



IMPLEMENTATION OF AN AUTOMATED TRANSFER SYSTEM AND THE CENTRAL SECURITIES DEPOSITORY

Background

The Reserve Bank of Malawi (RBM), under the World Bank supported Financial Sector Technical Assistance Project (FSTAP) is implementing an Automated Transfer System (ATS) and the Central Securities Depository (CSD). The ATS will replace the existing real time gross settlement (RTGS) system and the Electronic Cheque Clearing House (ECCH) which have been operational since 2002 and 2005 respectively. The ATS, which is being installed by Montran Corporation, will replace the existing RTGS and ECCH solution supplied by Perago Financial System Enablers and Sybrin in 2002 and 2005 respectively.

The CSD is a new facility that will dematerialize and create an electronic register and transfer system for Government as well as RBM financial instruments. The main objective of the ATS and CSD is to increase efficiencies in settlement of interbank financial obligations and securities transfers. Both systems will be operational from 1st December 2014.

The ATS

The ATS is an integrated interbank funds transfer system which combines features of an RTGS and an automated clearing house (ACH). The RTGS component of the ATS enables high-value and time critical transactions to be settled in real time on an order by order basis (without netting) while the ACH component provides clearing and netting facilities for a range of low value electronic payments. The ATS will therefore constitute the main system for processing of both high and low value interbank payments in Malawi.

By combining features of an RTGS and ACH onto a single platform, the ATS helps to reduce costs of running two separate systems and interface requirements. Besides cost reduction, the ATS sets the stage for expanded use of other electronic based payment streams like credit transfers and direct debits. The system also enables files of truncated cheques together with their scanned images to be

exchanged among commercial banks in a timely manner. In addition, the open architecture and standards enable banks to easily integrate their in-house systems with the ATS to attain straight through processing (STP) thereby minimising human intervention and delays in processing interbank transactions.

The CSD

In a bid to increase efficiencies in management of Government securities, the RBM is also implementing the CSD under the ATS Project. The CSD will act as a depository for all securities issued by Government of Malawi and the RBM.

The CSD, also being installed by Montran, has an integrated primary trading (auction) module and an application linked to the RTGS function of the ATS to facilitate the electronic settlement of primary issues of Government securities, open market operations of the RBM, intra-day liquidity facilities and inter-bank money market operations among others.

The system is structured around a database containing details of all securities holdings and history and will electronically manage all processes associated with the issue, transfer and payment of Government and RBM securities. The CSD will be fully integrated with the RTGS component of the ATS for effecting final settlement of all securities related transactions thereby attaining delivery versus payment (DVP).

Thus all manual processes associated with securities including production of physical certificates will be discontinued under the CSD. A provision will however be made for successful bidders who would still wish to hold a physical certificate although this may not be necessary under the new arrangement. Holders of physical certificates obtained prior to 1st December 2014 are nevertheless advised to retain the same until the maturity date as these will not be initially included in the CSD.