PROGRESS REPORT ON THE IMPLEMENTATION OF THE REGIONAL PAYMENT AND SETTLEMENT SYSTEM (REPSS)

44th Intergovernmental Committee Meeting

21 - 22 November, 2023
Lusaka, Zambia
Status Report on the Implementation of the Regional Payment and Settlement System (REPSS)

The COMESA Clearing House (CCH) is an institution of COMESA, whose objective is to facilitate the settlement of trade and services payments amongst Member States. CCH operates the Regional Payment and Settlement System, (REPSS), a Multilateral Netting System with End-of-Day Settlement. The main aim of the system is to stimulate economic growth through an increase in intra-regional trade by enabling importers and exporters to pay and receive payment for goods and services through an efficient and cost-effective platform.

1. REPSS performance

a) There are 9 Central Banks that are live on REPSS, namely Central Banks of DRC, Egypt, Eswatini, Kenya, Malawi, Mauritius, Rwanda, Uganda and Zambia. Central Banks of Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Libya, Madagascar, Sudan, Seychelles, Tunisia and Zimbabwe are yet to join REPSS.

b) The growth in value and number of transactions processed has been gradual, with a steady increase in the last 4 years.

As at September 2022, total value of transactions processed on REPSS stood at over $486 million and €2.4 million from nearly 7,000 transactions.

Central Bank of Kenya continues to be the main user of REPSS, sending payments to other Central Banks.
2. Activities for 2023

a) CCH carried out a joint mission to Burundi with Trade and Development Bank (TDB), by arrangement through the Bank of the Republic of Burundi (BRB). The mission’s objectives were to i) move forward the readiness process of Burundi to join the Regional Payment and Settlement System (REPSS); ii) carry out sensitisation of REPSS and ii) discuss the interest expressed by BRB for the trade finance facility to be offered by TDB through REPSS to commercial banks.

i) BRB expressed its readiness to resume REPSS preparations, which had been put on hold due to technical challenges that have since been resolved. It was agreed that BRB will carry out REPSS tests and once successful, proceed with the live test. The REPSS Tests System was availed on 12 October 2023 but BRB reported a technical issue which prevented it from testing. The new test date is 26 October 2023.

ii) BRB also advised that it would make payments towards its outstanding contribution to the CCH budget.

iii) The commercial banks in Burundi, such as BANCOBU, expressed interest in using REPSS as soon as BRB is on board.

iv) Commercial Banks are keen to take up the TDB facility through REPSS and requested TDB to relook at the interest rates, which they say are high. BRB advised that guarantees/letters of comfort on the facility would be given to export priority sectors or priority products such as fuel.

b) CCH is collaborating with the COMESA Business Council (CBC) in its Digital Financial Inclusion Project, in particular, the setting up of an Instant Retail Payment System (IRPS). The proposed model will have payments processed through CCH (which holds the mandate to run payments systems within COMESA).

i) CCH and CBC had a joint visit to Bankserv South Africa to go through the set up and operations of its TCIB (Transactions cleared instant basis), lessons learnt and the legal and regulatory frameworks. This was in preparation for the design and implementation of the retail payment system.

ii) Attended the 5th COMESA Digital Financial Inclusion Public Private Dialogue: Towards Operationalization of the COMESA Digital Retail Payment Scheme, 25th July 2023, in Lilongwe, Malawi;

iii) Meetings with Bank of Mauritius (the settlement bank for REPSS), as part of the process to address the settlement side of the IRPS.
c) Attended (virtually) the Association of African Central Banks (AACB) programme on Current Regional Payment System Infrastructures or Initiatives on the Continent.

d) Worked with SWIFT towards the readiness of the SWIFT BIC change from COCUZWHAP to COCUMUMU. The changeover was successfully completed on 30 October 2023.

e) Signed a non-financial cooperation agreement with COMESA Secretariat, for a smoother process of working together for the achievement of the broader COMESA agenda.

f) Attended a meeting of the experts of the 2023 Bureau together with representation of CMI and COMESA Legal Counsel to review and finalize the Rules of Procedure of the COMESA Committee of Governors of Central Banks.

g) Held two virtual meetings with Arab Regional Payments, Clearing and Settlement Organization (ARPCSO) which operates BUNA (Arab Regional Payment System). BUNA is a centralised multi-currency platform that enables financial institutions (including commercial and central banks) to send and receive cross-border payments across the Arab region and beyond. The meetings were exploratory, to understand its operations and possible collaborative opportunities, especially on remittances. This is driven by the need to add value to REPSS and make it more attractive with the ultimate goal of opening up new markets. Early indications are that there are synergies and discussions will continue in the first quarter of 2024.

h) Held virtual discussions with PAPSS within the current MOU framework, culminating in a workshop of CCH and PAPSS. The 2 teams explored various options and will proceed to explore more on one of the options that will leverage the current REPSS rails while introducing the PAPSS Instant Payment System during what is currently the clearing process to facilitate instant (immediate) payment. It was agreed that a value proposition for both REPSS and PAPSS is key. This option is preferred for the following reasons:

   i) Brings instant payments to REPSS
   ii) Straight Through Processing to the banks (remove the need for manual interventions that are carried out by some Central Banks)
   iii) Does not require additional onboarding of commercial banks to PAPSS
   iv) Can actualize additional transactions for both REPSS and PAPSS

   The meeting proposed to have a framework agreement in place to enable the teams to explore the said model. The agreement will not carry financial implications at this stage. If any, the authority of the Bureau will be sought before any agreement is signed.

i) Attended the COMESA Business forum and the 22nd summit of The COMESA Heads of
State and Government, in Lusaka Zambia on June 7 – 8, 2023;

j) Attended the 6th African Union (AU) Specialized Technical Committee (STC) on Finance, Monetary Affairs, Economic Planning and Integration, held from July 17-21, 2023, in Nairobi, Kenya. One of the products and institutions that the African Union is working on, is an African Stock Exchange whose settlement will be processed through PAPSS. CCH hopes that once REPSS collaboration with PAPSS is successful, then any payments to COMESA members will have a positive revenue effect to REPSS as the payment will be settled through REPSS.

k) Attended the mojaloop community meeting in Kigali. It brought together a diverse group of stakeholders including Central Banks, system developers, financial institutions, national switches, and CBC, among others. The discussions centred on the needs of Central Banks and National Hub Operators to build sovereign and inclusive payment systems, designed specifically to meet the needs of citizens in a country and increase financial inclusion. Further, enhanced collaboration featured as a factor that can affect the costs of a cross-border payment system.

l) The REPSS User Group meeting was held from 10 – 12 May 2023 in Victoria Falls, Zimbabwe and hosted by the COMESA Clearing House (CCH). The User Group’s main terms of reference are i) to review procedures & rules and ii) attend to Operational and Policy Issues arising out of REPSS Operations and submit appropriate recommendations. The meeting was hosted by the COMESA Clearing House (CCH) and attended by officials from 10 (out of 13 invited Central Banks), namely Central Banks of Djibouti, DRC, Egypt, Eswatini, Kenya, Malawi, Mauritius, Uganda, Zambia and Zimbabwe. Central Banks of Burundi, Rwanda and Sudan were not in attendance.

*Recommendation:*
IC is requested to take note of the progress report on REPSS.