



THE REPUBLIC OF UGANDA

# National Payment System (NPS) Policy Framework

22<sup>nd</sup> DECEMBER 2017

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## Acronyms Used in this Document

Term	Explanation
ATS	Automated Transfer System
BIS	Bank for International Settlement
BOU	Bank of Uganda
CPSS	Committee on Payment and Settlement Systems
CSD	Central Securities Depository
DFS	Digital Financial Services
EAPS	East African Payment System
ECS	Electronic Clearing System
EFT	Electronic Funds Transfer
FMI	Financial Market Infrastructure
IMF	International Monetary Fund
IOSC	International Organization of Securities Commissions
MNO	Mobile Network Operator
NPS	National Payment System
NPSC	National Payments Council
PSs	Payment systems
SSSs	Security settlement systems
REPSS	Regional Payment and Settlement System
RTGS	Real Time Gross Settlement
UNISS	Uganda National Interbank Settlement System

## A. Foreword

The National Payment Systems Policy for Uganda was approved by Cabinet on the 22<sup>nd</sup> December 2017. The Policy aims to promote the safety and efficiency of payment systems in Uganda, with a view to fostering financial sector stability and economic growth.

The National Payment System (NPS) consists of the institutions, instruments, procedures and technology used to facilitate the circulation of money within the country and internationally. The NPS is an essential part of the financial infrastructure and is by its nature dynamic and fast changing. In particular, the use of electronic payment systems in Uganda has increased dramatically over the years, enabling more people to gain access to financial services. The ability to make payments easily and safely is important in ensuring the smooth and timely flow of goods and services throughout the economy. To that end, it is pertinent to ensure that payment systems operate in a secure and efficient manner.

A safe and efficient payment system helps to maintain financial stability by preventing or containing systemic risks. In view of this, payment systems are being placed in the central banks' core functions so as to contribute to financial stability, support open market operations as a monetary policy transmission mechanism, and to maintain confidence in the national monetary unit – in terms of its value (monetary policy) and circulation (payment systems).

However, a number of safety and efficiency concerns have been raised regarding payment systems in Uganda. The concerns mainly relate to: the potential for fraud; system failures; consumer protection issues and lack of licensing criteria for those who intend to enter the payment systems arena among others. All these factors affect the realization of a safe and efficient national payment system in Uganda.

The National Payment Systems policy seeks to put in place a framework to: facilitate the enactment of a Payment System law; specify the roles and responsibilities of all the payment systems stakeholders; ensure safety of all payment systems in the country; foster consumer protection; enable increased access to electronic payment systems to reduce cash based payments; and promote innovations.

It is important to note that the formulation of this policy has been informed by and also benefited from the input of the key payment systems stakeholders and the IMF Technical Assistance missions.

In conclusion, I wish to appreciate the guidance received from His Excellency Yoweri Kaguta Museveni, President of the Republic of Uganda, and Cabinet, in the formulation of this Policy. I also wish to thank the Technical Team from the Ministry of Finance Planning and Economic Development and Bank of Uganda for spearheading the process of formulating this policy. I am equally grateful to the IMF for the Technical Assistance rendered towards the development of this Policy.

**Matia Kasaija (MP)**

**MINISTER OF FINANCE PLANNING AND ECONOMIC DEVELOPMENT**

## B. Executive Summary

The National Payment System (NPS) consists of the institutions, instruments, procedures and technology used to facilitate the circulation of money within the country and internationally. The NPS is an essential part of the financial infrastructure and is by nature dynamic and fast changing.

The use of electronic payment systems in Uganda has increased dramatically over the years. Electronic payments are being used by a greater proportion of the populace than ever before and as a result, there is a compelling need to ensure these systems are operated in a secure and efficient manner. The ability to make payments easily and safely is important in ensuring the smooth and timely flow of goods and services throughout the economy and is of particular importance in an economy that is largely cash based as is the case currently in Uganda. Access to electronic payment mechanisms enables those who have traditionally been outside the banking system the opportunity to participate in such systems, and accordingly, strengthens the banking system.

A safe and efficient payment system helps to maintain financial stability by preventing or containing financial crises and help to reduce the cost and uncertainty of settlement, which could otherwise act as an impediment to economic activity. Payment systems are being placed in the central banks' core functions due to the fact that they:

- (a) Contribute to financial stability.
- (b) Support open market operations as a monetary policy transmission channel.
- (c) Play a crucial role in creating confidence in the national monetary unit as one of the key functions of the central bank is to maintain trust in money; both its value (monetary policy) and its circulation (payment systems).

Currently in Uganda there are safety and efficiency concerns in payment systems such as fraud; system failures; transaction and transfer failures; settlement failure; unauthorized fees; price hikes; skimming of payments (illegally retaining a portion); ad valorem pricing (where the price is a percentage of the amount being transferred not a reflection of the cost incurred to carry out the transfer); systems being un-interoperable and un-integrated; unavailability of standards and procedures (currently Mobile Network Operators have up to Uganda Shillings (UGX) 9.6 billion in dormant accounts and they do not know how to deal with it); poor or no recourse mechanism; weak complaints, queries, and dispute resolution mechanisms; liquidity challenges especially with mobile service provider agents and lack of a participation/licensing criteria for those who intend to enter the payment systems arena among others. All these factors affect the realization of a safe and efficient payment system in Uganda.

The policy framework proposes specific principles, objectives, strategies and actions for achieving those objectives.

The policy seeks to put in place a framework that will facilitate:

1. Enactment of a Payment System law
2. Clear understanding of the roles and responsibilities of all the payment systems stakeholders
3. Accountability for ensuring the safety of all payment systems in the country.
4. Broadening access to and use of electronic payment systems to reduce cash based payments.
5. An environment that encourages innovation and collaboration in the development of the National Payment System to meet the needs of the Ugandan population.

The overarching goal of the NPS Policy Framework is to provide safe and efficient payment systems to the Ugandan population to foster financial stability and economic growth. Based on the public policy objectives the guiding principles are:

1. **Safety:** Safety aims at minimisation of risk in payment systems. The process of minimising risk requires the identification and understanding of how risks of various types may arise or be transmitted within the system and to determine where they are borne. Once these risks are properly analysed and assessed, appropriate and effective mechanisms must be devised to monitor, manage and control them.
2. **Efficiency:** Efficiency is characterised by several factors which include competition in price and quality of payment services, wider access to usage and variation of payment products and services and level of expediency in clearing and settlement of payments. Quality of service relates to such characteristics as speed and predictability of settlement and convenience of access to payment instruments and related service. An efficient national payment system reduces the cost of exchanging goods and services and is vital to the smooth functioning of the interbank, money and capital markets.
3. **Consumer interests:** consumer interest relates to consumer protection, ensuring broad access to payment systems and privacy and security of payment information.

The National Payment System Policy framework sets forth the following objectives:

- (a) to strengthen the legal, regulatory and oversight framework in order to protect the users of the payment system;

- (b) to ensure effective management of the risks in the national payment system;
- (c) broaden access to payment systems;
- (d) promote consumer interest and protection;
- (e) foster competition and collaboration between stakeholders to promote efficiency in payment systems; and
- (f) promote the development of suitable infrastructure for the payment system.

This policy framework presents the results of the studies on payment system landscape in Uganda with the objective of developing a new National Payment System legislation that will enhance the regulation of payment system services in Uganda.

The National Payment System Policy Framework is based on extensive research and interviews with representatives of the payment systems stakeholders in Uganda. These include: Bank of Uganda; Capital Markets Authority; Uganda Securities Exchange; Ministry of Finance, Planning and Economic Development, Uganda Communications Commission; Uganda Law Reform Commission; Uganda Bankers Association; representative Banks, Credit Institutions, Microfinance Institutions; and Current Payment System Service Providers. These meetings took place in Kampala between the dates of 11 and 22 January 2016.

In addition, the proposed Policy Framework includes recommendations from the IMF Technical Assistance missions which involved thorough review of the current laws, regulations and policies related to payment systems in Uganda.

The draft policy framework was shared with the payment system stakeholders in Uganda for review and comments and thereafter, a stakeholder workshop was conducted on 16th June 2016. Stakeholder suggestions were incorporated into the draft policy framework.

On 21st June 2016 the Bank of Uganda Payment System Policy Committee approved the National Payment System Policy Framework and recommended submission to Cabinet.



## C. Background

### Introduction

The National Payment System (NPS) consists of the institutions, instruments, procedures and technology used to facilitate the circulation of money within the country and internationally. The NPS is an essential part of the financial infrastructure and is by nature dynamic and fast changing. A safe and efficient payment system is a prerequisite for financial stability, the development of the financial market and the overall development of the economy.

Though payments in Uganda are still primarily cash based, there has been significant growth in the use of electronic payment systems over the past 15 years. This includes the systems operated by the Bank of Uganda and those implemented by the private sector, most notably the Mobile Network Operators who introduced electronic payments on mobile phones. Given the growth that has occurred, the broadened level of usage and the plan to significantly increase the usage of electronic payments in the future it is necessary to determine whether the law adequately provides for the oversight of electronic payments nationwide.

The Bank of Uganda with other key stakeholders has made significant progress in fostering the development of the interbank clearing and settlement infrastructure for both large value and retail payments over the years. These improvements include the Uganda National Interbank Settlement (UNIS) system which is a Real Time Gross Settlement System (RTGS) operated by the BOU; the East African Payment System (EAPS) for cross border payments within the EAC; the Central Securities Depository (CSD) for government debt; the Electronic Clearing System (ECS) for processing low-value cheques and electronic direct debits and credit transfers; the payment switch which processes card payments; and the Regional Payment and Settlement System (REPSS) for processing cross border payments within the Common Market of the East and Southern African (COMESA) countries. Overall, these initiatives have helped to mitigate risk and enhance efficiency in the electronic payment and settlement systems.

The development in the infrastructure has facilitated a steady migration from paper-based instruments to electronic means of payments. The Central Government since 2007 is effecting payments to civil servants, contractors and suppliers by electronic payment means, using Electronic Funds Transfers (EFT's). EFT's are now widely used and accepted means of funds transfer. Mobile money services were introduced in Uganda in 2009. Since then, there has been ongoing diversification of the product offering by a number of telecom providers and the number of customers utilizing these services has grown exponentially. The service has gone beyond the initial person-to-person money transfer facility and the product is emerging as an

important payments system innovation with service providers now offering customers the ability to pay for goods and services. On the other hand, the use of payment technologies like the Automated Teller Machines (ATM's), Point of Sale (POS), Internet Banking, Mobile Banking and credit and debit cards are still in an early stage of development.

Despite the infrastructure improvements and product innovations noted, significant deficiencies exist in the legal and regulatory framework for these systems and the retail payment system infrastructure.

## D. Payment Systems in Uganda

The diagram below shows the payments related systems operating in Uganda at present. These systems can be classified into three broad areas:

1. Systems operated by the Bank of Uganda (Blue)
2. Payment services provided by the Commercial Banks (Red)
3. Payment services provided by the Private Sector (Green)

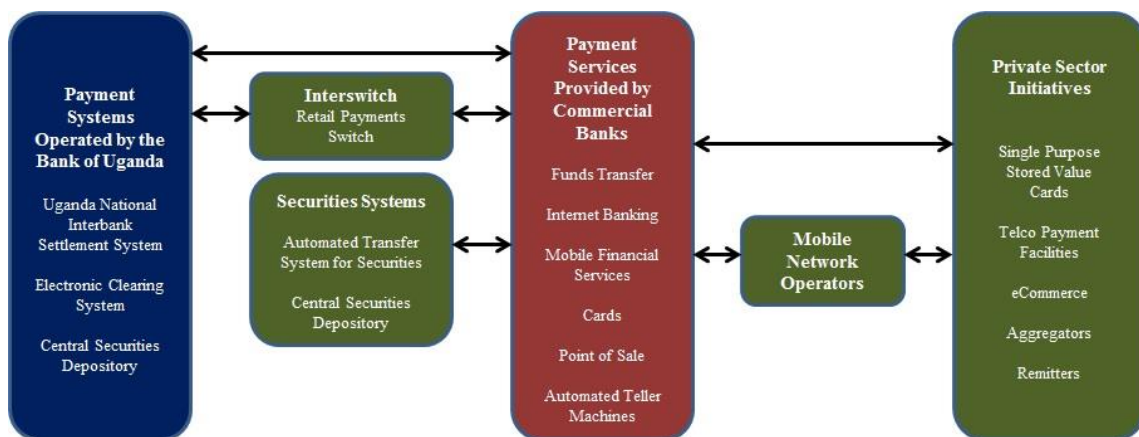


Figure 1 - Payments and Payment Related System in Uganda

### Bank of Uganda

1. UNISS – Uganda National Interbank Settlement System – This is the Real Time Gross Settlement (RTGS) system which is used for continuous (real-time/immediate) settlement of funds or securities transfers individually on a gross amount basis. This system is used primarily by banks for interbank transfers or the settlement of securities.
2. ECS - Electronic Clearing System – This system provides for the processing of paper based instruments (cheques), electronic "Direct Deposit" credit transfers such as a salary payments and "Direct Debits" such as bill payments. These electronic payments are generally retail payments made on a recurring basis.

3. CSD – Central Securities Depository – This is the system for registering the ownership and transfer of government securities (Treasury Bills and Bonds).

### **Commercial Bank Payment Services**

1. Funds Transfer – This service provides clients of a bank the ability to transfer funds to another individual or company.
2. Internet Banking – Internet Banking is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through web based technology offered by a financial institution.
3. Mobile Financial Services – Mobile Financial Services are banking services such as lending, savings or payment services accessible through the use of a mobile phone.
4. Cards – Banks offer customers ATM, Debit or Credit cards as payment instruments.
5. Point of Sale (POS) – This term refers to the use of payment cards at a retail location through the use of paper vouchers or by electronic terminals.
6. Automated Teller Machines (ATMs) – An electromechanical device that permits authorized users, typically using machine-readable plastic cards, to withdraw cash from their accounts and/or access other services, such as balance enquiries, transfer of funds or acceptance of deposits

### **Private Sector Payment Services**

1. Interswitch (Retail Payments Switch) – Interswitch operates a utility which allows card or e-commerce transactions to be routed between participants.
2. Automated Transfer System and Depository – The Automated Transfer System is the system operated by the Uganda Securities Exchange for the sale and transfer of securities listed on the exchange. It works in conjunction with a depository which records the ownership of securities.
3. Mobile Network Operator Mobile Payment Systems – Mobile Network Operators are the telecommunications companies that offer payment services via a mobile phone, such as MTN and Airtel.
4. Stored Value Cards – Stored value cards are prepaid cards in which the record of funds can be increased or decreased. A stored value card could be a gift card, fuel card or electronic purse.
5. Aggregators – Aggregators are service providers through which banks, non-bank financial institutions and companies’ process payment transactions.
6. Remitters – Remitters are service providers that transfer funds on behalf of the client.

## Volumes and Values of Key Payment Systems in Uganda

The key payment systems that transfer most of the value in Uganda are the Uganda National Interbank Settlement System (UNISS), the Electronic Clearing System (ECS) and the mobile payment systems operated by the Mobile Network Operators. The charts below show the growth in both the volume and value of transactions associated with each of these payment mechanisms. The charts show the significant growth that has occurred through the use of electronic payment systems.

Chart 1 below shows the values and volume of transactions through the Uganda National Interbank Settlement System (UNISS) for the period 2005 to 2015. This system is used by banks to transfer large sums of money that are time critical. The volume of transactions has increased markedly over the years with a steady increase in the value of those payment transactions for which settlement finality is immediate. This trend is important as economic growth is accelerated due to the ability to make payments quickly and safely.

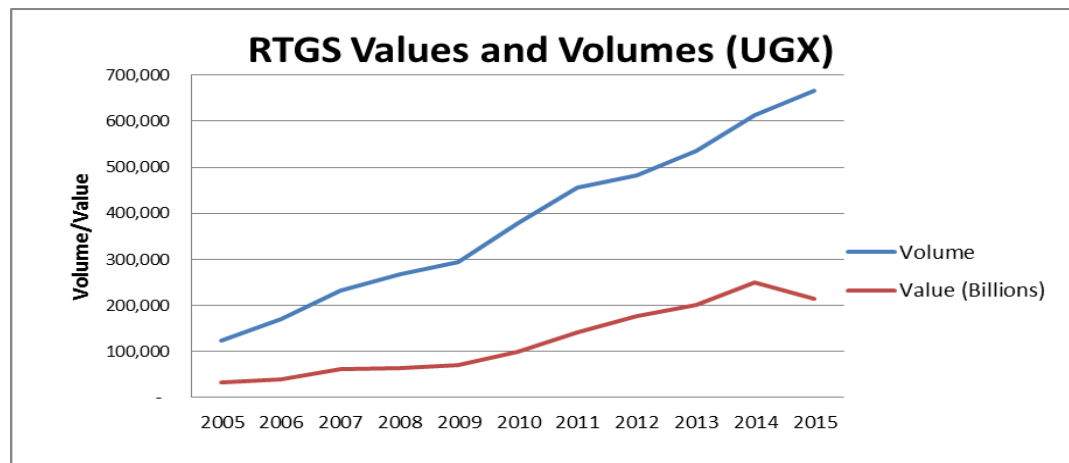


Chart 1 - Uganda National Interbank Settlement System (UNISS) - Values and Volumes

Chart 2 shows the volumes and values of transactions in the Electronic Clearing System (ECS) over the period 2005 to 2014 comprising of the Electronic Funds Transfer (EFT) and cheques. It is important to note that with the advent of the EFT, the volume of cheques is decreasing while the volume of electronic transfers using the EFT is increasing. The clearing house imposes a limit on the value of individual cheques to reduce risk.

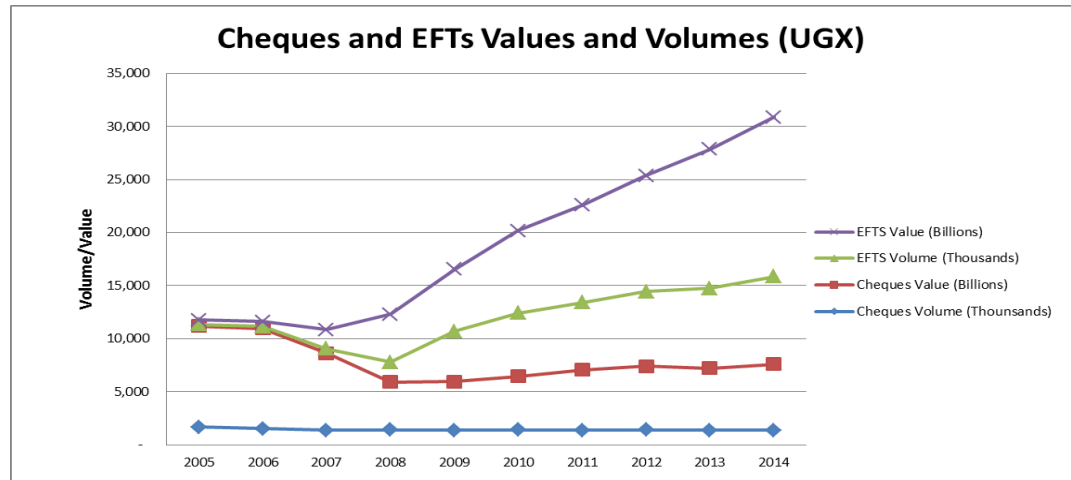


Chart 2 - Electronic Clearing System (Cheques, Credit Transfers and Direct Debits) Values and Volumes

Chart 3 shows the exponential growth in mobile payments both in terms of value and volume that has taken place since inception and confirms the importance placed on payment mechanisms accessible by the general public. These systems have provided access to electronic payment mechanisms at an unprecedented rate to people that have never previously had access to the banking system.

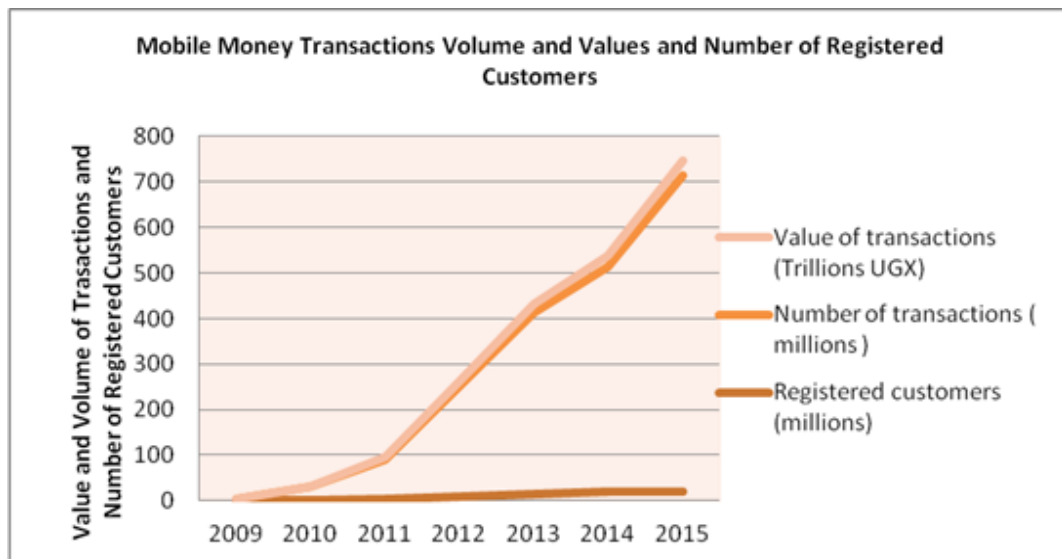


Chart 3 - Mobile Money Transaction Volumes and Values

The growth shown in the charts above is significant, but it is important to note that these represent a comparatively small amount of the volume of payments performed in Uganda. Cash payments are still the predominant method of payment comprising approximately 80% of all payments in Uganda. A major goal of this policy paper is to address the issues that limit the growth in usage of electronic payment mechanisms.

## E. Problem Statement

A safe and efficient payment system facilitates exchange through the transfer of monetary value. Safety and efficiency of payment systems ensures that consumers enjoy timely, affordable, convenient, secure, transparent and highly available services. Most importantly safe and efficient payment systems support the smooth conduct of monetary policy and foster financial stability.

The benefits of a safe and efficient payment system include: a stable financial system; enables users to make real time transactions that drive the country's economy; a variety of payment options for goods and services; customer protection; final and irrevocable payments; low transaction cost where payment channels are integrated; convenience and safety associated with not having to carry large amounts of cash – currently 80% of the Uganda's economy is still cash based.

However, assessments by Bank of Uganda indicate that there are safety and efficiency concerns in payment systems such as fraud; system failures; transaction and transfer failures; settlement failure; unauthorized fees; price hikes; skimming of payments (illegally retaining a portion); ad valorem pricing (where the price is a percentage of the amount being transferred not a reflection of the cost incurred to carry out the transfer); systems being un-interoperable and un-integrated; unavailability of standards and procedures (currently Mobile Network Operators have up to Uganda Shillings (UGX) 9.6 billion in dormant accounts and they do not know how to deal with it); poor or no recourse mechanism; weak complaints, queries, and dispute resolution mechanisms; liquidity challenges especially with mobile service provider agents and lack of a participation/licensing criteria for those who intend to enter the payment systems arena among others. All these factors affect the realization of a safe and efficient payment system in Uganda.

The implications of non-realization of a safe and efficient payment system include: Fraud – for instance figures from mobile payments industry indicates that there has been tremendous increase in both attempted and actual frauds to a tune of UGX6 billion and UGX14 billion respectively by June 2016; high costs of doing business – for instance the ad valorem pricing for mobile payments service providers as shown on the tariffs structures, undermines confidence/trust of the public; the crystallization of systemic risk which may lead to financial system collapse; data theft and misuse, leading to painful disclosures, adverse publicity and fines; facilitation of money laundering and terrorism financing; anti-competitive and monopolistic practices and complications when innovations grow into complex systems and become too complicated to regulate. The policy is therefore intended for the realization of a safe and efficient payment system in the country.

## F. Justification

Payment systems are a vital part of the economic and financial infrastructure. Their safe and efficient functioning, allowing transactions to be completed safely and on time, makes a key contribution to overall economic performance. But payment systems can also involve significant exposures and risks for users and participants, and can be a channel for the transmission of disturbances from one part of the economy or financial system to another. Financial system stability therefore depends on effective management of the risks in payment systems.

Achieving the safety and efficiency objectives requires public policy to ensure that participants and operators of payment systems have the right incentive to act prudently, manage risks and minimize overall costs to society.

The policy is therefore intended to provide an overall framework for ensuring safety and efficiency of the payment system.

## G. Challenges with the Current Payment and Settlement Systems in Uganda

In preparing this Policy Paper, a comprehensive review was undertaken of the existing laws, policies and regulations and there was extensive consultation with the stakeholders to understand their perspectives and needs. The following observations were made as a result of this process.

### 1. Legal, Regulatory and Oversight Environment

**Observation 1** - There is no comprehensive payment system law that supports the National Payment System. This creates a significant level of risk associated with the operation of the current systems. The BOU does not have the legal mandate to perform licensing of payment service providers, to impose regulation in the form of norms and standards for payment service providers of payment systems, to request and gather payments related information, conduct on-site examinations or take enforcement actions. This has a significant impact on the overall safety of payment systems in Uganda.

A comprehensive review of the laws, agreements, policies and regulations related to payment systems in Uganda was conducted. There are currently several pieces of legislation that are relevant to the operation of the payments system in Uganda. These laws include: Bank of Uganda Act, cap.51 which regulates the activities of the central bank, the Financial Institutions Act, 2004 which regulates financial institutions, the Electronic Transactions Act (2011) which governs the use, security, facilitation and regulation of electronic communications and transactions, Computer Misuse Act (2011) which makes provision for the safety and security of electronic

transactions and information systems to prevent unlawful access, abuse or misuse, the Contracts Act (2010), and the Electronic Signatures Act (2011) and Anti-Money Laundering Act (2013). The proposed amendments to the Bank of Uganda Act will define the role of the BOU in payment systems. These various pieces of legislation appear to give some protection but do not address constraints to, or support, the operation or future development of the payment systems. Regulation of payment systems is currently handled on a case by case basis through the use of agreements, rules and guidelines. A new law is therefore needed to provide an enabling legal environment to regulate and support innovations in payment systems.

The Payment System Law, which is the object of this policy document, would be a comprehensive charter for the Bank of Uganda to operate, supervise, regulate and oversee the various payment systems in Uganda. Passage of this Law is critical to the future role of the Bank of Uganda. For example, this Law would enable Bank of Uganda to license providers of mobile money services directly, rather than overseeing them indirectly through their partner regulated financial institutions. The National Payment System Law will provide clear authority to develop and define regulations for the operation of payment systems in Uganda. This will help to ensure safety and efficiency in operations and standards for the delivery of payment services.

There is currently no legal basis for the oversight of payment systems in Uganda and, at present, limited oversight is being performed. Oversight of payment systems entails reporting from the payment system and payment service providers to the authorized authority and monitoring, analysis, on-site inspection and licensing of payment systems by the recognized authority. The inadequate oversight has a major impact on the safety of payment systems in Uganda as there is no basis for ensuring that operators and service providers are in compliance with operating norms and regulations.

International best practice puts significant emphasis on the need for fulfillment of these functions as they are the basis for ensuring safety in payment systems. This responsibility is typically given to the central bank of the country.

## **2. Issues related to Stakeholder Collaboration**

**Observation 2** - At present, there is no forum for payment system stakeholder collaboration for the purposes of planning, implementation, policy setting or strategic planning for payment systems in Uganda.

This is an important aspect of fostering payment system efficiency as it addresses the need to ensure that payment systems are appropriate and meet the needs of users. It provides the forum for defining the payment services market development



strategy including the identification and setting of priorities such as infrastructure needs, interoperability between payment systems and other strategic initiatives. It also provides the opportunity for stakeholders to be informed of developments in payments in Uganda with the opportunity to provide input.

International best practice strongly recommends a forum for these types of discussions to occur as all stakeholders need to be involved and provide input to changes in regulatory requirements and policy and payments initiatives. The National Payment System Policy Framework puts specific focus on the involvement of the stakeholders to ensure a voice in the decision making process and a role in planning and implementation of regulations and practices. Failure to involve stakeholders results in policies or regulations that slow growth or inhibit innovation.

A National Payments Council should be formed with participation from all stakeholders. It is further recommended that priorities be set and committees be formed to address and make recommendations for each designated priority.

### **3. Access and Infrastructure Issues**

**Observation 3** – Though access to consumer payment systems has increased due to the advent of mobile payments, 80% of payments in Uganda are still performed using cash. Greater emphasis needs to be placed on providing access to electronic payment systems for consumers, financial institutions such as SACCO's and MFY's and other non-bank institutions.

The rapid growth in the use of mobile payment mechanisms has piqued the interest of consumers regarding use of electronic payment systems. It has become clear that consumers want the option to use electronic payment mechanisms rather than making payments with cash. For this purpose, it is important that institutional access to payment services such as the ECS system be made available to a broader set of participants. This is, in part, an educational exercise as some that are eligible for indirect access (access via a direct participant) have not availed themselves of the opportunity to offer their customers payment services.

International best practice is to provide access for as broad a spectrum of users as possible without adding undue risk to the National Payment System. Failure to do so results in the continuation of cash payments as the primary means of payment.

The recommendation is to institute a program of encouraging those already authorized to take advantage of the opportunity to be an indirect participant and to investigate what qualifications and regulations should be put in place to extend payment system access to those not currently authorized. This will likely require the development of some minimum criteria for participation in the form of a regulation.

**Observation 4** – There is little or no interoperability between existing payment systems and no central authority with the responsibility of ensuring adequate infrastructure and collaborative planning.

The current payment systems do not allow for the passing of transactions seamlessly between systems. An example of this is the area of mobile payments, specifically the ability to pass transactions between the systems operated by different Mobile Network Operators. This ability should be promoted. Interoperability cannot be achieved until a forum exists for stakeholders to discuss and plan for such an initiative and there is a regulatory body tasked with encouraging such interaction in the best interest of the National Payment System.

Best practice is that the regulatory body drives stakeholders to work together to achieve a high level of interoperability between systems. The development of common standards for interoperability between retail payment systems will result in more efficient payments systems that meet the needs of users. This, in turn, will lead to increased usage.

#### **4. Capacity Building and Awareness**

**Observation 5** – There is insufficient capacity among the stakeholders or the users of payment systems to reach the goal of increasing electronic payment system usage.

The stakeholders need to build expertise in the operation of and planning for safe and efficient systems. In addition, the regulator needs to have the legal basis for performing activities such as oversight, regulation and supervision of payment systems. It is in the best interest of all stakeholders to ensure there is sufficient capacity to fulfill their respective roles and responsibilities. In addition, increased public awareness of payments system alternatives will increase public use of such systems.

Best practice shows that with sufficient capacity and public awareness the transition to the use of electronic payment systems increases dramatically. The recommendation is that all stakeholders assess their current capacity and build knowledge, expertise and experience, with the support of the regulator.

In conclusion, the National Payment System Policy Framework addresses the aforementioned issues through provision of a framework for the growth of safe and efficient payment systems in Uganda by defining principles, goals, objectives and actions related to the National Payment System and the roles and responsibilities of Stakeholders in the National Payment System.

This will result in a well-defined framework that will:

1. Foster growth in the use of electronic payment systems;
2. Provide the necessary framework for collaboration in the development and subsequent refinement of a national payment system strategy supported by the stakeholders;
3. Ensure the safe and efficient processing of payments in Uganda;
4. Foster innovation in the introduction of new payment mechanisms to meet Uganda's growing needs for electronic payments; and
5. Support economic growth through access to payment systems.

## **H. National Payment System Policy Framework**

### **Guiding Principles**

Based on the public policy objectives the guiding principles are:

#### **1. Safety**

The primary guiding principle of the National Payment System Policy Framework is that all payment systems must be safe. Safety in payment systems relates to the need for payment systems to be secure and reliable as they are an important aspect of financial stability. The aspect of safety focuses on assurance that all appropriate measures have been taken to reduce risk, in particular systemic risk, in the use of payment systems. Systemic risk refers to the failure of a payment and settlement system or the failure of a single system participant to meet their settlement obligations. This failure could cause other participants who are otherwise sound to fail in meeting their settlement obligations. This failure to meet the settlement obligations of one or many participants would result in a significant market failure. It is for this reason that safety is considered as a primary guiding principle. This is of particular concern in systemically important payment systems given that such systems handle high value and time critical transaction. The "domino effect" of such a settlement failure could be sufficient to disrupt the financial sector, thereby affecting financial stability.

Operational failure of a payment system also has the potential of threatening financial stability even in the case of retail payment systems such as the Electronic Clearing System or mobile money services in Uganda. Operational risk refers to the risk associated with the failure of a clearing and settlement system. The failure of a system that is responsible, for example, for salary payments could cause widespread disruption. In Uganda this is of particular import as it is the only system that performs such transactions.

In addition to systemic and operational risk there are credit, liquidity, reputational, security and legal/regulatory risks that must be addressed in the pursuit of safety in payments. Safety is a shared responsibility between the regulator, participants/service provider, operators, settlement institutions and users.

All stakeholders must identify and understand how risks of various types may arise or be transmitted within the system and determine how they will be borne. Once these risks are properly understood, appropriate and effective mechanisms may be devised to monitor, manage and control them. The issues of collateral arrangements, certainty and finality of settlement and irrevocability must be addressed through a Payment System law in support of payment system safety.

## **2. Efficiency**

Efficiency is characterised by several factors which include: convenient and wider access to payment instruments and related service; variation of payment products and services; speed/timeliness in processing and finalization of payments; ease of use and affordability. Efficient systems should also be interoperable to allow for integration of various systems and adaptable to the changing needs of the users. An efficient national payment system reduces the cost of exchanging goods and services and is vital to the smooth functioning of the interbank, money and capital markets. Efficiency is also the basis for the building of consumer confidence which is a prerequisite for growth in the use of electronic payment systems.

Innovation is vital to the growth of electronic payments and an important aspect of efficiency. With cash payments still occurring at a very high rate, it is vital to offer creative payment mechanisms that broaden access, reduce cost and increase financial inclusion to electronic payment services in Uganda. This is often affected through technical innovation in payment services. Use of new technologies provide the system with a level of flexibility that allows for the adoption of new payment services and instruments that provide significant benefits to providers and users. Competitive and innovative payment systems attract a broad range of users and, through their cost-effective use of resources, contribute positively to the efficient operation of the national and international economy.

Collaboration and cooperation focuses on getting stakeholders to work together to provide users the most cost effective systems through the use of common infrastructure and standards. Transaction costs can be reduced through cooperation amongst payment system service providers and through the establishment of financial infrastructure that takes advantage of economies of scale, scope and the use of infrastructure to support multiple services. Though payment system service providers often compete directly in the provision of retail payment instruments and services to end-users, they also cooperate in shared payment networks. The goal is to ensure a forum for collaboration and cooperation in the context of strategic

planning, development and implementation of infrastructure, regulations and systems.

An important consideration in fostering innovation is to have sufficient regulation in place to assure safety without adversely impacting creativity. This requires balance and the use of risk analysis to assess potential threats associated with the introduction of new products or instruments. It is the responsibility of all stakeholders to foster growth and innovation to ensure participants and users have access to the most appropriate payment systems and instruments to meet the needs of the Ugandan population and financial system.

Lastly, transparency and accountability are important aspects of efficiency as it affects consumer confidence and usage. Transparency in payment systems focuses on both access to and disclosure of payments related information. This information enables stakeholders to understand how laws, policies and regulations will affect their interests. It also helps them to understand their roles and responsibilities as participants in payment systems. Accountability ensures that stakeholders are held responsible for their actions and that there is redress when duties and commitments are not met. The regulations in the NPS should be clearly articulated and enforced to ensure that all parties are treated in an equal and fair manner.

### **3. Consumer interest**

Serving consumer interests through protection, access and inclusion is a guiding principle consistent with public policy objectives. It is often only as a result of public policy initiatives that the rights and interests of consumers are addressed. These considerations are appropriate and necessary in the area of payment systems as usage is based on the confidence consumers place in the payment service or instrument.

Consumer protection refers to the effort(s) to ensure fairness and clarity with respect to the rights of privacy and the responsibilities of the consumer. Consumers need to be confident that the payment systems they use are secure, transparent, accessible, and affordable. Consumer protection is important in Uganda as there has been significant growth with respect to access to payment systems, most notably in the area of mobile payments. Consumer protection in payments seeks to provide consumers:

1. More control over their payments,
2. Information regarding the use of their payment data and the level of privacy related to that data as consumers may not have the same voice as business to redress grievances,
3. Understanding of the resolution process for disputes or consumer complaints,

4. Transparency in terms of disclosure of costs, risks, availability of funds and security of payments,
5. Protection from commercial interests based on illegal use of consumer information and data,
6. Disclosure of fees associated with the use of a payment system for the purpose of comparison,
7. Knowledge of the built-in protections used to detect and limit errors and,
8. Understanding of the accountability of operators, participants and users to ensure against misuse of the system.

This is accomplished through education, consultation with consumers and facilitation of dispute resolution. The basic principles of consumer protection include the following:

1. Fairness and reliability
2. Transparency
3. Consumers' data and/or information protection
4. Effective complaint handling and resolution

Broad access to payment systems refers to the need for users to have a variety of access points and options for the use of electronic payment capabilities. Financial inclusion seeks to encourage the under banked or non-banked to avail themselves of the opportunity to use electronic banking and payment systems. Both of these aspects of consumer interest are important in supporting consumer focused public policy. These are important public policy considerations as the private sector is less inclined to place this as a high priority.

Broad access and financial inclusion are important as guiding principles in Uganda due to the heavy reliance on cash-based payments which are currently in the range of 80% of retail payments according to the Bank of Uganda. This is changing as people rapidly embrace the use of mobile phones for payments, but still represents an early stage of development. The guiding principle is to broaden access to payment systems without causing unacceptable levels of risk.

## **I. National Payment System Objectives, Strategies and Actions**

The overarching policy goal for the National Payment System Policy Framework is to provide safe and efficient payment systems to the Ugandan population to foster economic growth and financial stability. Safety of payment systems is achieved through the reduction of risk both from the perspective of the operator and participants. Efficiency is achieved by ensuring that payment system service providers offer the most appropriate payment instruments through the most cost

effective payment systems to meet the practical needs of Ugandan payment system participants and consumers.

### **Objective 1: Strengthen the Legal, Regulatory and Oversight Framework for the National Payment System**

The Bank of Uganda must have a recognized legal mandate to perform its regulatory, supervisory and oversight responsibilities to support its role in the National Payment System.

#### **Policy Statements:**

1. Bank of Uganda shall regulate, supervise and oversee the operation of payment systems in order to provide prudent management of risk in the national payments.
2. The Bank of Uganda shall oversee payment system operators and payment service providers as deemed necessary or appropriate to achieve the goals of safety and efficiency.
3. Bank of Uganda shall conduct oversight functions on the payment and settlement systems in any Bank, Financial Institution, Payment Service Provider or Company and oversee issuance and use of payment instruments.
4. All payment system operators shall be required to obtain a license from Bank of Uganda.
5. Payment System Service Providers shall be required to obtain a license from Bank of Uganda as appropriate.
6. Payment and settlement systems operated by Bank of Uganda shall not be subject to a licensing regulatory requirement; however, shall be subject to the same oversight norms and standards applied to the industry.
7. Mechanisms to protect payment systems and participants will have a legal basis.

#### **Strategies:**

1. Develop and implement a National Payment System Act that will provide the appropriate legal foundation for the regulator to perform the following functions:
  - (a) Licensing of payment systems
  - (b) Monitoring of payment systems,
  - (c) Development and enforcement of regulations to provide norms and standards,
  - (d) Oversight of payment systems
  - (e) Induction of change

**Actions:**

1. The government should enact the National Payment Systems Law.
2. Bank of Uganda implements the oversight policy framework.
3. Bank of Uganda to develop and implement a policy framework for the supervision of Payment System Service Providers.

**Objective 2: Effective Management of Payment System Risk to assure Safe and Efficient Operation of National Payment Systems**

The National Payment System must have a comprehensive and consistent risk management approach across all payment systems in Uganda. The goal is the development of a comprehensive framework for the management of payment system risk. The framework will include the management of systemic, legal, credit, liquidity, general business and operational risks.

**Policy Statements:**

1. All payment and settlement system providers and participants shall develop and implement a comprehensive framework for risk management in compliance with the standards adopted by the BOU to ensure that payment systems in Uganda are operated in a safe, responsible and efficient manner.
2. Bank of Uganda shall monitor and enforce compliance to the risk management framework.

**Strategies:**

1. The BOU working with the Stakeholders and Participants will formulate a working group within the National Payments Council to develop a comprehensive risk management framework.
2. The working group composed of the BOU, operators and participants will collaborate to develop and implement a comprehensive framework for risk management for all payment systems operated in Uganda. This will include systemic, legal, credit, liquidity, general business and operational risks.

**Actions:**

1. Formulate a Risk Management Committee as part of the National Payments Council chartered with developing the framework for a comprehensive risk management strategy.
2. Oversee stakeholder compliance with the comprehensive risk management framework adopted by the BOU.



### **Objective 3: Broaden Access to Payment Systems**

The BOU will encourage the growth of financial inclusion on the broadest possible level by supporting expanded access to payment systems. The BOU will broaden access in a responsible manner balancing access and risk. This includes fostering innovation in the payments marketplace to ensure creative products are brought to market that meet specific consumer needs.

#### **Policy Statements:**

1. Bank of Uganda shall ensure that access requirements do not unnecessarily or disproportionately restrict direct participation and usage of payment systems and do not act as a barrier to entry and expansion for new and emerging Payment System Providers.
2. The BOU shall encourage the private sector to play a key role in expanding the range of retail instruments and increasing access to electronic payment services;

#### **Strategies:**

1. Broaden the range of services offered by existing institutions like Postal Offices, MFI's, etc. (eg. Agency banking).
2. Actively support the adoption of Digital Financial Services (DFS) to assure access by the unbanked and underbanked to safe and secure payment services.
3. Develop and implement public awareness and educational programs to increase understanding and confidence in modern electronic payment instruments.
4. Encourage innovation in the payments marketplace to foster the creation of new products that meet specific consumer needs.
5. Encourage and educate current non-participants on the benefits of becoming direct or indirect payment system participants.
6. Define ways to broaden access to payment systems in a responsible manner that balances access and risk.

#### **Actions:**

1. Develop and implement criteria that extend payment system access to potential new participants that do not currently have either direct or indirect access of payment systems.
2. Encourage eligible institutions to participate and provide a path for participation for supervised institutions that are not currently eligible.

3. Implement a Digital Financial Services Committee that ensures all of the Government of Uganda goals for financial inclusion are aligned.

#### **Objective 4: Promote Consumer Interests and Protection**

Take an active role in promoting consumer interests to ensure they are being met in the marketplace in a responsible manner that protects the consumer by providing: more control over payments; information on payment data usage by the operator and data privacy rights; full disclosure of fees, costs, risks, funds availability and security and dispute resolution mechanism. This includes fostering innovation in the payments marketplace to ensure creative products are brought to market that meet specific consumer needs in a cost competitive manner.

#### **Policy Statements:**

1. Payment and settlement service providers shall ensure fairness, transparency and reliability in the provision of payment services to consumers.
2. There shall be a reliable means of resolution for complaints and conflicts.

#### **Strategies:**

1. Working with stakeholders, develop a plan for the deployment of rules and regulations aimed at protecting consumers of payment systems.
2. Introduce regulations that protect consumer interests with specific enforcement actions.

#### **Actions:**

1. Develop and implement a plan to define consumer protection regulations.
2. Develop and implement a framework for complaints and conflict resolution.

#### **Objective 5: Foster Competition, Cooperation and Collaboration between Stakeholders and with Other Domestic and Other International Regulatory Bodies**

Proactively engage the national payment system stakeholders to ensure transparency, collaboration and cooperation in the planning and execution of payments initiatives. In addition, be responsible for fostering competition that benefits both participants and consumers while ensuring that competing organizations are part of a collaborative planning process composed of operators, participants and consumers. Collaboration is not limited to the direct stakeholders, but includes other domestic and international regulatory bodies for coordination and cooperation.

### **Policy Statements:**

1. Bank of Uganda shall foster collaboration and cooperation between payments stakeholders for the purpose of defining and providing input to regulations, policies, strategies and initiatives.
2. The development of the National Payment Systems infrastructure shall be a collaborative responsibility.
3. Bank of Uganda shall foster collaborative partnerships with other regulators, government agencies, central banks and international agencies for sustainable development of National Payment Systems.
4. There shall be established a National Payments Council.

### **Strategies:**

1. Establish a forum to promote the National Payment System agenda where participants will actively engage in policy setting and the development of regulations for the benefit of the market as a whole.
2. Establish cooperative arrangement with relevant stakeholders to promote development of the National Payment System.
3. Foster competition that benefits both participants and consumers while ensuring that competing organizations are part of a collaborative planning process composed of operators, participants and consumers.
4. Ensure a competitive payments landscape by encouraging competition through provision of licenses to payment service providers in markets that may be too tightly held.
5. Foster collaborative payments industry by ensuring stakeholders have a voice in the development of policies and regulations.
6. Proactively engage the national payment system stakeholders to ensure transparency, collaboration and cooperation in the planning and execution of payments initiatives through a National Payments Council.
7. Facilitate collaboration between banks and the other main payments participants, promote joint initiatives to implement payment system infrastructure, develop payment strategies including national payment system architecture, discuss policy initiatives such as system reforms, facilitate exchange of information on economic and business needs of the parties affected by the payment system and promote standardization of procedures, policies and systems.
8. Proactively engage other regulatory bodies such as the Capital Markets Authority, Uganda Communications Commission, and Ministry of Finance, Planning and Economic Development as well as other domestic regulatory bodies to ensure that its regulatory initiatives are consistent and supportive of other regulatory agencies.

9. Work with regional and international bodies to ensure consistency and compliance with regional and international initiatives.

**Actions:**

1. Establish the National Payments Council consistent with the roles and responsibilities defined in Section F of this document.
2. The BOU will work cooperatively with all appropriate regional and international entities and organizations to ensure smooth functioning of payment systems.

**Objective 6: Foster Infrastructure Development and Interoperability between Payment Systems**

The Stakeholders must work together to determine potential infrastructure investments that will result in greater processing efficiency and lower transaction costs. The BOU will actively promote interoperability between payment systems to ensure efficient processing of payments throughout the country. The goal of interoperability between payment systems is to make payments easier to perform, produce cost efficiencies and enable superior risk management.

**Policy Statements:**

1. The BOU will promote achievement of interoperability between payment systems. This shall include financial institutions, mobile network operators and others as appropriate for the smooth flow of payments across multiple systems.
2. The Stakeholders shall endeavor to implement infrastructure as necessary to offer services to virtually all banked and unbanked customers to substantially increase the financial services outreach to the unbanked communities.
3. The Bank of Uganda shall regulate or issue directives to support the goal of interoperability.

**Strategies:**

1. The Bank of Uganda shall prioritize payment streams and engage providers for purposes of interoperability.
2. The Bank of Uganda shall encourage mobile money service providers to utilize systems capable of becoming interoperable with mobile and other payment systems in the country and internationally, in order to facilitate full interoperability.

3. The Bank of Uganda shall encourage interoperability between the card based systems offered by financial institutions and payment service providers.
4. The Bank of Uganda will encourage the development of standards and deployment of infrastructure to facilitate payments across multiple systems in Uganda.
5. The Bank of Uganda will encourage stakeholders to define opportunities to gain efficiencies in the processing of payments through investment in infrastructure.

**Actions:**

1. Perform an assessment of the current payments infrastructure and define opportunities for investments in infrastructure that will broaden access and produce cost efficiencies.
2. The Bank of Uganda shall monitor payment streams using defined indicators for both infrastructure and interoperability.
3. Upon establishment of the National Payment Council, define committees responsible for the development of plans for infrastructure and interoperability.
4. Engage mobile network operators and financial institutions to address issues of interoperability.

## **J. National Payment System Stakeholder Roles and Responsibilities**

### **Stakeholders in National Payment System of Uganda**

The National Payment System (NPS) in Uganda is comprised of many independent but interrelated entities; the Bank of Uganda, Other Internal and External Regulatory Authorities, Participants and Payment System Service Providers. These entities are owned and managed by different organizations. In an effort to provide clarity regarding the accountability and coordination of NPS development efforts in Uganda, it is necessary to define the roles and responsibilities of the stakeholders in the payment system.

### **Payment System Stakeholders**

1. Ministry of Finance Planning and Economic Development (MFPED)
2. Bank of Uganda
3. Other Regulatory Authorities
4. Participants
5. Payment System Service Providers
6. National Payments Council

### **Roles and Responsibilities of MFPED**

The MFPED will provide leadership in coordinating and implementing this policy. Implementation of the policy will involve active engagement of various stakeholders including Bank of Uganda, other Regulatory Authorities, Payment Service Providers and Participants. Upon approval of the policy, MFPED will organize workshops and dissemination meetings to ensure each stakeholder appreciates the roles within their mandate. The Ministry will dispatch copies of the Policy explaining modalities for implementation.

### **Roles and Responsibilities of the Bank of Uganda**

The Bank of Uganda is responsible for ensuring that the country's monetary and banking system as a whole is sound, meets the requirements of the community and keeps abreast of developments in international finance. The National Payment System is of great importance in supporting these responsibilities because it provides information on the demand for money, the influence of monetary policy and the efficiency and stability of the financial markets. As such, the Bank of Uganda must be at the center due to its overall responsibility for a sound currency and ensuring effective means of payment.

The Bank of Uganda shall adopt the responsibilities of a central bank as set forth by the Bank for International Settlement's Committee on Payment and Settlement Systems who are considered to be representative of international best practice for central banks and regulators. The BIS considers regulation and oversight to be the primary responsibilities of the central bank in payment systems.

To ensure clarity, the terms regulation and oversight are explained below.

- Oversight is a central bank task, principally intended to promote the smooth functioning of payment systems and to protect the financial system from possible "domino effects" which may occur when one or more participants in the payment system incur credit or liquidity problems. Payment systems oversight aims at a given system (e.g. a funds transfer system) rather than individual participants.
- Regulation refers to the imposition of norms and standards of conduct and operation for payment systems and payment service providers.

The Bank of Uganda will perform the following roles as the regulator responsible for payment systems.

#### 1. Oversight

- (a) Licensing of payment system and payment service providers.
- (b) Monitoring of payment systems and payment system service providers through:
  - (i) on-site inspections of payment system and payment service providers;
  - (ii) off-site gathering of information and statistics from payment system and payment service providers and perform analysis of said data;
  - (iii) assessment of payment systems operators and payment service providers;
  - (iv) reviewing and assessment of customer complaints and claims on service providers and operators; and
  - (v) monitoring the level of risk associated with the delivery of payment system and services.
- (c) Impose enforcement actions or sanctions for non-compliance with regulations.
- (d) Define the scope and publish its oversight principles, policies and guidelines.
- (e) Monitor existing and planned systems and assess them against safety and efficiency objectives.
- (f) Induce change to payment system organization and operations, where necessary.

## 2. Regulation

Impose norms and standards of business conduct and operation for payment systems and payment service providers by:

- (a) publishing laws, regulations, guidelines, procedures, directives and policies related to delivery of payment services and the use of payment instruments; and
- (b) developing transparent regulatory policies and procedures with participation from payments stakeholders.

## 3. Operator

Bank of Uganda will provide and develop payment and credit services by:

- (a) maintaining accounts for interbank payment settlement;
- (b) operating systemically important payment systems or participating directly in private sector arrangements that operate clearing and settlement systems;
- (c) managing settlement accounts and providing settlement credit to participants; and
- (d) operating non-systemically important payment clearing and settlement arrangements, or participating directly in retail payment systems, as deemed necessary.

## 4. Participant

- (a) Participate in systems owned and operated by external parties on behalf of its own customers (such as the government and its agencies);
- (b) Participate in securities settlement and depository systems for its own operations; and
- (c) Use correspondent banking services for other central banks and financial institutions.

### **Responsibilities of Other Regulatory Authorities**

Other Regulatory Authorities within Uganda such as the Capital Markets Authority and Uganda Communications Commission involved in payment systems shall be expected to undertake the following:

- 1. Cooperation and collaboration with BOU in the regulation and oversight of components of NPS.
- 2. Sharing of information with BOU on issues relating to NPS.



3. Allow for BOU involvement in regulatory and legal initiatives that may impact on the NPS.
4. Setting standards and ensuring adherence to international best practice for components of the NPS that they regulate.
5. Take part in forums set up to discuss issues relating to NPS as and when called upon.

### **Responsibilities of a Participant**

In the context of the National Payment System, a participant is any financial institution or entity that either directly or indirectly participates in a clearing and settlement facility. In Uganda, this could be a commercial bank, credit institution, and microfinance institution or other entity allowed to participate in the system.

Within the context of the NPS, payment system participants in Uganda are responsible for:

1. managing the risks that they introduce or accept, while participating in the Uganda National Interbank Settlement System (UNISS), the Electronic Clearing System (ECS) and any other payment systems;
2. ensuring that they have sufficient liquidity for their own interbank settlement;
3. providing payment-related services to its customers;
4. ensuring that the payment processing cycle is completed in accordance with established rules and regulations;
5. making their customers aware of the features of, and the risks involved in, accepting and using payment instruments, and educating them in the alternatives available;
6. issuing payment instructions on its own behalf, or as the beneficiary of a payment issued by someone else; and
7. maintaining a settlement account where appropriate.

### **Responsibilities of a Payment System Service Provider (PSSP)**

A Payment System Service Provider means a person/entity licensed or authorized by the central bank to provide payment services. Payment Services Include:

1. services enabling funds to be placed on a payment account or enabling funds withdrawals from a payment account and all of the operations required for operating a payment account;
2. the execution of the following types of payment transactions:
  - (a) Direct debits, including one-off direct debits;

- (b) Payment transactions executed through a payment card or a similar device;
- (c) Credit transfers, including standing orders;
- 3. issuing payment instruments or acquiring payment transactions;
- 4. money remittance;
- 5. electronic or digital money (including mobile money);
- 6. operator;
- 7. payment switching service; and
- 8. any similar services if so classified by the Central Bank

A PSSP provides payment services to its participants by acting as an intermediary for multilateral routing, switching and processing of payment transactions. Typically, there is no settlement function performed by the intermediary as this role is to be performed at the Bank of Uganda utilizing the UNIS system.

A Payment System Service Provider (PSSP) is required to:

- 1. Obtain a license for operation from the Bank of Uganda as appropriate;
- 2. Adhere to all rules and regulations set by the Bank of Uganda;
- 3. Adhere to the applicable risk reduction/prevention measures;
- 4. Qualify in terms of equitable risk-based entry criteria as agreed by the Bank of Uganda;
- 5. Collect payment transactions and provide receipt of confirmation of payments processed on behalf of the participant;
- 6. Acceptance of accountability for the processing of participant payment transactions;
- 7. Maintain agreements and service levels with the system participants; and
- 8. Obtain appointment as an agent of one or more banks or non-bank entities subject to oversight.

### **Responsibilities of the National Payments Council (NPC)**

The National Payments Council is a council composed of NPS stakeholders with the major goal of supporting balanced and sustainable development of the payments market to ensure safe and efficient payment services in Uganda. Its primary functions are as follows:

- 1. defining priorities and promoting actions in the area of payments;
- 2. setting out a general Ugandan payment services market development strategy including the identification and setting of priorities;
- 3. providing a forum for the exchange of information and experience in order to gain insight into the payment services market in Uganda and the requirements and expectations of the market participants as well as identification of critical issues;

4. defining the common interests of the stakeholders through consensus in order to establish common positions in the area of payment services in Uganda; and
5. providing mandates to working groups working within the aegis of the Council.

The National Payments Council is an important organization as it fosters cooperation between stakeholders, gives stakeholders a voice in the development of payment strategies and helps ensure transparency in the policy formulation process. Membership in the NPC shall comprise of the following:

1. The Governor Bank of Uganda, as the chairperson;
2. Representative from Ministry of Finance Planning and Economic Development
3. A representative from Capital Markets Authority
4. A representative from National Information Technology Authority
5. A representative from Uganda Communication Commission
6. A representative of Banks operating in Uganda;
7. A representative of Telecommunication Companies;
8. Any other member as deemed necessary.

#### **K. Monitoring and Evaluation of the National Payment System Policy Framework**

A policy framework requires continual monitoring and evaluation to ensure that the defined objectives and actions are, in fact, performed and have the intended outcomes. As the regulator, it is incumbent upon Bank of Uganda in conjunction with Ministry of Finance Planning and Economic Development to define a plan with milestones and performance indicators that can be presented to and periodically updated for the National Payment System stakeholders.