

Proclamation No. ____/2022

National Payment System (amendment) Proclamation

Whereas, it has become necessary to amend the National Payment System proclamation No. 718/2011 to enhance the regulatory framework for new developments, changes and innovations in the National Payment System;

Now, therefore, in accordance with Article 55 (1) of the Constitution of the Federal Democratic Republic of Ethiopia, it is hereby proclaimed as follows:

1. Short Title

This Proclamation may be cited as the “National Payment System (Amendment) Proclamation No/2022”.

2. Amendment

The National Payment System Proclamation No. 718/2011 is hereby amended as follows:

1/ Sub-article (4),(12), (18), and (20) of Article 2 of the Proclamation is deleted and replaced by the following new sub article(4),(12), (18), and (20) :

“(4) “central security depository for government securities” means a system:-

- a) where government securities are immobilized or dematerialized and held in the government custody by, or registered in the name of government for depositors and dealing in respect of government securities are effected by means of entries in the securities accounts without the physical delivery of certificates; or
- b) which permits or facilitates the registration, clearing and settlement of government securities transactions or dealings in securities without the physical delivery of certificates;”

“12/ “financial institution” means a bank, a micro finance institution, an insurance company, a re-insurer, a payment instrument issuer, a payment system operator a money

transfer institution, a postal saving or such other similar institution as determined by the National Bank;

18/ “operator” means the National Bank, a financial institution, or any other company licensed or authorized by the National Bank to establish and operate a payment system including routing, matching, clearing, netting, and settlement of payment instructions or government securities;

20/ “payment instrument” means any instrument, whether tangible or intangible which is issued against the receipt of fund equivalent in Ethiopian Birr, that enables a person to obtain money, goods or services or to otherwise make payments which include electronic money and cards ;

2/ The following new sub-articles (29),(30),(31),(32),(33) and(34) are added following sub-article (28) of Article 2 of the Proclamation and the existing sub-article (29) is re-numbered as sub-article (35) :

“29/ "foreign currency" means any currency other than Ethiopian legal tender which is legal tender in any country outside Ethiopia as to which the National Bank has declared to be acceptable for payment in Ethiopia;

30/ “company” means a share company as defined under the Commercial Code of Ethiopia and registered under the laws of, and having its head office in Ethiopia;

31/ “Electronic Money “ means monetary value as represented by a claim on its issuer, that is electronically stored in an instrument or electronic equipment, issued against receipt of fund equivalent in Ethiopian Birr, accepted as means of payment by persons other than the issuer and can be redeemed in cash.

32/ “foreign national” means a person who is not an Ethiopian national;

33/“subsidiary” means a business organization as defined under the Commercial Code of Ethiopia controlled by a telecom operator, a payment instrument issuer or a payment system operator and registered under the laws of, and having its head office in Ethiopia;

34/ “payment instrument issuer” means a company or a government owned enterprise licensed by the National Bank or a bank or a microfinance institution authorized by the National Bank to issue payment instruments;”

3/. Paragraphs (b) sub-article (1) of Article 4 of the Proclamation is deleted and replaced by the following new paragraphs (b);

“b/ central security depository for government securities;”

4/ Paragraphs (b) and (d) of sub-article (2) of Article 4 of the Proclamation is deleted and replaced by the following new paragraphs (a) and (d);

“a) license or authorize:

- I. a payment system operator; and
- II. a payment instrument issuer;”

“d) prescribe to participants, payment instrument issuer and operators by directive on

- I. investments in relation to building system infrastructure and system interoperability;
- II. cost sharing;
- III. charges for the service they provide;
- IV. maximum limits on electronic account balance, transaction and cash withdrawal at agent and electronic equipment.”

5/ Article 5 of the Proclamation is deleted and replaced by the following new Article 5:

“5. Licensing, Authorization and Prohibition

“1/ no person except the National Bank may be an operator or issuer of payment instrument unless such person is licensed or authorized by the National Bank.

2/ The Ethiopian Postal Service Enterprise, in its financial services activities as regulated by Council of Ministers Regulation No. 165/2009, shall be subject to the duty of obtaining an authorization and to any oversight requirements imposed by the National Bank under this Proclamation.

3/ Without the prior written approval of the National Bank, no operator or payment instrument issuer may:

- (a) introduce new system or issue new payment instrument;
- (b) merge with or take over a system of another operator;
- (c) enter into any arrangement or agreement for the sale or disposal, by amalgamation or otherwise, of its business, or effect major changes in its line of business;
- (d) redeem its own shares or effect a reduction of its capital other than through reduction due to operating losses;
- (e) amend its memorandum of association; or
- (f) alter the name under which it is authorized to operate a system.

4/ The National Bank may prohibit in writing , an operator or payment instrument issuer from operating any system or issuing payment instrument where:

- a) the system or payment instrument is detrimental to the reliable, safe, efficient and smooth operation of the national payment system; or
- b) the prohibition is otherwise in the interest of the public.

5/ A payment instrument issuer or payment system operator shall always apply prevention and suppression of money laundering and financing of terrorism laws of the country.”

6/Article 6 of the Proclamation is deleted and replaced by the following new Article 6:

“ **6. Application for license or Authorization**

- 1/ Application for license to be a payment instrument issuer or payment system operator shall be submitted to the National Bank.
- 2/ a bank or a microfinance institution shall submit application for authorization to the National Bank to issue payment instruments.
- 3/ a business organization other than financial institution and government owned enterprise intending to be licensed as a payment instrument issuer or a payment system operator shall establish a subsidiary exclusively for the purpose.
- 4/ the National Bank may prescribe by a directive conditions in relation to establishment of a subsidiary.

- 5/ a government owned enterprise shall have a specific regulation issued by the council of ministers that allows the enterprise to engage in a payment instrument issuer or a payment system operator business.
- 6/ An applicant for payment instrument issuer and payment system operator shall fulfill minimum paid up capital as may be prescribed by the National Bank directive.
- 7/ Foreign nationals may be allowed to engage in a payment instrument issuer or a payment system operator business; or establish a subsidiary which shall be licensed as a payment instrument issuer or payment system operator.
- 8/ Foreign Nationals and Ethiopian organizations fully owned by foreign nationals shall engage in a payment instrument issuer and/or payment system operator business through raising capital fully paid in foreign currency.
- 9/ Notwithstanding sub-article 8 of this article, Ethiopian organizations partially owned by foreign nationals shall, according to aggregate percentage holding by foreign nationals as may be prescribed by the National Bank directive, invest in a payment instrument issuer or payment system operator business in an acceptable foreign currency.
- 10/ the National Bank may prescribe by a directive conditions in relation to employment of expats, outsourcing and relationship between parent company and subsidiary of a payment instrument issuer or a payment system operator fully or partially owned by foreign nationals.”
- 11/ an applicant for license or authorization shall pay licensing or authorization fee as may be prescribed by the National Bank directive.
- 12/ notwithstanding sub article 11 of this article a new foreign entrant in to the payment instrument issuer or payment system operator business may be required to pay additional fee in foreign currency for joining protected sector as may be prescribed by the National Bank directive.
- 13/ After the receipt of application, the National Bank may make such inquiries as it may consider necessary for the purpose of satisfying itself about the genuineness of the particulars furnished by the applicant, his capacity to operate a system, the credentials of the participants of the applicant’s system and any other matter related to the application

14/ The National Bank may, if satisfied, after an inquiry under sub-article (13) of this Article, that the application is complete and conforms to the provisions of this Proclamation and directives issued by the Bank, issue an authorization for operating the system under this Proclamation having regard to the following considerations:

- (a) the need for the proposed system or the service proposed to be undertaken by the operator or payment instrument issuer;
- (b) the technical standards or the design of the proposed system;
- (c) the terms and conditions of operation of the proposed system, including any security procedure;
- (d) the manner in which transfers may be effected within the system, including specifications on clearing and netting procedures;
- (e) the financial status, experience of management and integrity of the applicant;
- (f) interests of consumers, including the terms and conditions governing their relationship with operators or payment instrument issuer, when relevant;
- (g) the impact on monetary and credit policies; and
- (h) such other factors as it may consider relevant in relation to the national payment system

15/ The National Bank shall respond to the application submitted in accordance with sub-article (1) of this Article within 60 days of submission of all required information.

16/ The National Bank may prescribe by directive information to be submitted by the applicant and other conditions required for licensing or authorization.”

7/ The new Articles 32 to 35 are added after Article 31 of the Proclamation; and the existing Articles 32 to 39 of the Proclamation are renumbered as Articles 36 to 44:

“32. Activities of Payment Instrument issuer and Payment System Operator

1/ Upon a written approval of the National Bank, a payment instrument issuer may facilitate the provision of micro credit including overdraft, micro saving, micro insurance, inward international remittance or any other related services digitally in partnership with financial institution licensed by the National Bank.

2/ The National Bank may provide by directive minimum requirements and conditions to provide facilitation service stated under sub article 1 of this article.

33. Cross – border Payments

- 1/ No person other than the National Bank shall enter into any operational or system arrangement for the purpose of routing, clearing, settlement, participation and management of cross – border payments without the written authorization of the National Bank.
- 2/ The National Bank may issue a directive on issues related to the operation, routing, clearing, settlement, participation and management of cross – border payments.

34. Cooperation and Collaboration with Local, Regional and International Regulatory Authorities

The National Bank may collaborate with relevant domestic, regional and international regulatory bodies for information exchange and coordinated oversight of the payment system with the prime objective of ensuring the safety and efficiency of the national payment system. Such collaboration shall include protection of confidential information.

35. Adopting Relevant International Payment Systems Principles and Standards

The National Bank may issue a directive to adopt relevant international principles and standards on payment systems to enhance the safety, efficiency and reliability of the national payment system.”

36 Applicable Provisions

Provisions of Articles 7, 8,9,11,18 and 26 of the Proclamation shall, mutatis mutandis, apply to a licensed or authorized payment instrument issuer.”

3. Effective Date

This Proclamation shall enter into force up on the date of publication in the Federal Negarit Gazette.

Done at Addis Ababa, this ...the day... /2022.

SAHLEWORK ZEWDE

PRESIDENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA