



## Message from the Director of NPS

Welcome again to the MALIPO issue. We have noted steady growth in the developments in the payment systems in the country since the last issue of MALIPO. Payment system stakeholders have continued to embrace the spirit of cooperation and competition in the endeavour to achieve efficiency in delivery of the service in the country.

Sharing of infrastructure evidencing cooperation and competition has been reflected by several banks in the country joining hands to establish a shared switching infrastructure for the use of card payment instruments. The switch is known as UmojaSwitch and it is expected to go live soon. This is an exemplary initiative that needs to be emulated by other financial institutions in the country.

The Bank of Tanzania has always been keen in facilitating such developments and encourages the financial sector to establish such systems that enable optimisation of resources and wider outreach of safe and efficient payment services in the country

*“Payment system stakeholders have continued to embrace the spirit of cooperation and competition in the endeavour to achieve efficiency in delivery of the service in the country.”*

Recently the Arusha Bankers clearing house has implemented electronic cheque clearing. This is expected to create efficient interbank clearing of cheques in the areas served by the Arusha Bankers Clearing House. This process has been a success due to the cooperation made by the various member banks and the Bank of Tanzania

Steady growth is also noted in the volumes and values in the Electronic Funds Transfer (EFT) and Tanzania Interbank Settlement System (TISS) systems. The growth is likely to increase when more payments would be routed to these electronic payment systems following introducing value limits on cheques.

The developments in mobile telephone payments also brings promising future that would, if well enhanced by the market, enable a wider benefit of payment services in Tanzania.

On the issue of charges levied to consumers we continue to publish TISS charges of the Bank of Tanzania and commercial banks provided in tables 2 and 3 respectively on page 4.

## Co-operation in Competitive Environment

Cooperating and competing at the same time is not something that is easy to implement in commercial senses. Yet, through effective analysis of cost benefits and economies of scale, cooperation and competition can simultaneously be applied in a competitive environment.

The banking industry in the country has shown its maturity by effectively cooperating in implementing shared infrastructures in delivery of payment system services. From October 2006 users of the Visa Cards started enjoying the benefits of cooperation in that they can walk in any Automated Teller Machine or Point of Sale that has Visa logo whether these devices are owned by the user's bank or not. This was made possible by the cooperation of Visa member banks in Tanzania, having realised the need to optimize customer outreach and creating convenient service delivery.

The merits of cooperation are continued to be embraced by other market players in delivery of efficient card based payment

schemes. In December 2006, a consortium of six local banks formally signed off to implement a shared switch infrastructure for clearing of their card transactions known as UmojaSwitch, the name signifies cooperation. Cardholders of members of the Switch will be able to reap the advantages of the Unity by having convenient service delivery in the use of any ATM of the members of the consortium.

*“The Bank of Tanzania is pleased to partner with this cooperative initiatives. It has been the interest of the Bank that market players cooperate in delivery of such payment system schemes.”*

The Bank of Tanzania is pleased to partner with these initiatives. It has been the interest of the Bank that market players cooperate in delivery of such payment system schemes due to the market realities on issues such as implementation costs, technological changes and other that are related to post implementation. Shared infrastructure has the advantages of economies of scale, ease operation costs and regulation.

It is thus expected that more market players in the delivery of payment system services will embrace the spirit of cooperation and

continue to compete for quality services delivery.

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## Non-cash Retail Payment Systems

**N**on-cash retail payment instruments such as cheques, cards, and other electronic payment instruments, have a vital role in the economy as they facilitate discharge of retail payment obligations. They are called retail because of the small values involved but the volumes could be very large because of the number of people making such retail payments or because of the reoccurrence of such payments.

The determination of what is a small value is subjective, depending on the system operator's or service provider's analysis on the economic realities, circumstances and nature of such payment. In Tanzania for instance, payments of say up to 500,000/= Shillings may be considered retail. Retail payments touch the lives of most people for example if we look at cash payment instrument in effecting retail payments then it would be cor-

rect to say that nearly every able citizen uses retail payments, for it would start with that little girl in the city given pocket money for use at school to her grandfather in the village purchasing fertilizer for his farm.

Despite its wide usage cash has the disadvantage of not being convenient, it is susceptible to theft, not convenient for large value payments, can be counterfeited, handling costs are huge etc.

As a result, the Bank of Tanzania encourages banks and financial institutions to implement non-cash based retail payment instruments due to their advantages over cash. There is a huge potential and opportunities of implementing such instrument in Tanzania for instance, implementers of mobile phone payments can use the opportunity of the number of mobile phone users and the network coverage to reach even the un-banked areas and population.

We have seen steady developments in card based payments schemes in Tanzania. There are now 12 out of the 26 banks and non-banks financial institutions in the country issuing card payment instruments most of them being debit cards. The number of cardholders is more than 1.5 Million users with a potential of increase as more banks are in the process of issuing cards.

The role of the Bank of Tanzania in this is apart from being a regulator of banks and financial institutions and the payment systems, it facilitates introduction of such retail payment systems by providing guidelines for introducing the schemes, settlement services and technical advice.

The Bank thus requires implementers of such retail electronic payment schemes to adhere to set guidelines before implementation.

## Arusha Bankers' Clearing House Goes Electronic

**A**rusha Bankers' clearing house has recently implemented an electronic clearing of cheques. The system was developed by the Bank of Tanzania and it will facilitate efficient interbank clearing of cheques in the areas served by the Arusha Clearing House. This system also has the capability of processing Electronic Funds Transfers (EFT) for recurring bulk payments of salaries, bill payments etc.

The committee of management of the Arusha Bankers' Clearing House signed off the new rules and regulations of the Arusha Bankers' Electronic Clearing House to users in the new developments.

The Bank of Tanzania intends to proceed with this exercise of modernizing the country's clearing system by emulating the Arusha and Dar es Salaam electronic clearing house to Zanzibar, Mwanza and Mbeya Clearing Houses.

In the meantime, Dar es Salaam electronic clearing house is piloting SWIFT FileAct which is an electronic process of submission of electronic journals to the clearing house instead of using diskettes.



Group picture of the committee of management of the Arusha Bankers' Electronic Clearing House members and Bank of Tanzania Staff soon after Arusha Electronic Clearing System went live

## Potentials of Mobile Payment Services

**M**obile phone payments are emerging as a convenient method of retail payments in many countries around the world. Their payments using your cell phone or other portable electronic device to pay for goods, services or for remittance of funds. The conventional way the mobile payment system works involves connecting the user who wants to make a mobile payment with a server via his mobile device to perform authentication and authorization. Thereafter the user receives from the service provider confirmation of the completed transaction.

Mobile payments give financial services industry a huge opportunity of tapping the market on provision of convenient payment services. This is due to the fact that the mobile phone has the advantage of free-

dom, functionality, convenience and ease of use. The other advantage is number of users and network coverage. Despite of this, security plays a vital role in the success of the use of the service, therefore operators of this system are required to take precaution by using secured features in implementing the system.

In developing countries like Tanzania mobile phones offer solutions for reaching the under-banked areas. There are more than 6 million mobile phone subscribers scattered across the country and the numbers are increasing steadily.

The Bank of Tanzania in its role on retail payment schemes does encourage market players to implement such schemes for the benefit of the economy. The Bank requires that any financial services that has implications of deposit taking should be under-

taken by banks or non-bank financial institutions, it is thus advisable for entities envisioning implementing mobile payment or other electronic payment services to seek the Bank of Tanzania's clearance before embarking on the scheme.

Implementation of such schemes require among other capital and technological capacity. It is thus important that the same spirit of cooperation and competition shown in implementing shared infrastructure in card payment schemes be applied in the mobile payment services. Sharing will also facilitate interoperability and the increase of business volumes as customers will have the freedom to interact with any network offering mobile payment services..

Cooperation of service delivery will enhance wider outreach and thus meeting the objectives benefiting the un-banked areas of the country with financial services.

*“Mobile payments give financial services industry a huge opportunity of tapping the market on provision of convenient payment services..”*

## Members of Parliament Sensitised on Modern Payment Systems

**T**he Bank of Tanzania in its effort to collaborate with different stakeholders as regards to payment system modernization, recently organized a seminar for the Finance and Economic Affairs Committee of Members of Parliament

The objective of the seminar was:-

- to increase awareness on the activities and initiatives of the Bank in improving the financial sector of the country,
- have wider dissemination of payment systems developments and issues related to the society,
- ensure government support on

Bank's proposals to improve regulation and developments supportive of infrastructural framework for payment systems, and

- ensure that payment systems modernization receives policy and legislative support.

The seminar covered the following topics; overview of the payment systems and its role in the economy, the opportunities and challenges therein. The Members of Parliament applauded the idea of sensitizing them on issues pertaining the National Payment Systems and advised the Bank on the following;

- To promote use of modern payment instruments to the public

- To involve the government on the whole scenario of modernizing the country's payment

- To speed up promulgation process of the proposed National Payment System and Electronic Transaction Laws.

The Bank agreed to take onboard the advice of the Members of Parliament in its endeavour of modernizing the country's payment system. Moreover, the Bank will continue to rollout several awareness programs on payment system's developments to other stakeholders.

## ATM & Debit Cards Safety Tips

**S**afety is a paramount requirement in financial transactions and in all endeavors of human life. We all want to be assured of the safety of our lives and property. Money is indeed something that no one wants to lose and we strive to protect our property at all reasonable cost from fraudsters and others who want to get an easy life ride.

With the emergence of non-cash based payment instruments, the need of safety is not compromised. It is in fact a precondition for the sustainability and integrity of the instruments. Banks and financial institutions have deployed several secured methods to mitigate theft or

losses resulting from the use of the ATMs and cards payment instruments.

However, without the cooperation of the cardholder safety efforts of banks and financial institutions will not bear any fruit. Cardholders are obligated to be cautious in the use of these devices. Below are some of the safety tips they can apply:-

**Continued in page 6**

## Tariff Structure in Tanzania Inter-bank Settlement System

Table 2 and 3 below provides the current fees and charges levied for the utilization of Tanzania Interbank Settlement System (TISS) which indicate that there is no significant change of charges from the last MALIPO issue of April 2006. Table 2 shows the charges that the

Bank of Tanzania levies commercial banks for using the system while table 3 are the charges that commercial banks participating in TISS levy their customers for using the system.

**Table 2. Bank of Tanzania Fees Charged to Commercial Banks Per Transaction Through TISS**

Category	Participant	Window 1 9.00- 12.00 am	Window 2 12.00 – 4.00 pm	Window 3 4.00 - 4.30 pm
All Message Categories (TZS)	Originating	TZS	TZS	TZS
	Real Gross	500/=	750/=	1,000/=
	Liquidity Optimisation	750/=	1,000/=	1,500/=
	Receiving	NIL	NIL	NIL

Source: TISS Rules and Regulations

**Table 3. Banks' Fees and Charges to Customers for Money Transfers Service Using TISS**

S/N	PARTICIPANTS	CHARGES in TZS	
		Incoming	Outgoing
1.	CRDB Bank	Data not submitted	Data not submitted
2.	NBC Ltd.	Data not submitted	Data not submitted
3.	Akiba Commercial Bank	0	20,000/=
4.	African Banking Corporation	0	15,000/=
5.	Diamond Trust Bank	Data not submitted	Data not submitted
6.	Eurafrican Bank	0	15,000/=
7.	Exim Bank	Data not submitted	Data not submitted
8.	Kenya Commercial Bank	10,000/=	15,000/=
9.	CF Union Bank	Data not submitted	Data not submitted
10.	United Bank of Africa	10,000/=	15,000/=
11.	International Commercial Bank	0	10,000/= (for account holders) 20,000/= (for non account holders)
12.	NMB Ltd.	2,000.00 or 1% to 0.25% + 6,000/= Minimum 10,000/=	1% to 0.25 % + 10,000/= Minimum 15,000/=
13.	Barclays Bank	Data not submitted	Data not submitted
14.	Peoples Bank of Zanzibar	Data not submitted	Data not submitted
15.	Standard Chartered Bank	0	20,000/=
16.	Stanbic Bank	1,000/=	25,000/=
17.	Citi Bank	0	10,000/=
18.	FBME Bank	5,000/=	10,000/=
19.	Bank of Baroda	Data not submitted	Data not submitted
20.	Azania Bancorp Ltd.	0	10,000/=
21.	Savings & Finance Limited	10,000/=	25,000/=
22.	Habib Bank	0	10,000/=
23.	Tanzania Investment Bank	0	25,000/=
24.	Tanzania Postal Bank	Data not submitted	Data not submitted

Source: TISS Participating banks and financial institutions

# ATM & Debit Cards Safety Tips

(from page 4)

- ◆ Select a Personal Identification Number (PIN) with care and do not share it with anyone. Choose a combination that's easy to remember, but not one easily obtained by others
- ◆ Never give your PIN or other banking information to anyone over the phone.
- ◆ Confidentiality of your pin—Never write your PIN on a piece of paper or back of your ATM or debit card. Instead memorise it.
- ◆ When entering a PIN, position yourself to shield the keypad so others cannot observe your number.
- ◆ Before using ATMs scan the area for any suspicious looking people loitering near the machine or within the vicinity.
- ◆ Closely monitor anyone who handles your card—closely watch anyone to whom you give your card to process a payment, such as a waiter and sales personnel. If, at all possible, do not let them use your card out of your sight.
- ◆ Leave promptly after completing your transaction.
- ◆ Do not count your money at the ATM. If you notice any error, you need to address it with the bank during business hours.
- ◆ If your card is held in the ATM report it to your bank immediately.
- ◆ Loss of card—In the event of a loss, take immediate steps to inform the card issuer.
- ◆ Do not attempt a transaction if you see anything suspicious, notices or new attachments. Notify your bank immediately.
- ◆ Check transaction details and account balances frequently.

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