

OVERVIEW OF TURNOVER IN VARIOUS PAYMENT SYSTEMS¹

There was a slow down in the overall daily turnover for both transaction values and volumes in the payments industry during January 2014. Total daily transaction value decreased by 13.0% to K30.8 billion from K35.3 billion in December 2013 (Table 1). Similarly, the total daily transaction volume declined by 1.9% to 246,135 from 250,807 during the same period. The drop in payments activity was across all systems, except for bank-led and MNO-led mobile banking which registered some 74.5 percent and 21 percent growth in transaction values, respectively. The slow down in overall payments is a reflection of the seasonal nature of the country's economic activity whereas the outturn for mobile banking shows the growing popularity of mobile banking for utility bill payments.

Table 1: Daily Payment Systems Turnover

System Type	DECEMBER 2013		JANUARY 2014		% Val. Share
	Vol.	Val (K'mn)	Vol.	Val (K'mn)	
MITASS (FSIs)	820	24,799.2	747	21,308.0	69.3
ECCH	7,189	9,145.1	6,557	8,143.1	26.5
ATMs	65,222	932.2	55,035	825.7	2.7
Internet Banking	818	301	787	278	0.9
Bank-Led Mobile Banking	19,931	22.7	19,630	39.6	0.1
MNO-Led Mobile Payments	156,068	117.4	162,861	142.0	0.5
POS	759	15.9	515	13.6	0.04
TOTAL	250,807	35,333.3	246,135	30,750.1	100

Source: Reserve Bank of Malawi

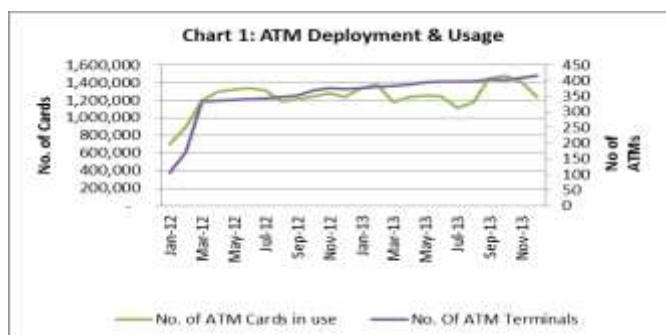
STABILITY OF THE FINANCIAL INFRASTRUCTURE

Critical payments infrastructure (i.e., MITASS and ECCH) was generally stable during the period under review as no major operational disruptions were reported. The financial system was therefore able to settle transactions in a smooth and orderly manner. However, one of the MNOs reported a major system outage for their mobile money service which lasted from 18 to 26 February 2014. A full report on the circumstances that led to the service outage will be made available to RBM once investigations are complete.

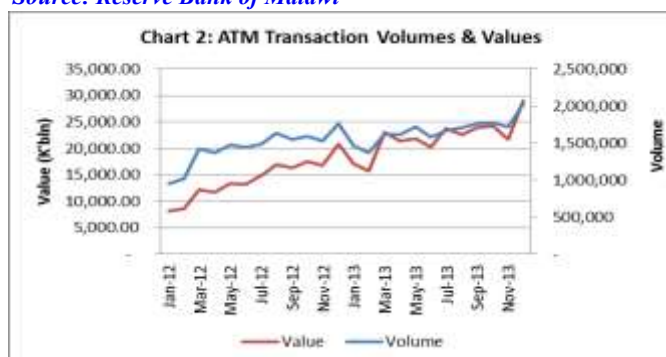
RETAIL ELECTRONIC PAYMENTS PERFORMANCE IN 2013

As the data would suggest, the deployment of retail electronic payments was low in 2013. As Chart 1 shows, there was little or no growth in the number of ATMs and ATM cards, translating into fewer than 5 ATMs per 100,000 adults and just over 12,800 ATM cards per 100,000 adults. However, volumes and values of ATM transactions have shown some growth over the past year (Chart 2). The data on POS terminals also shows a slow trend in growth. While there has been a slight increase in the number of POS terminals from 688 as at end 2012 to 765 as at end 2013, there has been no corresponding increase in the volume of transactions (Chart 3). Though the number of internet banking and bank-based mobile banking indicate some growth, there were only about 250 subscribers per 100,000 adults and 2,940 mobile banking subscribers per 100,000 adults. As expected, the average value of internet banking is

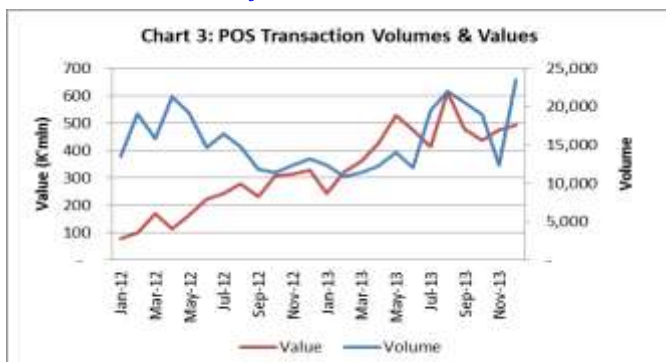
high since the data includes corporate subscribers. On the other hand, mobile banking has low average value because it is mostly used by individuals due to low transaction limits.



Source: Reserve Bank of Malawi



Source: Reserve Bank of Malawi



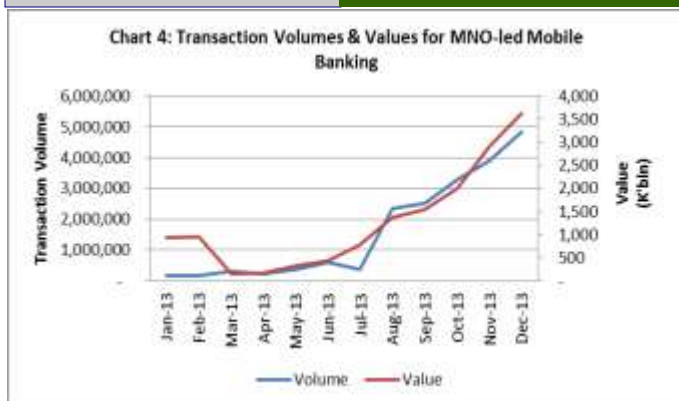
Source: Reserve Bank of Malawi

Turning to MNO-led mobile payments, Chart 4 shows that there has been an increase in the volume and value of transactions, although the number of active subscribers is low. However, the data shows stronger trends since April 2013 in average monthly transaction volumes and values per customers due to the increased usage of the service for bill payments.

In view of the above slow trends in the performance of retail electronic payments, RBM intends to intensify public awareness activities in 2014 to promote uptake and usage of electronic payments by the general public. This will be done in collaboration with key stakeholders such as MNOs, commercial banks and the Mobile Money Coordinating Group (MMCG) which has wide membership, including donors and Government. Major national payments infrastructure modernization efforts by RBM in 2014 are also expected to play a key role in the promotion of electronic payments in the country.

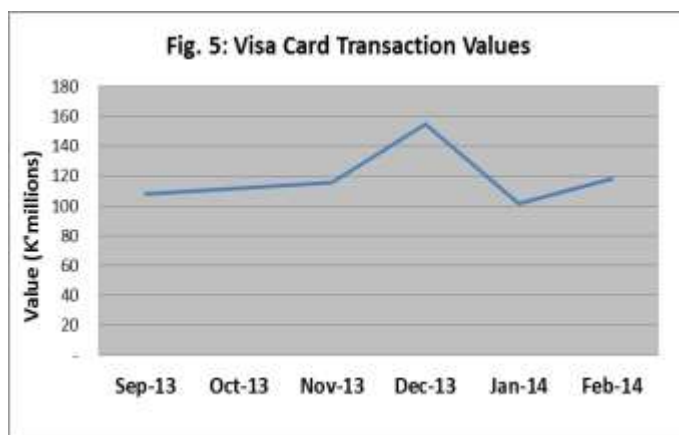
Footnotes:

1. There is a one month lag for data on retail electronic payments due to delays in submission of data by banks & MNOs



Source: Reserve Bank of Malawi

In terms of interoperable retail payment services, the total transaction value for the VISA National Net Settlement System (NNSS) rebounded by 16.2 percent in February 2014 to K117.9 million (Chart 5). The increase reflects seasonality of economic activity in the country.



Source: Reserve Bank of Malawi

UPDATE ON NATIONAL PAYMENTS SYSTEM PROJECTS & ACTIVITIES

FSTAP Projects

The first phase of the ATS & CSD Project implementation which commenced in January 2014 was concluded in February 2014. The main objective of this implementation phase was for Montran to configure the system's software and prepare a testbed for testing the system. Montran also met key stakeholders in order to resolve outstanding issues from the Inception report (IR). The following are the main achievements made as of February 2014:

- ATS software application was successfully installed
- Testbed testing was successfully done
- SWIFT testing with banks is ready
- SWIFT business assessment for RBM was successfully completed
- Outstanding issues on MRA integration to the ATS were clarified

SADC Integrated Regional Electronic Settlement System (SIRESS)

A SIRESS Workshop was held from 13 to 14 February 2014. The focus of the workshop was on technical and business readiness for implementation of SIRESS in Malawi which is expected to go live in 2014. Participants to the workshop included RBM and commercial banks and was facilitated by SADC Payments Systems Project Team based in South Africa.

The Workshop agreed that the following main activities should be undertaken before SIRESS is implemented in Malawi:

- SIRESS Testing Plan for RBM should be drawn once SADC provides the user manual
- RBM should sign Stakeholders Agreement & Memorandum of Understanding (MOU) with South African Reserve Bank (SARB) as SIRESS Operator.
- Commercial banks which are ready to join SIRESS should sign the Stakeholders Agreement and MOU with SARB.