



SEYCHELLES NATIONAL PAYMENT SYSTEM VISION AND STRATEGY

2016 TO 2020



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ACRONYMS

ATM	Automated Teller Machine
CBS	Central Bank of Seychelles
CBSITS	Central Bank of Seychelles Immediate Transfer Service
CPMI-IOSCO	Committee on Payments and Market Infrastructures and the International Organisation of Securities Commissions
CSD	Central Securities Depository
DvP	Delivery versus Payment
ECC	Electronic Cheque Clearing
IBAN	International Bank Account Number
NCSSA	National Clearance and Settlement Systems Act
NPC	National Payment Council
NPS	National Payment System
NPTF	National Payment Task Force
NPSA	National Payment System Act, 2014
PFMI	Principles for Financial Market Infrastructure
PSD	Payment Systems Division
PoS	Point of Sale
RTGS	Real Time Gross Settlement
SCU	Seychelles Credit Union
SEFT	Seychelles Electronic Funds Transfer
STP	Straight Through Processing



1. INTRODUCTION

The Central Bank of Seychelles (CBS) is mandated to regulate and oversee the National Payment System (NPS), for the purpose of ensuring its safe, secure, efficient and effective operation. In its capacity as the overseer, the CBS also has mandate to formulate and adopt an NPS policy for the country. The mandate is entrenched in the National Payment System Act, 2014 (NPSA). The latter repealed and replaced the National Clearance and Settlement Systems Act, (NCSSA) 2010.

In late 2008, Seychelles embarked on a macro-economic reform program that provided the platform for a fundamental change in the country's economy and the establishment of a modern payment system. In the course of the modernisation process, the first National Payment System Framework and Strategy document was adopted in 2009. The document had as its main objective to outline the essential characteristics of Seychelles' NPS, reflecting the policy choices for the country's payment system. This was the first "blue print" upon which the payment system modernisation projects were initiated.

A number of milestones have been achieved including:

1. The creation of a Payment Systems Division (PSD) dedicated to the oversight function of the NPS as well as coordinating the NPS modernisation and development, thereby separating the operations and oversight functions.
2. The establishment of the NPC and the NPTF intended to serve as consultative and consensus-building platforms in the process of modernising the NPS.
3. The enactment of the NPSA with the aim to achieving an effective NPS governance oversight regime.
4. The Central Bank of Seychelles Immediate Transfer Service (CBSITS) creating an interbank platform for effecting payment transactions.
5. The Electronic Cheque Clearing (ECC) system allowing for a same day cheque clearing process via the electronic exchange of cheque images.
6. The Seychelles Electronic Funds Transfer (SEFT) as an alternative means for interbank funds transfer.



7. The introduction of the first Securities Exchange.
8. The licensing of the first payment service provider to offer mobile payment services in Seychelles.
9. The implementation of the electronic payment gateway for the payment of Government services.
10. The provision of procedures for the management of systemic crises in the payment system by the introduction of adequate "Failure to Settle" arrangements.
11. The setting up of the Interbank Fraud Committee.

Seychelles has made significant progress since 2008 in actively reforming its NPS through reforms in the legal framework and automation of systems. Albeit, cash and cheques remain the predominant payment modes used in the country, with electronic payments lagging behind. Therefore, while availing itself of the accomplishments in the NPS, there are still areas that need to be enhanced so that the Seychelles NPS can better contribute towards developments in the economy. There are still important milestones that remain to be achieved in order to ensure that the participants in the NPS operate in a more secure and efficient manner and that the highest risk mitigating standards and control are in place. Below are the outstanding issues from the previous strategy that are yet to be accomplished or needs enhancement.

1. **Cash as the dominant payment instrument.** Cash remains the dominant payment instrument in spite of the introduction of alternative instruments to reduce the use in the NPS.
2. **Manual operational processes in the payment system.** Manual operational processes are still significantly prevalent in the current payment system, which is not efficient.
3. **Payment System Regulatory Framework.** The NPSA has been enacted to provide for the regulation and oversight of the NPS and for matters connected therewith. However, the legal framework remains to be enhanced and enforced to provide for adequate guidance to payments system providers, participants and stakeholders as well as for consumer protection.
4. **Promoting NPS Awareness.** An extensive publicity campaign remains to be put in place to promote awareness to improve visibility of the NPS initiative.



5. **Increase the use of Modern Payment Methods by Government.** Further mechanisms need to be put in place to enhance the deployment of modern payment services and practices by Government in order to increase efficiency in payments.
6. **Establishment of an RTGS.** A centralised real-time settlement system linking all payment streams remains to be established. This will also allow for development of interfaces to facilitate for real-time monitoring and management of account positions by the participants.
7. **Establishment of a Central Securities Depository.** The CBS is also yet to establish a dematerialised CSD for securities that is to allow for synchronised payment and transfer of securities.
8. **Introduction of Standards.** The CBS is yet to promote adoption of standards in areas such as networking, communications, transaction processing and card technologies.
9. **Same Day Settlement for domestic payment obligations between participants.** Although the NPS makes provision for same day settlement arrangements, participants in the NPS are yet to ensure that customer accounts are credited in a timely manner.

The proposed NPS Vision and Strategy 2020 therefore seeks to focus on strategies that remained unfulfilled from the previous strategy which are still relevant, as well as to provide strategic direction for payment systems development in Seychelles for the period of 2016 to 2020.



2. CURRENT SEYCHELLES NPS LANDSCAPE

Seychelles has a population of approximately 90,000 and the opportunity to access financial services is relatively high. The network outlets of the banks offer banking services to a significant proportion of the population. Although electronic means of payments are being increasingly used, cheques and cash are still predominantly used due to their convenience. During the year 2015, the total number of cheques cleared amounts to approximately 791,245 compared to only 101,130 SWIFT payments and 58,529 SEFT transactions. This represents a daily average of 3,067 cheques with a total value of R65 million. Nonetheless, an increasing percentage of the population is making use of debit cards to make payments. Compared to the year 2014, the year 2015 saw an increase in both the total number of ATM and PoS transactions. The former increasing by 17 per cent whereas the latter by 26 per cent. The total number of debit cards in circulation as at April 2016 stood at 72,630 compared to 61,481 as at the end of April 2015.

The CBS, Government, commercial banks and the Seychelles Credit Union (SCU) are the most active players in the Seychelles NPS. CBS is currently operating and managing three payment systems namely, CBSITS, ECC and SEFT. Membership to the payment systems is open to all commercial banks and the SCU. As of June 2015, there were nine commercial banks and one credit union.

Although commercial banks are more and more aggressive to expand their visibility in the NPS, currently, only four commercial banks issue debit cards and only two offer credit card facility. Even so, VISA issued “credit cards” are widely accepted in the country. Others such as Mastercard and American Express are also accepted although to a lesser extent. With regards to internet banking, only four commercial banks offer such type of banking facility to their customers, whereas for mobile banking two banks are currently offering transaction-based mobile banking services. In April 2015, CBS licensed a telecom company to offer mobile money services.

The following are the current supporting structures in place to facilitate cooperative development of the NPS landscape.



2.1 National Payment System Act (NPSA), 2014

While the NCSSA was suited for the NPS landscape as it pertained in 2010, its effectiveness was threatened due to certain ambiguity resulting in a number of payment activities not being regulated. To address such issues, the NCSSA was repealed and replaced by the NPSA in 2014.

The principal objectives of the NPSA are to provide for (i) a framework for the authorisation of payment, clearing and settlement systems, (ii) licensing of payment service providers in order to ensure that such institutions operate within a regulated environment and (iii) the Central Bank to have the necessary powers to effectively carry out its oversight functions.

The NPSA further aims to reduce inefficiencies and potential risks in the payment infrastructure, mainly by promoting soundness, safety, efficiency and competitiveness of the country's NPS. Moreover, the NPSA seeks to combat liquidity, credit, counter-party, legal, systemic, operational and other risks affecting the reliability of the NPS.

2.2 National Payment Council (NPC)

The NPC was introduced in 2008 and its core objective is to discuss on strategies for modernisation and development of the NPS. The NPC is chaired by the Governor of the CBS and consists of chief executive officers of commercial banks and SCU. The NPC may invite, if required, other representatives to attend its meetings. It is to be noted however that since its establishment, matters relating to the NPC have been discussed through the Bank Managers' Forum.

2.3 National Payment Taskforce (NPTF)

The NPTF was established in 2008 and acts as an advisory body to the NPC. The NPTF is mainly involved with discussions revolving around the implementation of payment system related projects and surrounding issues and is also responsible for making recommendations to the NPC on such matters. The Second Deputy Governor



chairs the meetings which are attended by operational managers of commercial banks and SCU.

2.4 Payment Systems Division (PSD) of the CBS

PSD is responsible for the oversight of payment systems in Seychelles. In addition to providing the legal framework to promote safety, soundness and reliability in payment systems, PSD is also responsible through ongoing oversight activities for identifying potential risks in the design and operation of the payment systems and taking appropriate steps to minimise these risks. PSD also acts as secretariat to the NPC and the NPTF.



3. STRATEGIC FOCUS AREAS OF THE NPS VISION AND STRATEGY 2020

The NPS Vision and Strategy 2020 comes at a time when payment systems have generated much interest across the financial sector due to increasing pressure from businesses and the general public for a safer, faster and more cost-effective payment delivery.

The NPS Vision and Strategy 2020 contains seven strategic focus areas, which are briefly outlined as follows:

- a) ***Oversight of the National Payment System.*** This strategic focus area entails developing regulations and guidelines and putting in place the necessary arrangements to ensure that oversight is carried out effectively and efficiently. This would include aspects such as:
 - i. Ensuring the stability and reliability of payment systems through a risk based oversight approach;
 - ii. A feasibility study to assess outsourcing some of the various payment systems operations and activities that are currently being undertaken by CBS;
 - iii. Issue Regulations for consumer protection in relation to the provision of payment services;
 - iv. Issue Regulations to provide guidance for electronic money;
 - v. Issue Regulations for issues surrounding payment services such as but not limited to internet banking and security of ATMs/PoSs;
 - vi. Ensure that all system operators put in place system operating rules that address at the minimum finality of payments and failure to settle arrangements.
- b) ***Access and participation in the NPS.*** This strategic focus area has as objective to enable access to the NPS, thereby promoting financial inclusion. This would include:



- i. Enabling provisions for the accessibility of new types of participants in the NPS;
 - ii. Develop a detailed regulatory framework for overseeing non-bank payment service providers;
 - iii. Develop conducive regulatory framework for the introduction of innovative products;
 - iv. Establish appropriate forum for representation by non-bank stakeholders in the NPS.
- c) ***NPS technological infrastructure and interoperability.*** This strategic focus area is necessary to ensure that payments are initiated, processed, switched, cleared and settled in the most safe and efficient manner. This would include:
- i. Feasibility study for the establishment of a local switch for switching of payment streams, such as Automated Teller Machine (ATM) and Point of Sale (PoS) local transactions.
 - ii. Feasibility study for the establishment of a Real Time Gross Settlement (RTGS) system to provide for a centralised real time settlement system coupled with Delivery versus Payment (DvP).
 - iii. Feasibility study for the establishment of a Central Securities Depository (CSD) to permit synchronised payment and transfer of securities.
- d) ***Business Continuity and Crisis Management.*** This strategic focus area will be to ensure that all participants in the NPS have well-defined business continuity strategy including crisis management procedures to hedge against any disruptions. The focus area will emphasise that:
- i. All participants in the NPS have well-defined business continuity plans aiming at the recovery and resumption of critical functions within the same settlement date;
 - ii. A well-structured crisis management procedure for the industry is established and tested at least once every two years.
- e) ***Increased use of electronic means of payments.*** This strategic focus area will be to promote, encourage and provide opportunities for the use of



affordable electronic means of making payments, including Government services. The aim is to:

- i. Improve the ability of payment system users to make and receive payments in a safe, convenient, timely and affordable manner;
- ii. Set out the context of the country's remittance market against the Principles for International Remittance Services with the view to improving the remittance market;
- iii. Promote the use of direct debits as a secure payment mechanism for making recurring payments;
- iv. Provide a thrust to automate the procedure for salary processing at a national level;
- v. Promote for more Government payments to be effected through electronic payment channels.

f) ***Financial Inclusion and Consumer Education/Protection.*** This strategic focus area will be to further contribute towards greater financial inclusion including addressing aspects such as consumer education and consumer protection. The strategic objective is to:

- i. Implement a national financial inclusion strategy inclusive of a comprehensive financial training, education and literacy program;
- ii. Enhance transparency of the terms and conditions of payment services, including pricing for payment system users to make informed choices;
- iii. Have clear complaints handling procedures in place, including dispute resolution mechanism for payment system users;
- iv. Develop mechanisms through which payment system users may be compensated when necessary.

g) ***Regional participation in payment system initiatives.*** This strategic focus area requires Seychelles to participate in regional payment, clearing and settlement initiatives with the view to facilitate regional trade and economic development. Therefore the objective is to play a greater role in the regional payment system integration initiatives.



4. THE NPS VISION AND MISSION

The 2020 NPS Vision is ***“to attain a safe, efficient and harmonised NPS that meets domestic and international requirements and effectively contribute towards Seychelles’ financial stability”***.

The mission of the NPS is ***“to ensure that the NPS is safe, efficient, interoperable, inclusive and innovative”***.

To ensure that the NPS vision and mission are achieved, it is envisioned that all payment systems in Seychelles contain the following attributes:

- **Efficiency.** Payment systems shall be responsive and timely in relation to confirmation/validation of payment transactions.
- **Convenience.** Payment systems shall be easily accessible and used by consumers.
- **Reliability.** Participants in the NPS shall ensure that transactions are completed and executed in a timely manner.
- **Security.** Participants in the NPS shall ensure that their systems are secure and operate in a safe manner so as not to introduce systemic risks to the payment systems as a whole.



5. OVERSIGHT OF THE NPS

The oversight of payment systems is focused on the efficiency and safety of payment systems. In the oversight of the payment system, cognisance is taken of other legislations that may affect the payment systems as well as international oversight developments that could impact on the domestic payment system.

5.1 Oversight Vision

To adopt internationally recognised principles and put in place the necessary structures to ensure that oversight is carried out effectively and efficiently.

5.2 CBS in its capacity as Overseer

CBS will perform its oversight functions in accordance with the NPSA and will ensure compliance with international standards and best practices.

5.3 CBS in its capacity as Systems Operator

CBS will operate systems in accordance to its mandate as provided for within the ambit of the NPSA and will ensure compliance with international standards and adherence to the system rules. Nonetheless, in its pursuit to have an efficient NPS that is in line with international best practices, CBS will conduct a feasibility study to assess the possibility for it to outsource the responsibility for the management of some of the various payment systems operations and activities that are currently being undertaken by CBS.

5.4 Strategic Objectives

- 1) **Risk based oversight approach** - Ensure the stability and reliability of payment systems by identifying, preventing and mitigation of potential risks through a risk based oversight approach;
- 2) **Enhance safety and soundness of participants** - CBS will issue regulations to ensure that standards are put in place for the ongoing oversight of payment system participants;



3) Enhancing regulatory framework:

- a. Issue Regulations to provide guidance for electronic money;
- b. Further enhance and harmonise the NPSA with other domestic laws as well as international best practices;

- 4) **Outsourcing of payment systems operations** - Conduct research/feasibility study to outsource some of the various payment systems operations and activities that is currently being undertaken by CBS;
- 5) **Consumer protection** - Issue Regulations for consumer protection in relation to the provision of payment services;
- 6) **Enhance Standards and Security of Payment services/instruments** - Issue Regulations for issues surrounding payment services such as but not limited to internet banking and security of ATMs/PoSs;
- 7) **Netting arrangements** - Ensure that netting arrangements at all levels in the NPS are legally recognised;
- 8) **Compliance with international standards** - Enhance compliance with international oversight standards such as the CPMI-IOSCO Principles for Financial Market Infrastructures (PFMI);
- 9) **Capacity building** - Ensure availability of competent resources to discharge their respective responsibilities effectively through ongoing capacity building;
- 10) **Finality of payments and failure to settle arrangements** - Ensure that all system operators put in place system operating rules that address at the minimum finality of payments and failure to settle arrangements;
- 11) **Enhancing rules of systems** - Ensure the transparency of the operating rules of payment systems, as well as of the rights and obligations of systems' participants, system operators, payment service providers and users.

5.5 Critical Success Factors

- Feasibility study on outsourcing some of the payment systems operations and activities currently being undertaken by CBS;
- Effective risk based oversight framework;



- Enhanced and harmonised legal framework;
- Publications of regulations affecting the provision of payment services;
- System operating rules in place and adhered to;
- Recognition of netting arrangements at all levels of the NPS;
- Enhanced public confidence in payment instruments;
- Compliance with international principles and other accepted practices.



6. ACCESS AND PARTICIPATION IN THE NPS

Promoting wider access to payment services is a critical element in the NPS to allow for wider access to payment systems by consumers. This is often achieved through innovative payment services such as mobile payments.

6.1 Vision for Access and Participation

To increase access and participation in the NPS to new participants whilst not compromising the safety and efficiency of the payment system.

6.2 Strategic Objectives

- 1) Increase the accessibility of the payment system to new types of participants;
- 2) Develop conducive regulatory framework for the introduction of innovative products;
- 3) Disclose entry criteria and other regulatory requirements for participants;
- 4) Establish appropriate forum for representation by non-bank stakeholders in the NPS for consultation on a strategic and operational level of the NPS.

6.3 Critical Success Factors

- Clear entry criteria and regulatory requirements for payment system participants;
- Introduction of innovative products;
- Appropriate forum for representation by non-bank stakeholders.



7. NPS TECHNOLOGICAL INFRASTRUCTURE AND INTEROPERABILITY

The NPS infrastructure and related technology form the backbone of payment systems. It is the NPS technological infrastructure that will pave the future of the Seychelles NPS. A future where real-time payment mechanism and more innovative payment instruments is paramount to allow for participants in the NPS to better manage their operations and investments.

7.1 NPS Technological Infrastructure and Interoperability Vision

To define, develop and establish an appropriate payment infrastructure that will optimise the NPS through a more real-time, cost-effective, secure and efficient service offering.

7.2 Strategic objectives

- 1) Ensure that all participants make provision for Straight Through Processing (STP) of SEFT;
- 2) **Establishment of a local switch;**
 - a. Undertake a feasibility study for the establishment of a local switch to clear domestic financial transactions of ATM and PoS and others such as mobile, etc....transactions in local currency;
 - b. Establish a local switch to clear domestic financial transactions subject to the findings of the feasibility study;
- 3) Adopt an International Bank Account Number (IBAN);
- 4) **Establishment of a CSD:**
 - a. Undertake a feasibility study for the implementation of a dematerialised CSD in order to allow for delivery-versus-payment (DvP) securities transactions;
 - b. Implement a CSD for securities transactions subject to the findings of the feasibility study;
- 5) **Establishment of an RTGS:**
 - a. Undertake a feasibility study for the implementation of an RTGS to accommodate for time sensitive and high value payments;



- b. Implement an RTGS for high value payments subject to the findings of the above feasibility;
- 6) Implement standardisation and interoperability in the mobile banking and mobile payments sphere;
- 7) Make available payment and management information, including clearing and settlement information in real-time.

7.3 Critical Success Factors

- Availability of real time payment, clearing and settlement information;
- Adoption of an IBAN;
- Standardisation and interoperability in the mobile banking and mobile payments sphere;
- Integration to allow for STP;
- Implementation of a local switch to clear domestic financial transactions in local currency subject to feasibility findings;
- Implementation of a dematerialised CSD subject to feasibility findings;
- Implementation of an RTGS for high value payments subject to feasibility findings.



8. BUSINESS CONTINUITY AND CRISIS MANAGEMENT

In the light of the vulnerabilities revealed by events such as the 2008 financial turmoil and terrorist attacks, crisis management and business continuity have been reconsidered. Given the nature of the financial system, it is argued that there is the need for coordination of business continuity policies and crisis management.

8.1 Vision for Business Continuity and Crisis Management

To have in place business continuity policies and crisis management procedure to hedge against any disruptions.

8.2 Strategic Objectives

- 1) All participants in the NPS should have well-defined business continuity plans aiming at the recovery and resumption of critical functions within the same settlement date;
- 2) All participants in the NPS should have an alternate site which has the same critical infrastructure components used by the primary site;
- 3) To establish a well-structured crisis management procedure for the industry;
- 4) Facilitate and coordinate industry wide testing of the crisis management procedures at least once every two years.

8.3 Critical Success Factors

- All participants in the NPS have well-defined business continuity plans whereby each aspect is regularly tested, reviewed and updated;
- Establish industry wide crisis management procedure.



9. INCREASED USE OF ELECTRONIC MEANS FOR PAYMENTS

CBS will continue to actively engage with all stakeholders in promoting affordable and convenient electronic means for payments aiming at increasing the use of electronic payment facilities.

9.1 Vision for increased use of electronic means for payments

To integrate payment mechanisms into the broader NPS framework, with the view to providing an increased and more affordable use of electronic means for making payments, including international money remittances.

9.2 Strategic Objectives

1) Improving remittance market:

- a. Set out the context of the country's remittance market against the CPSS-World Bank General Principles for International Remittance Services with the view to improving the remittance market;
- b. Implement recommendations of the study;

2) Provide a thrust to automate the procedure for salary processing at a national level;

3) Improving Government Payments:

- a. Undertake a diagnostic study of Government Payments processes against the World Bank General Guidelines For The Development Of Government Payment Programs;
- b. Implement recommendations of the study;
- c. Promote for more Government payments to be effected through electronic payment channels;

4) Encourage internet-based payment instruments which conform to internationally accepted standards;

5) Emphasise on implementation of electronic payment facilities for Person to Business payments such as utility bill payments;



6) Promote the principle of “credit push” facilities¹ as the preferred method of payment:

- a. Start putting in place policies to move away from Debit pull mechanisms such as Cheques

7) **Promoting the use of Direct Debits:**

- a. Undertake a feasibility study for the implementation of direct debits² platforms as secure payment mechanisms for making recurring payments;
- b. Put in place necessary legal framework and consumer protection measures for the use of Direct Debit.

9.3 Critical Success Factors

- Appropriate mechanisms in place to facilitate the deployment of modern payment services and practices by Government and the general public at large;
- Increased use of electronic payment facilities by businesses and individuals;
- Automation of salary processing;
- Implementation of electronic payment facilities for payments of utility bills and Government tax payments;
- Government’s migration to additional electronic payment methods.

¹ Credit push facilities are payment methods that require funds to be “pushed” by the payer to the payee requiring the paying bank to authenticate the customer and confirm the availability of funds to finance the transaction.

² Direct Debit is a pre-authorised debit on the payer’s account initiated by the payee.



10. FINANCIAL INCLUSION AND CONSUMER EDUCATION/PROTECTION

Financial inclusion and consumer education/protection are critical in ensuring that all stakeholders understand the underlying payment system issues. Education and protection of consumers can also serve as a tool for promoting and encouraging more intensive use of electronic means of payments.

10.1 Vision for Financial Inclusion and Consumer Education/Protection.

To have a population that is more financially included vis-à-vis innovative payment systems. To develop consumer education and consumer protection programme.

10.2 Strategic Objectives

- 1) Contribute towards the Consumer protection Act and other regulations, other than the payment services regulations, to support consumer protection:
 - a. Customer complaints procedures for payment services;
 - b. Develop compensation mechanisms relating to services;
- 2) Undertake a survey on the financial literacy of consumers to lead to better designed financial literacy programs;
- 3) Develop a national financial inclusion strategy inclusive of a comprehensive financial training, education and literacy program geared towards financial inclusion and payment system;
- 4) All participants in the NPS shall collaborate to provide adequate training to consumers as well as staff and other stakeholders involved in the provision of payment services.

10.3 Critical Success Factors

- National Financial Inclusion strategy;
- Comprehensive financial training, education and literacy program;
- Regulations to address consumer protection;



- Mechanisms through which payment system users may be compensated;
- Survey on financial literacy of payment system users;
- CBS and all payment service providers engage in capacity building for payment system personnel.



11. REGIONAL PARTICIPATION IN PAYMENT SYSTEM INITIATIVES

At a regional level, cross-border payment, clearing and settlement systems are argued to be paramount in facilitating regional trade and economic development.

11.1 Vision for regional participation in payment system integration initiatives

To participate in the development of a sound payment, clearing and settlement system for the region that in turn will facilitate regional trade and economic development.

11.2 Strategic Objectives

- 1) Play a greater role in the regional payment system integration initiatives:
 - a. SIRESS on-boarding by CBS;
 - b. Encourage the participation of other Commercial banks in SIRESS;

11.3 Critical Success Factors

- Participation in regional payment system initiatives.

