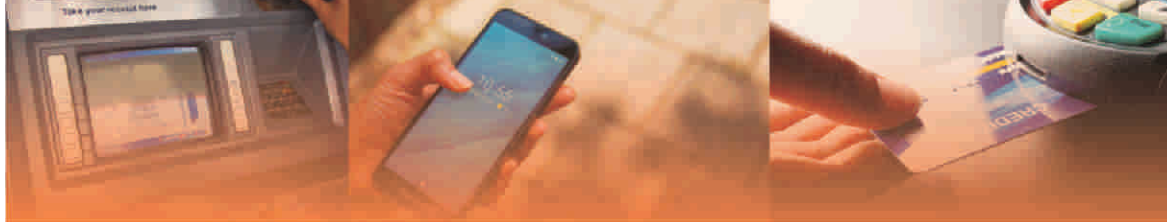
5.2.3.2 Electronic Funds Transfer System (EFTs)

The value of transactions processed on the Electronic Funds Transfer Clearing System increased by 59% to K38.9 billion in 2017 (2016; K24.5 billion) while the volume of transactions grew by 11% to 5,895,397. The value of transactions processed through EFTs/DDACC as a proportion of GDP increased to 15.8% as compared to 11.3% in 2016.

Figure 6: Volumes and Values of Electronic Funds Transfers Processed (2013 – 2017)



Source: Bank of Zambia



5.3 Non-Systemically Important Payment Systems

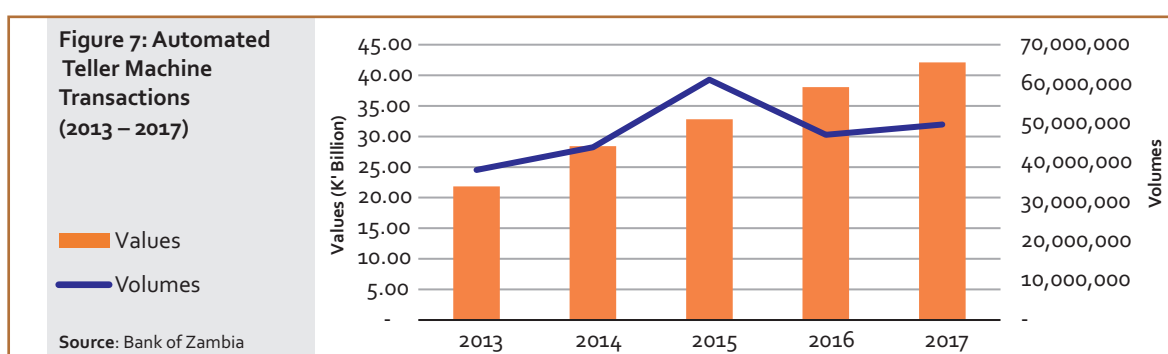
Overall, the non-systemically important payment systems, namely, the Automated Teller Machines (ATMs), Point of Sale (POS), remittances and mobile payments recorded an increase in both the value and volume of transactions as depicted in the table below. The value of transactions increased by 28% to K69,529.6 million from K54,405.2 million recorded in 2016 while the volume of transactions processed through the NSIPs increased by 45% to 302,843,852 from 208,849,754 processed in 2016. Mobile money transactions were the most preferred payment method with payment volumes growing by 62% in 2017. Significant growth was experienced in the value of mobile money transactions which grew by 105%. Appreciable growth was also noted in the values of PoS transactions and domestic remittances which grew by 62% while ATMs grew mildly by 11%. The significant rise in the value and volume of transactions for PoS was mainly due to increased deployment of PoS terminals by commercial banks as well as increased access by farmers using the e-voucher under the Farmer Input Support Programme. The number of PoS terminals rose by 33.8% to 12,522 in 2017.

Table 5: Non Systemically Important Payment Systems (NSIPs)

	2016		2017		Change (%)	Change (%)
	Volumes (ooos)	Values (K'ooo)	Volumes (ooos)	Values (K'ooo)	Volumes	Values
Remittances (Domestic)	47,111	6,369,568	67,761	10,336,142	44%	62%
Remittances (International)	620	1,459,689	733	1,783,874	18%	22%
ATM	47,081	38,066,447	49,727	42,113,654	6%	11%
POS	8,103	4,948,393	12,193	8,008,168	50%	62%
Mobile Payments	105,934	3,561,122	172,430	7,287,745	63%	105%
Total	208,850	54,405,219	302,844	69,529,583	45%	28%

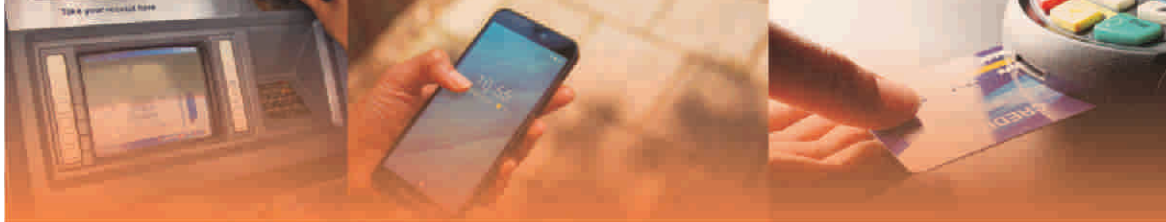
5.3.1 Automated Teller Machines (ATMs) Transactions

The value of transactions processed on the Automated Teller Machines (ATMs) increased by 11% to K42.1 billion from K38.1 billion in 2016 while the number of transactions increased by 6% to 49,726,226 from 47,081,469. The value of transactions processed at ATMs as a proportion of GDP was 17.1% compared to 17.6% in 2016. The increase in the value and volume of transactions was mainly on account of a rise in the number of cards issued to customers by 12% to 3,234,637 from 2,929,438 in 2016.



5.3.1.1 Number of ATM Machines

The number of ATM machines increased by 2% to 1,066 in 2017 from 1,045 recorded in 2016. Lusaka and the Copperbelt provinces had the majority of ATM machines with 43% (2016: 43%) and 26% (2016: 26%) respectively, followed by Southern Province with 8% (2016: 7%).

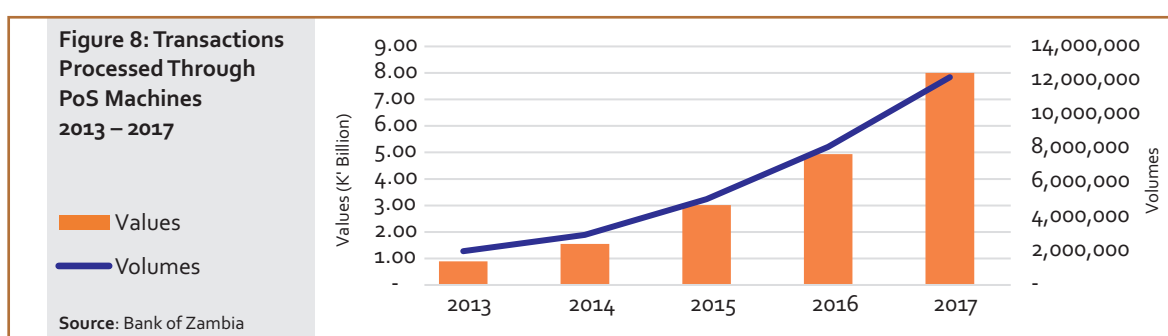


5.3.1.2 Number of Cards Issued

During the period under review, the total number of cards in circulation increased by 11.7% to 3,272,713 (from 2,929,438 in 2016). Of these, the number of debit cards issued were 2,458,986 while the number of credit and prepaid cards in issue were 4,349 and 809,378 respectively.

5.3.2 Point of Sale Machine Transactions

The value of transactions processed on the PoS terminals increased by 62% in 2017 to K8.0 billion (2016; K4.9 billion). Similarly, the volume of transactions went up by 50% to 12,193,060. The significant rise in the value and volume of transactions was mainly attributed to increased deployment of Point of Sale terminals by commercial banks as well as continuing activities under the Farmers Input Support Program (FISP). The value of transactions processed on PoS terminals as a proportion of GDP was 3.2% in 2017 compared to 2.3% in 2016. The number of PoS terminals increased by 34% to 12,522 in 2017 (2016; 9,356).

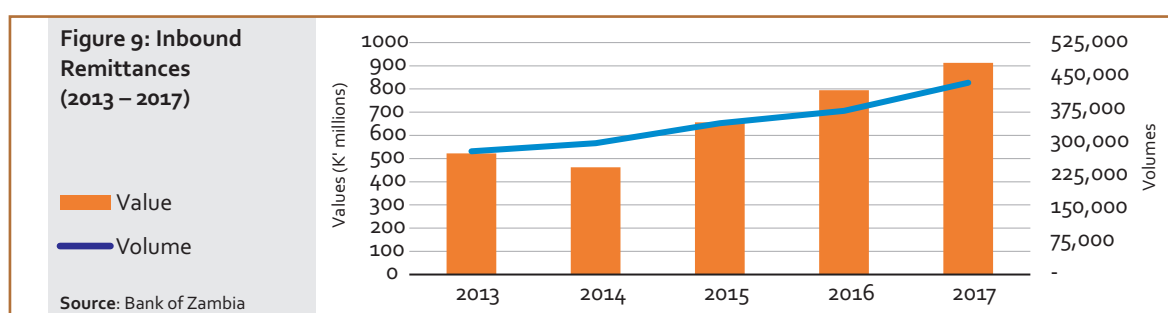


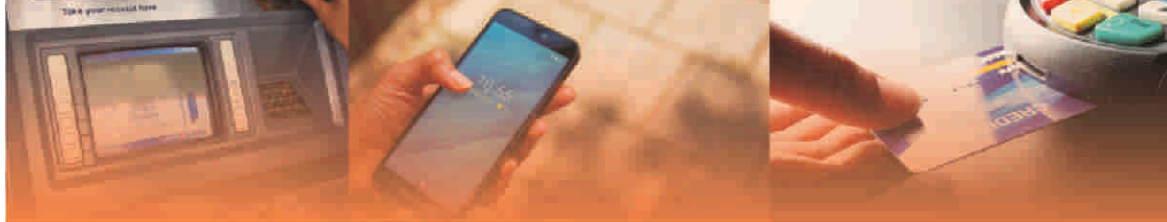
5.3.3 Remittances (Money Transfer Transactions)

The remittances market continued to record growth in both values and volumes of transactions. The transaction values increased by 55% to K12.120 million in 2017 from K7,829.3 million in 2016. Similarly, the volume of transactions processed increased by 43.5% to 68,494,302 in 2017 from 47,730,977 transactions recorded in 2016. The increase was mostly notable in the local money transmission services which increased by 62% and 44% in value and volume of transactions respectively.

5.3.3.1 Inbound International Remittances

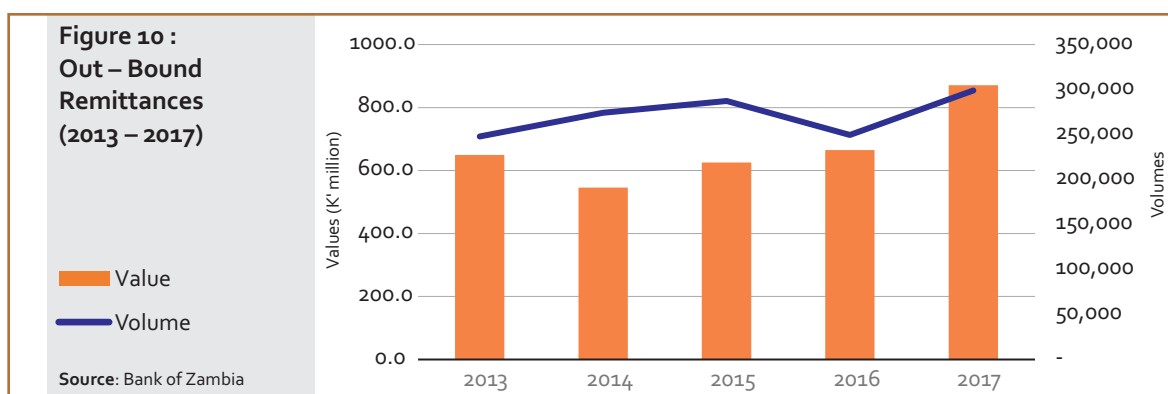
The value of in-bound international remittances increased by 15% in 2017 to K913.0 million from K794.8 million in 2016. The volume of transactions increased by 17% to 434,122 in 2017 (2016; 370,466). This was largely a result of the increase in remittances by Zambians living abroad. The source countries which dominated included the United States of America, the United Kingdom and Canada. The values of inbound remittances remained the same at 0.37% as a proportion of GDP as in 2016. Remittances have averaged 0.31% of GDP in the past five years.



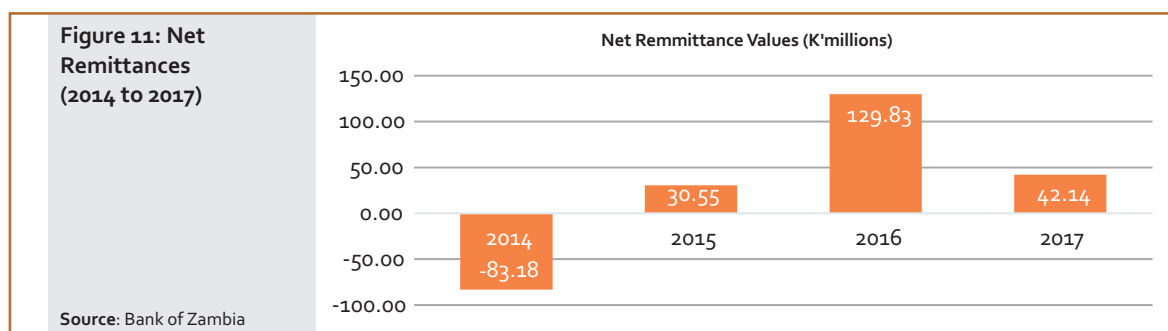


5.3.3.2 Outbound International Remittances

The value of out-bound international remittances increased by 31% to K870.9 million (2016: K664.9 million) while the volume of transactions increased by 30% to 298,978 (2016: 249,488). This was mainly due to an increase in trade remittances to China, Tanzania and South Africa.



Zambia continued to be a net receiver of funds amounting to K42.14 million (2016: K129.8 million) as highlighted in the below.



5.3.4 Local Remittances

Local remittances recorded an appreciable growth in 2017. The value of transactions recorded an increase of 62% to K10,336 million from K6,369.6 million reported in 2016. The volume of transactions increased by 44% to 67,761,202 from 47,111,023 recorded in 2016. The increase in both value and volumes was on account of growth of mobile phone based transactions from person to person (P2P). Local remittances as a proportion of GDP increased to 4.2% in 2017 from 3% in 2016. In addition, there was an increase in the number of access points as service providers expanded their operations.

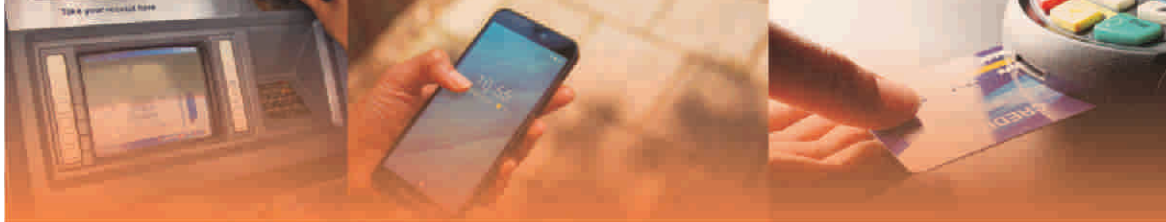
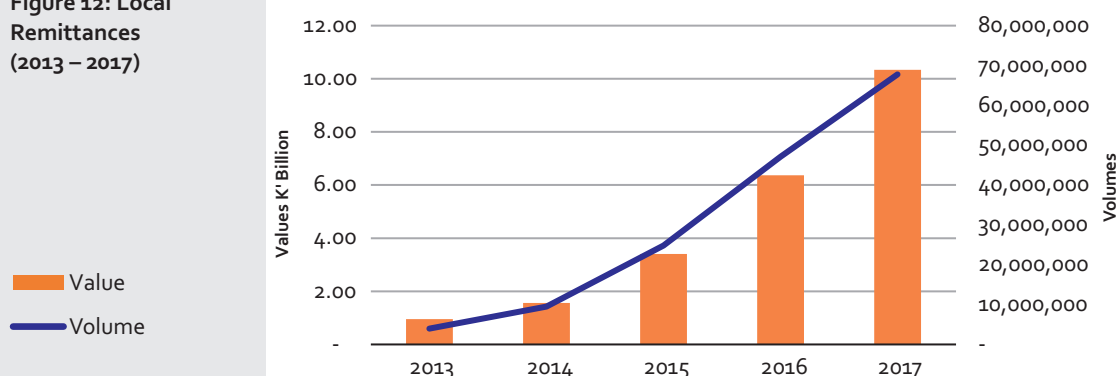


Figure 12: Local Remittances (2013 – 2017)

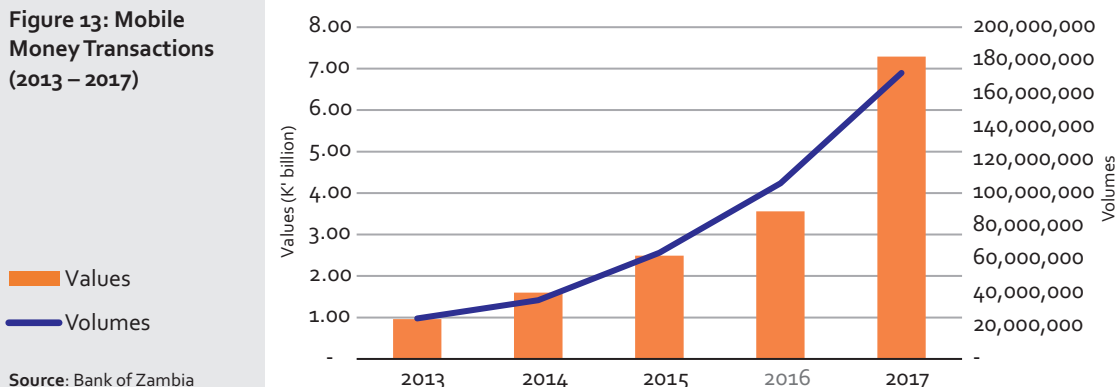


Source: Bank of Zambia

5.3.5 Mobile Money or Electronic Money (e-money) Transactions

The value of transactions processed on the Mobile money platform increased by 105% to K7.29 billion (2016; K3.56 billion) whereas the volume of transactions increased by 63% to 172,429,556 in year under review (2016; 105,934,181). The increase in both value and volume of transactions can be attributed to the rise in the number of users of mobile money for the payment of bills and funds transfers partly due to the convenience mobile payments offer to customers (i.e for payment of various bills and funds transfers without unnecessary delays). The can also be attributed to an increase in awareness of the existence of the mobile payment services partly due to sensitization campaigns. The value of mobile payments as a proportion of GDP increased to 3% in 2017 from 1.6% in 2016.

Figure 13: Mobile Money Transactions (2013 – 2017)



Source: Bank of Zambia

The number of active users for mobile payments increased by 178% to 1,450,533 in 2017 (2016; 521,098). This increase was partly driven by the introduction of innovative products that appealed to customers by the mobile money operators (e.g. money lending products).

5.3.6 Mobile Money Subscribers versus Mobile Phone Subscribers

In 2017, Mobile Money Operators (i.e. Airtel, MTN, Zamtel) reported an increase of 83% in the total number of mobile money subscribers to 11,704,822 from 6,377,087 in 2016 of which only 1,450,533 (2016: 521,098) were active mobile money subscribers. This movement represents an increase of 178% in the number of active subscribers from the previous year. Active wallets (those that had customer initiated transactions in the last 90 days) constituted 8% of total number of registered mobile money subscribers.

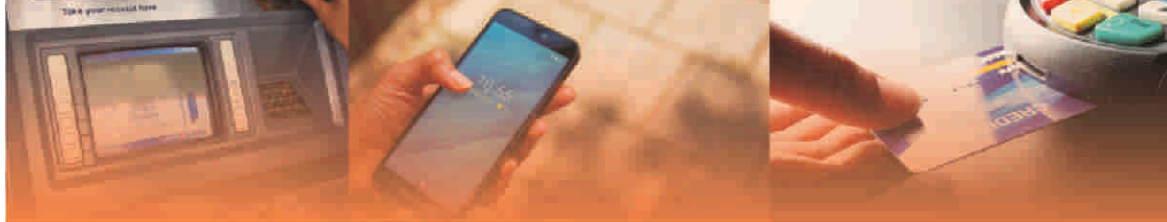


Table 6: Mobile Money Subscribers versus Active Mobile Money Subscribers

	2017	2016	% Change
Number of Mobile Money Subscribers	11,704,822	6,377,087	83%
Number of Active Mobile Money Subscribers	1,450,533	521,098	178%

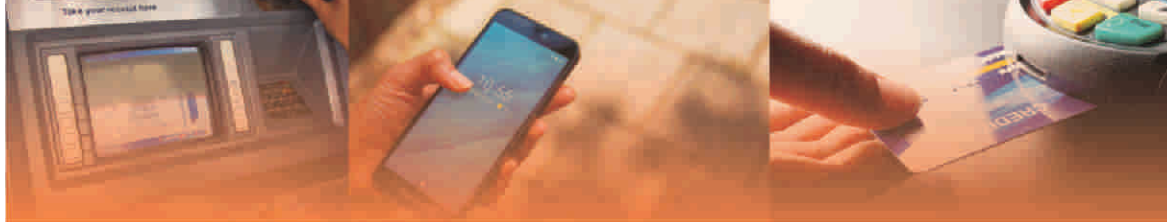
5.3.7 Cross Border Mobile Payments

On the cross border mobile money payments, the total aggregate value and volume of transactions recorded in 2017 was K24.7 million (2016: K12.3million) and 33,276 (2016: 18,999) respectively.

5.3.8 Regional Crossborder Payments

In 2017, the number of payments processed on the SADC Integrated Regional Electronic Settlement System (SIRESS) by commercial banks was 21,716 (2016: 25,525) representing ZAR5,688.4 million (2016: ZAR5,425.8 million) in value. The value of incoming receipts during the year under review was ZAR5,432.2 million (2016: ZAR5,630.3 million) in 6,948 transactions (2016: 6,166 transactions). On a net basis, Zambia paid out ZAR256.3 million in 2017 compared to net receipt of ZAR204.5 million in 2016. The shift to being a net payer was due to increased usage of the SIRESS by businesses trading with South Africa. For the SADC region, a total of ZAR1,240,084.1 million was processed on the SIRESS in 2017 compared to ZAR1,095,923.7 million in 2016.

Under the COMESA Regional Electronic Payments and Settlement System, there was one incoming payment worth US\$245,035.00 from Kenya. There were no outgoing payments made from Zambia on the platform. Similarly, there were no transactions processed during the 2016 period.



6.0 FIANANCIAL INCLUSION AND CONSUMER PROTECTION

This chapter reviews the activities on financial inclusion and consumer protection undertaken during the year under review.

The institutions key to the delivery of financial inclusion in Zambia in 2017 were made up of commercial banks and their agents, non bank financial institutions and their agents, mobile money operators and mobile money agents among others. These institutions provided the necessary products and services which were delivered through various physical and non physical delivery channels. The table below gives a summary of the selected access points through which formal financial services were accessed. As depicted in the table, during the year under review, the number of access points through the PoS terminals, Automated Teller Machines (ATMs), Bank Branches and Bank Agencies increased by 30% to 24,928 in 2017 from 19,194 in 2016.

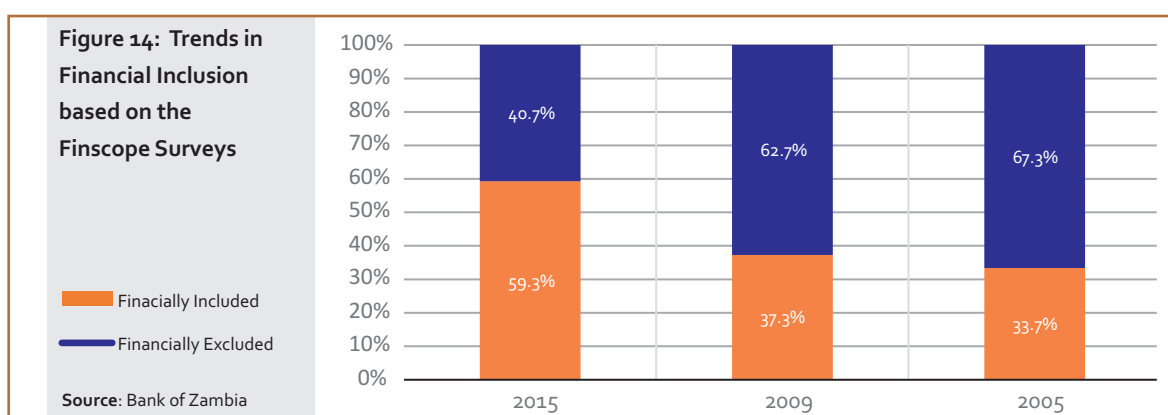
Table 7: Selected Highlights of Financial Services Access Points

Type of Access Point	2016	2017
Point of Sale (POS) Terminals	9,356	12,522
Number of Automated Teller Machines (ATMs)	1,045	1,066
Bank Branches	342	347
Bank Agencies	408	416
Active Mobile Money Agents	8,043	10,577
Total Access Points	19,194	24,928

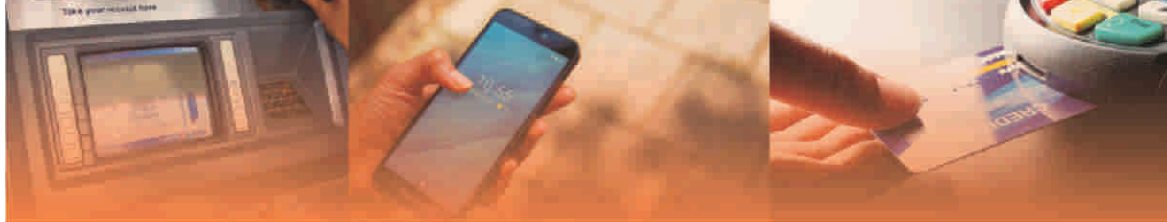
6.1 Financial Inclusion Strategy in Zambia

The Government working with various stakeholders drawn from the public and private sector formulated the National Financial Inclusion Strategy (NFIS) for Zambia which was launched in November 2017. The strategy aims to address the low levels of financial inclusion in Zambia. The primary objective of the NFIS is to “achieve universal access to and usage of a broad range of quality and affordable financial products and services.”

According to the latest Finscope survey of 2015 the Zambian population that is financially excluded was 40.7% compared to 62.7% in 2009 (see figure below). The adult population still financially excluded is therefore still high as depicted below.



The NFIS is a five-year plan covering the period 2017 to 2022 and will be implemented by multiple stakeholders including the public and private sector and regulatory authorities. The Bank of Zambia is responsible for the implementation a significant portion of the policy reforms outlined in the NFIS.



The successful implementation of the NFIS hopes to achieve the following targets:

- i. Overall increase in financial inclusion (formal and informal) from 59 to 80 percent and increase in formal financial inclusion from 38 to 70 percent by 2022;
- ii. Improved physical access to high quality financial delivery channels, including branches, agents, and automated teller machines (ATMs), such that the number of financial access points per 10,000 adults will increase from approximately seven (7) to ten (10) by 2022;
- iii. Innovative and diverse financial products and services that meet customers' needs leading to the percentage of adults with at least a transaction account growing from 36 to 70 percent by 2022;
- iv. Improved outreach and adoption of digital financial services;
- v. Greater availability of affordable financing for SMEs, smallholder farmers, and agricultural entities, thereby reducing the number of SMEs reporting access to finance as a major constraint from 27 to 20 percent by 2022; and
- vi. Enhanced consumer protection and increased financial capabilities of consumers, resulting in an increase in the percentage of adults with high financial product awareness levels from 36 to 50 percent by 2022.

In recognition of the importance of financial inclusion as a national policy objective, the Bank of Zambia also included financial inclusion initiatives in its strategic plan for the period 2016 to 2019 and aims to increase formal financial inclusion by sixteen (16) percentage points during the period 2016-2019. The Bank has identified key targets to scale up financial inclusion as follows:

- i. Scale up non-cash/mobile/digital payment systems;
- ii. Ensure implementation of the National Financial Switch;
- iii. Review the regulatory and supervisory function to cater for market conduct and consumer protection and
- iv. Improve formal financial inclusion in rural areas

In 2017, the Bank undertook several initiatives aimed improving financial inclusion such as the revisions of item value limits on cheques and electronic payments, and the review of the National Payments Systems Directives on electronic Money issuance aimed at among other issues enhancing consumer protection.

6.2 Financial Education Campaigns

The Bank continued to undertake financial education campaigns aimed at promoting the usage of digital financial services which has been identified as a key tool for the promotion of financial inclusion. The use of digital financial services helps address the challenges that physical access points pose as delivery channels for financial services and has potential to have greater impact on promoting financial inclusion. In this regard, in 2017, sensitization campaigns were successfully undertaken in all the ten provinces in Zambia. The campaigns were aimed at empowering citizens with relevant information important for them to make informed decisions as consumers of financial services.

The financial education materials prepared for the campaigns contained information on the benefits of using formal financial services, the need for customers to choose financial products that suit their needs, the various ways in which digital financial services can help improve the quality of life of consumers, how digital financial services are easily accessible and therefore address the issues of access and encouraging customers to use digital financial services.

The materials also covered aspects relating to the impact that financial services or products have on consumer's livelihoods such as on their consumption behaviors, business activities, health and education. Examples depicting how digital financial services can influence such



changes were included as part of the campaign materials. The materials also included information on customer rights to ensure their protection and their obligations. The various payment systems providers were also encouraged to continue disseminating information through various channels best suited to them such as the local media, internet etc.

6.3 Consumer Protection

The Bank continued to address customer complaints reported to it by various customers. Complaints received were of a various nature and involved customers complaining against a designated entity. These involved complaints on ATM transactions, Point of Sale Transactions, DDACC transactions, mobile money transactions and other general service-related complaints. Complaints were investigated and appropriate solutions to remedy the situation sought.

Further, the Bank continued to require supervised entities to have complaints resolution mechanisms in place to address customer complaints.



7.0 STAKEHOLDER ENGAGEMENTS

The Bank of Zambia continued its engagements with various stakeholders during the year under review and section below provides highlights of its engagements with some selected stakeholders:

7.1 **Zambia Information Communications Technology Authority (ZICTA)**

As in previous years, the bank continued its engagements with ZICTA as a key stakeholder in the payments systems arena as regulator of money network operators who provide critical services to mobile money providers who fall under the supervisory ambit of the Bank of Zambia.

7.2 **United Nations Capital Development Fund (UNCDF)**

The Bank in partnership with the United Nations Capital Development Fund (UNCDF) received project support to enhance digital financial services and inclusion through the development of a Data Reporting and Analytics platform that will achieve the following outcomes:

- a. Automation of the collection, aggregation and analysis of data;
- b. Provision of data and analytics for policy formulation towards enhancing financial inclusion;
- c. Identifying underserved geographies and population segments;
- d. Provision of aggregated market data for the Zambian Digital Financial Services Ecosystem;
- e. Enhancement of monitoring and evaluation of sector through data analytics; and
- f. Enabling providers to monitor their performance and craft effective strategies

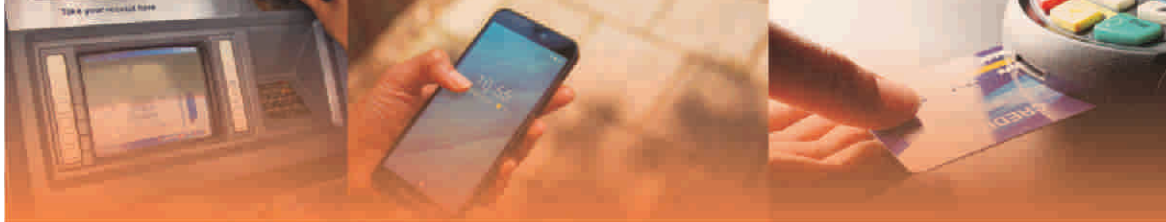
The implementation of the above project would commence in 2018 and 2019.

7.3 **Pensions and Insurance Authority (PIA) and the Securities and Exchange Commission (SEC)**

An MoU exists for continued sharing of information on regulatory matters among the three financial sector regulators (BoZ, PIA and SEC). Quarterly meetings were held by all the three regulators to discuss regulatory matters affecting financial sector regulators.

7.4 **Financial Sector Deepening Zambia (FSDZ)**

The Bank continued to engage with FSDZ in various areas of common interest for the payment systems sector. One area that FSDZ assisted the Bank with was the facilitation of a workshop to review the E-Money Directives of 2015. Another area FSDZ focussed on in the year under review was rendering assistance with the formation of a Payment Systems Association.



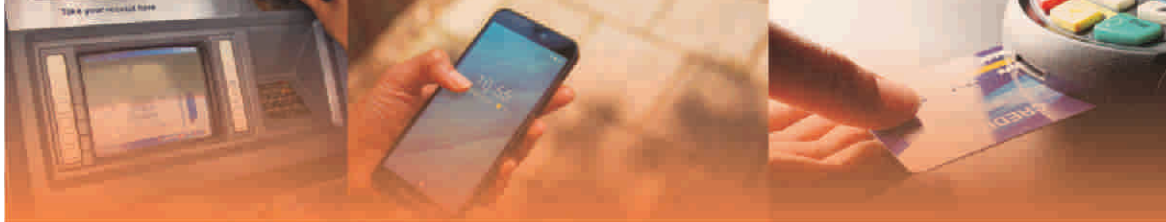
8.0 REGIONAL AND INTERNATIONAL ENGAGEMENTS

At the Southern Africa Development Community (SADC) level, the Bank continued to interact with other central banks in the SADC region on regional payment systems initiatives.

The Bank is among the regional central bank members of the SADC Payment Systems Oversight Committee (PSOC). The PSOC is chaired by the Reserve Bank of South Africa who are the lead overseer of the system. The mandate of the PSOC is to regulate, oversee and supervise the operations of the SADC Integrated Regional Electronic Settlement System (SIRESS). . The activities undertaken during the year focussed on improving the operations of the SIRESS and making efforts to increase member country's participation on the system. The Bank also continued to participate on the COMESA Regional Electronic Settlement System (COMESA REPS) and actively participated in regional meetings to review the SADC payment systems model law to be adopted and domesticated by member countries. .

At the international level, the Bank is a member of the Alliance for Financial Inclusion (AFI), a network of financial inclusion experts from various central banks, other financial regulators and institutions from the developing world. The network provides a platform for the exchange of ideas and peer learning on financial inclusion policies and supports countries in designing and implementing high impact solutions to meet their unique needs and challenges. By its membership to AFI, the Bank has made commitments under various AFI Accords such as the Maya Declaration, 2011, the Sasana Accord of 2013, the Maputo Accord of 2015 and the Denarau Action Plan for women's financial inclusion of 2016. The Maya Declaration is an initiative to unlock the economic and social potential of the the unbanked population through greater financial inclusion. It represents the world's 1st commitment platform among AFI members to make firm commitments to promote financial inclusion through setting inclusion targets, instituting domestic policy changes and sharing updates on progress made. The Bank is represented on various AFI working Groups covering the following thematic areas:

- Consumer Empowerment and Market Conduct;
- Financial Inclusion Strategy;
- Financial Inclusion Data;
- Proportionate Application of Global Standards;
- Digital Financial Services; and
- SME Finance



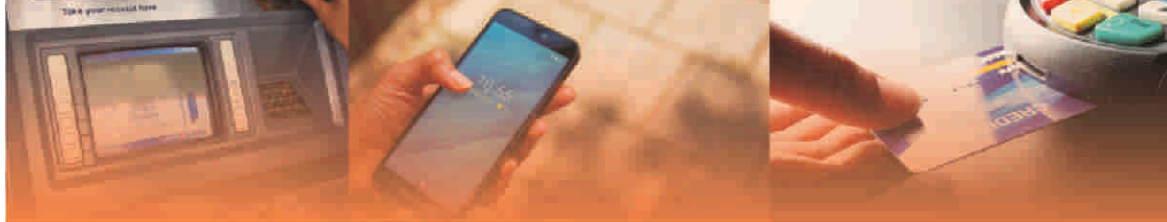
9.0 CONCLUSION AND OUTLOOK FOR 2018

The Bank will continue to ensure that its oversight role is enhanced to cope with the ever changing payments landscape. The regulatory framework will continue to be strengthened without stifling innovation in the market to ensure that payment systems are safe and efficient. The Bank will also continue to monitor developments in the market to safeguard public interest, and ensure safety and efficiency of the payment systems.

In 2018, the Bank will continue to implement various activities aimed at ensuring the achievement of strategic objectives highlighted in the National Payments Systems Vision and Strategy document covering the period 2018 to 2022. Some activities to be undertaken include the following:

- i. Develop a regulatory framework for the NFS i.e. ATM and POS standards and Mobile Money;
- ii. Review the National Payment System Act and development of regulations; and

Conduct financial education campaigns by sensitizing members of the public on the availability of digital financial services and electronic financial products and encourage their use.



APPENDICES: PAYMENT SYSTEMS STATISTICS

Appendix I: Consolidated Statistics

Currency in Circulation (2012 – 2017)

Year	Currency in Circulation (K'million)
2012	3,841.7
2013	4,600.8
2014	5,727.0
2015	6,347.1
2016	6,451.5
2017	7,315.3

Values of Systemically Important Payment Systems (SIPS) (2012 – 2017)

Year	ZIPSS (K'million)	Cheques (K'million)	EFTs (K'million)
2012	388,322.5	30,787.1	12,750.7
2013	528,950.7	38,011.0	17,109.1
2014	657,203.2	39,185.3	20,908.1
2015	887,544.4	37,958.9	21,829.2
2016	723,489.3	35,530.2	24,451.1
2017	799,745.0	21,075.6	38,863.6

Volumes of Systemically Important Payment Systems (SIPS) - (2012–2016)

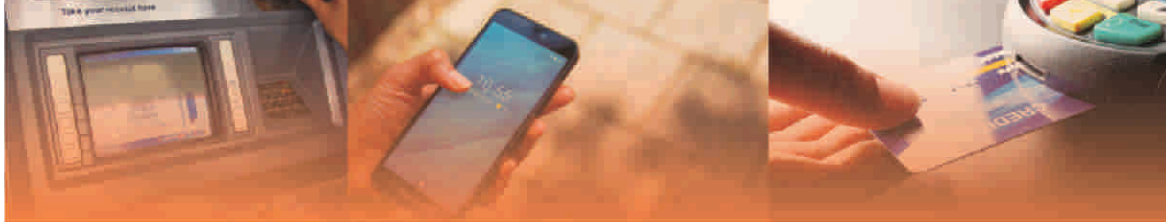
Year	ZIPSS	Cheques	EFTs
2012	240,564	2,800,759	4,027,061
2013	294,503	3,200,202	4,643,599
2014	319,836	3,184,446	4,955,572
2015	374,661	3,045,211	5,171,982
2016	388,176	2,807,390	5,297,462
2017	493,964	2,346,707	5,895,397

Automated Teller Machines and Cards (2012 – 2017)

Year	No. of Automated Teller Machines (ATMs)	No. of ATM Cards	ATM Transaction Values (K'million)	ATM Transaction Volumes
2012	643	1,676,982	18,134.1	34,152,340
2013	744	2,104,860	21,855.4	38,152,320
2014	896	2,552,949	28,404.0	43,926,555
2015	1,000	2,586,036	32,880.3	61,102,749
2016	1,045	2,929,438	38,066.4	47,081,469
2017	1,066		42,113.6	49,726,580

Points of Sale Machines (2012 – 2017)

Year	No. of Point of Sale (PoS) Machines	Values of PoS Transactions (K'million)	Volumes of PoS Transactions
2012	2,025	790.6	1,677,179
2013	2,578	885.0	1,983,089
2014	3,266	1,551.8	2,937,453
2015	6,915	3,015.0	5,043,801
2016	9,356	4,948.4	8,103,127
2017	12,522	8,008.2	12,193,060



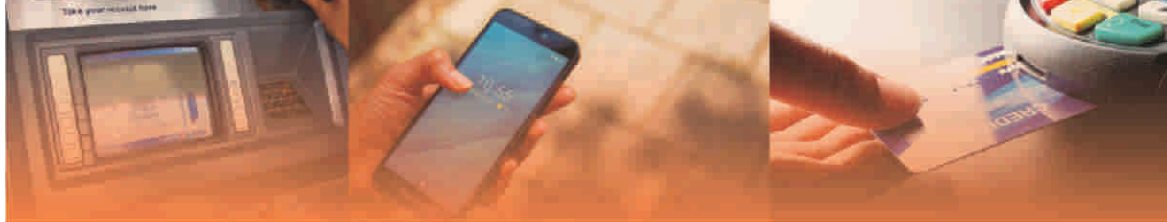
Remittances (2012 – 2017)

Year	Remittances into Zambia		Remittances out of Zambia		Local Remittances		Total Remittances	
	Volume	Value (K'm)	Volume	Value (K'm)	Volume	Value (K'm)	Volume	Value (K'm)
2012	261,330	368.8	233,729	399.9	1,314,026	457.8	1,919,494	1,270.8
2013	278,972	413.5	246,543	480.3	3,980,145	896.9	4,505,660	1,790.8
2014	297,135	462.6	274,168	545.8	9,484,650	1,559.6	10,055,953	2,568.0
2015	342,273	656.2	287,386	625.6	24,835,333	3,409.3	25,464,992	4,362.7
2016	370,466	794.8	249,488	664.9	47,111,023	6,369.6	47,730,977	7,829.3
2017	434,122	913.0	298,978	870.9	67,761,202	10,336.1	68,494,302	12,120.0

Mobile Payments (2012 – 2017)

Year	Value (K' million)	Volume
2012	1,163.60	17,430,411
2013	957.30	24,412,326
2014	1,574.39	35,457,948
2015	2,498.50	63,985,618
2016	3,561.10	105,934,181
2017	7,287.74	172,429,911

Source: Bank of Zambia



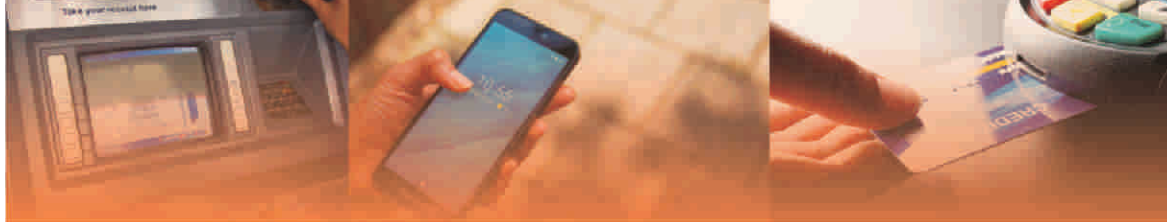
Appendix II: Designated Entities as at 31 December 2017

DESIGNATED PAYMENT SYSTEMS

No.	Operator Institution	Payment system(s)	Date of Designation	Physical Address
1	Zambia Electronic Clearing House LTD	CIC/DDACC Clearing	Apr-08	COMESA Hse, Ben Bella Rd, Lusaka, Zambia
2	Financial Transaction Services Zambia LTD	Switching	Apr-12	Radian Retail Park, 8357-Great North Road, P.O. Box 3679, Lusaka, Zambia
3	ZamLink (Z) eSwitch Zambia LTD	Switching services	Apr-08	Zambia Red Cross Society Building, 2837 Los Angeles Boulevard, Longacres, P.O Box 38138, Lusaka, Zambia
4	Cellulant	Switching services	May-08	Cellulant Zambia Limited, P.O. Stand no. 4658/A Chikwa road, Ridgeway, Lusaka
5	Bank of Zambia	ZIPSS/RTGS	Apr-08	Head Office, Cairo Road, Bank square, P O Box 30080

DESIGNATED PAYMENT SYSTEM PARTICIPANTS

No.	Name of Payment System Designated to Participate	Payment systems designated to participate on	Date of Designation	Physical Address
1	AB BANK	CIC, DDACC & ZIPSS/RTGS	Aug-11	Plot No. 7393, Chainda Place, Off Cairo Road, PO Box 38173, Lusaka, Zambia
2	ACCESS BANK	CIC, DDACC & ZIPSS/RTGS	Oct-08	Plot 682, Cairo Road Northend, Lusaka
3	ATLAS MARA	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot 746B, Atlas Mara House, Cnr Church & Nasser Road, PO Box 39501 Ridgeway
4	BANK OF CHINA	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot No. 2339, Kabelenga Road, Po Box 34550
5	BARCLAYS BANK	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot No. 4644 Elunda Park, Cnr Tito Road & Nasser Road, Pivate bag E308, Lusaka
6	CAVMONT CAPITAL	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot No. 2374 Thabo Mbeki Road, Po Box 38474 Lusaka
7	CITIBANK	CIC, DDACC & ZIPSS/RTGS	Apr-08	Citibank house, Plot No. 4646, Addis Ababa Roundabout, Cnr Chikwa / Nasser Rds, Po Box 30037
8	ECOBANK	CIC, DDACC & ZIPSS/RTGS	Dec-09	Stand No. 22768, Corner Great East / Thabo Mbeki Roads, Po Box 30705, Lusaka
9	FIRST ALLIANCE BANK	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot No. 627, Alliance House Cairo Road, Po Box 33959
10	FIRST CAPITAL BANK	CIC, DDACC & ZIPSS/RTGS	May-11	Kwacha Pension Hse Ground floor, plot No. 4604, Tito Rd of Church Rd
11	FIRST NATIONAL BANK	CIC, DDACC & ZIPSS/RTGS	Jun-09	Stand No. 22768, Corner Great East / Thabo Mbeki Roads, po box 36187, lusaka
12	INDO ZAMBIA BANK	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot No. 6907, Cairo Road, Po box 35411, Lusaka
13	INVESTTRUST BANK	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot No. 190286, Ody's Park, Great East Road, po box 32344, Lusaka
14	STANBIC BANK	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot No. 2375, Addis Ababa Drive, Rhodespark, po box 31955, Lusaka
15	STANDARD CHARTERED BANK	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot 108, Lusaka Chartered House Cairo Road
16	UNITED BANK FOR AFRICA	CIC, DDACC & ZIPSS/RTGS	Mar-10	Stand No. 22768, Corner Great East / Thabo Mbeki Roads
17	ZANACO	CIC, DDACC & ZIPSS/RTGS	Apr-08	Plot No. 33454, Cairo Road, Po Box 33611 Farmers House, Central Park, Corner of
18	ZAMBIA INDUSTRIAL COMMERCIAL BANK	CIC, DDACC & ZIPSS/RTGS	Oct-18	Church road and Cairo road, P.O. Box 30228, Lusaka



DESIGNATED PAYMENT SYSTEMS

No.	Payment Systems Businesses	Type of business designated to operate	Date of Designation	Physical Address
1	Airtel Mobile Commerce Zambia LTD	Mobile Payments (Mobile Payment services and money transmission services)	Mar-11	Airtel House, plot No. 2375 CNR of Addis Ababa & Great East Rd, Box 320001, Lusaka, Zambia
2	Zoona	Mobile Payments (Mobile Payment services and money transmission services)		Plot No. 1 Chila Rd, Kabulonga, Lusaka, Zambia.
3	MTN Mobile Money LTD	Mobile Payments (Mobile Payment services and money transmission services)	Jan-12	Plot no. A2/55/609 Zambezi road, Roma, Lusaka.
4	National Savings and Credit Bank	Proprietary Money Transfer (money transmission services)	Jul-09	P O Box 30067, Savers House Plot NO. 248B, Cairo Road, Lusaka, Zambia
5	Zampost	Western Union International Money Transfer (money transmission services), Local Money Transfer (money transmission services)	Sep-08	Corner of Moffat & Broadway Provident Hse, PO Box 71845, Ndola
6	Runnymede	Coinster International Money Transfer (money transmission services)	Sep-08	Plot No. 97, Tindu Crescent, Kabulonga, Private Bag 383X, Ridgeway, Lusaka, Lusaka
7	Bayport	Mobile Payments Solutions (MPS) Money Transfer (money transmission services)	Dec-09	Plot No. 68, Bayport House, Independence Avenue, P.O. Box 33819, Lusaka, Lusaka
8	United Bank of Africa	Money Gram International Money Transfer (money transmission services)	Dec-09	Stand No. 22768, Acacia Park CNR of Great East Rd & Thabo Mbeki Rd, P.O box 36794, Lusaka, Zambia
9	First Capital Bank	RIA International Transfers (money transmission services)	May-11	Kwacha Pension Hse Ground floor, plot No. 4604, Tito Rd of Church Rd
10	Finance Bank Zambia	Money Gram International Money Transfer (money transmission services)	Sep-08	Finance Hse, Cairo Rd PO Box 36762, Lusaka, Zambia
11	Stanbic Bank	Money Gram International Money Transfer (money transmission services)	Jan-09	Plot No. 2375, Addis Ababa Drive, Rhodespark, Lusaka
12	ZANACO	Money Gram International Money Transfer (money transmission services)	Sep-08	Cairo Rd, PO Box 32111, Lusaka, Zambia
13	Investrust	Money Gram International Money Transfer (money transmission services)	Jul-09	Ody's Building, Great East Rd, PO Box 32344, Lusaka, Zambia
14	CFB Money Transfer Limited	Money Gram International Money Transfer (money transmission services)	Dec-09	PO Box 33456, CNR of Nkwazi & Cairo Rd, Lusaka, Zambia
15	Money Link Zambia LTD	Money Line UK International (money transmission services)	Dec-09	P.O.BOX 33604, Nkwazi/ ChaCha Cha Road, Lusaka
16	Ecobank	Western Union International and Rapid Transfer Money Transfer (money transmission services)	Dec-09	Plot NO. 22768 Acacia Park, CNR of Great East Rd & Thbo Mbeki Rd, Lusaka, Zambia
17	PostDotNet	Western Union International Money Transfer (money transmission services)	Oct-09	Suite 106, Foxdale courts, Zambezi Road, Roma, Lusaka Zambia
18	Cactus Financial Services	Western Union International Money Transfer (money transmission services)	Sep-08	Shop no. 3 Luangwa house, Cairo road, opposite building society, lusaka, Zambia
19	Standard Chartered Bank	Western Union International Money Transfer (money transmission services)	Oct-08	Plot 108, Lusaka Chartered House Cairo Road



DESIGNATED PAYMENT SYSTEMS

No.	Payment Systems Businesses	Type of business designated to operate	Date of Designation	Physical Address
20	Access Bank	Western Union International Money Transfer (money transmission services)	Jul-09	Plot NO. 682, Cairo Rd, PO Box 35273, Lusaka, Zambia
21	FX Africa Bureau de Change	Prepaid Payment cards	Oct-08	G13 KK House, Cairo road P.O.BOX 51086, Lusaka, Zambia
22	AB Bank	RIA International Transfers (money transmission services)	Aug-11	Plot No. 7393, Chinda Place, Off Cairo Road, PO Box 38173, Lusaka, Zambia
23	UAE Exchange Money Transfer services LTD	Money transmission services	Jun-14	Plot NO. 9471 Kafue Road, P.O.Box 36774, Makeni, Zambia
24	Touch4Pay Zambia Limited	Payment services	Aug-14	192 Green Lane, Kabulonga, Lusaka, Zambia
25	Kazang Spargris Zambia LTD	Mobile Money	Mar-13	Shop NO. 3 Acacia Park, Arcades, Great East Road, Lusaka, Zambia
26	SmartPay	Mobile Payment services	Mar-13	Plot No. 9037 Buluwe Road, Woodlands P.O.Box 31514, Lusaka, Zambia
27	Mobi Kash Zambia LTD	Mobile Commerce	Mar-12	Post.net No. 162, Private bag E835 Kabulonga, Lusaka, Zambia
28	Zambia National Building Society	Proprietary Money Transfer (money transmission services)	Dec-14	Centuary House, P.O.BOX 30420, Lusaka, Zambia
29	Zamtel Kwacha	Mobile Payments (Mobile Payment services and money transmission services)	Feb-15	Zambia Telecommunications Company Limited, Zamtel House, Corner of Church/ Chilubi road, P.O Box 37000, LUSAKA
30	Mukuru money transfers	Money transfer	May-15	Mukuru Money Transfer, P.O Box 36038, Lusaka
31	Speedpay Zambia Limited formerly known as Nettcash	E-Money issuance	Sep-15	Nettcash Mobile Payments Limited, Villa 10 Cresta Golf View Grounds, Lusaka.
32	Mobile Payments Zambia Limited Broadpay Zambia Limited	Payment services	Sep-15	BroadPay Zambia Limited, Corner of great east road and Katopola Roads, unique House, 1st floor Rhodespark, LUSAKA
33	Vending Technologies Zambia Limited	Payment services	Sep-15	Vending Technologies Zambia Limited, P.O. Box 36730, Plot 55, Luwato road, Roma. LUSAKA
34	cGrate Zambia Limited	Payment services	Mar-16	Cgrate Zambia Limited, Plot 35214, Alick Nkhata road, Kalingalinga, Lusaka
35	FINCA Zambia Limited	Money Transfer Services	Jul-17	FINCA Zambia Limited, Plot No. 609 Zambezi Road, Suite 111 Foxdale Court, P.O. Box 50061, LUSAKA.



Bank of Zambia