

ZAMBIA ELECTRONIC CLEARING HOUSE LIMITED

NATIONAL FINANCIAL SWITCH Electronic Money Payments Rules

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Table of Contents

1 INTRODUCTION 2

2 TITLE 2

3 DEFINITIONS 2

4 APPLICATION OF RULES 6

5 ADMINISTRATION OF THE RULES 6

6 AMENDMENTS TO THE RULES 6

7 GOVERNING LAW 6

8 FUNCTIONS OF THE NFS 6

9 APPLICATION FOR PARTICIPATION ON THE NFS 6

10 GENERAL REQUIREMENTS FOR PARTICIPATION ON THE NFS 6

11 NETWORK AND OPERATIONAL REQUIREMENTS 7

12 BUSINESS CONTINUITY AND DISASTER RECOVERY 7

13 SERVICE LEVEL AGREEMENTS 7

14 CONFIDENTIALITY 8

15 COMPLIANCE 8

16 SUSPENSION OF A PARTICIPANT 9

17 IMPOSITION OF CONDITIONS TO PARTICIPATION 9

18 TERMINATION 9

19 ROLES, RIGHTS AND OBLIGATIONS OF STAKEHOLDERS ON THE NFS 10

20 DISPUTE RESOLUTION 13

21 OPERATIONS 13

22 GENERAL OPERATING STANDARDS AND PROCEDURES 14

23 DATA PROTECTION 14

24 FEES AND CHARGES 14

25 RISK MANAGEMENT AND SECURITY 15

26 CHANGE MANAGEMENT 16

Schedule 1 – Cut-over and Settlement 18

Schedule 2 – NFS/ZECHL Manual of Fees and Charges 19

Appendix I - Application Form for Joining the National Financial Switch 20

1 INTRODUCTION

The introduction of electronic commerce and particularly the wide usage of mobile technologies in Zambia, lays a foundation for the introduction of electronic products and services that enable person to person (P2P), person to bank (P2B), and Government to bank (G2B) payments. These products are available among the urban as well as rural populace.

To ensure players in the e-money payments sector participate in a fair, co-operative and legal environment, the Zambia Electronic Clearing House Limited, in consultation with the e-money payment participants, has developed this document which provides a framework on which participants will operate. The document must be read and interpreted alongside other applicable laws for payment systems.

2 TITLE

These rules shall be cited as the National Financial Switch Electronic Money Payments Rules, 2020.

3 DEFINITIONS

In these rules, unless the context otherwise requires, the following shall mean:

3.1 Acquirer

Financial service provider or any other duly authorized person that enables customers to withdraw cash or access a service at acceptance devices including but not limited to Mobile, ATMs and POS devices.

3.2 Acquirer Identification

A unique feature used to identify the Acquirer on the NFS as assigned by the ZECH.

3.3 Acquired Transaction

A transaction generated from a device of a designated participant and sent to the issuing participant through the NFS.

3.4 Penalty fee

A fee charged by ZECHL when a participant is in breach of these rules.

3.5 Automated Teller Machine (ATM)

An electromechanical device that allows authorised users to withdraw cash from their accounts and/or access other services.

3.6 Authorisation

Confirmation given by the Issuer that funds, to the amount of the Transaction, will be made available to the Acquirer.

3.7 Business Day

The period between two cut-overs (start-of-day and end-of-day).

3.8 Card

A device issued to the customer by an e-money issuer and may be linked to an e-wallet that is used by its holder to pay for goods and services, withdraw money or perform other transactions.

3.9 Customer

A person or entity who uses the services of a participating institution.

3.10 Certification

Process of verifying that an applicant or participant meets the prescribed industry standards for products, services and devices.

3.11 Dispute Management System (DMS)

An automated notification system with which the filing participant of NFS can notify the receiving participant and ZECHL of a disputed Transaction.

3.12 Clearing

The process of transmitting, reconciling and confirming net settlement obligations.

3.13 Cut-over

The deadline set by the NFS system for the acceptance of transactions for a given business day.

3.14 Domestic Transaction

A transaction between an acquirer and issuer who are both domiciled in Zambia.

3.15 Electronic Wallet (E-wallet)

An electronic device on which a customer holds electronic monetary value.

3.16 Electronic Money

Shall have the meaning as described in the National Payment Systems Directives on electronic money issuance.

3.17 Electronic Money Institution

Shall have the meaning as described in the National Payment Systems Directives on electronic money issuance.

3.18 Failure To Settle (FTS)

The inability to settle a settlement obligation by a participant as stipulated in these rules.

3.19 Financial Service Provider

An entity designated by the Bank of Zambia to provide payment system services.

3.20 Interchange Fee

A transaction fee payable between the Acquirer and the Issuer of the e-wallet.

3.21 Issuer

A financial service provider or any other duly authorized person that issues an account which may be a bank account or a mobile account.

3.22 Agent/Merchant

A person or entity appointed by an e-money institution to provide certain e-money related services on its behalf.

3.23 Net Settlement Position

The balance arrived at (Net Credit or Net Debit), after offsetting all acquired transactions for a participant, against all issued transactions in respect of a designated net settlement session/cycle.

3.24 Participant

An entity authorised to participate in the NFS.

3.25 PIN Entry Device (PED)/Electronic PIN Pad (EPP)

A component of a device which provides for the secure entry and encryption of the PIN in processing a Transaction.

3.26 Personal Identification Number (PIN)

A personal and confidential numerical code used to authenticate a customer in an ATM, E-Money or POS transaction.

3.27 Off-us transaction

A transaction performed by a Customer on a participant's network that is different from where their e-wallet account is held.

3.28 On-us transaction

A transaction performed by a Customer on a participant's network that is the same as where their e-wallet account is held.

3.29 Settlement

The completion of a transaction by discharging participants' obligations through the transfer of funds.

3.30 Settlement Account

An account held at Bank of Zambia which is used to settle obligations between participants in the payment system.

3.31 Switching Fee

A standard fee charged by ZECH for processing all transactions going through the NFS.

3.32 Settlement Sponsor Bank

A bank through which NFS settlement obligations of a non-bank participant are settled.

3.33 One-Time Password (OTP)

A password that is used to authorise a transaction and is valid for a given period of time.

4 APPLICATION OF RULES

4.1 These Rules shall govern e-money payment operations on the National Financial Switch (NFS) as well as define the roles and responsibilities of the participants and the operators of the system.

4.2 These Rules shall apply to all participants on the e-money switching system.

4.3 Switching Rules

4.3.1 All domestic off-us e-money transactions shall be routed through the NFS.

4.3.2 These rules do not exclude the application of the applicable e-money scheme rules in force at any time, but insofar as the e-money scheme rules are in conflict with these rules, these rules shall prevail.

5 ADMINISTRATION OF THE RULES

5.1 ZECHL shall be responsible for the administration of these rules.

6 AMENDMENTS TO THE RULES

6.1 These Rules may be amended when deemed necessary by ZECHL, in consultation with all participants and relevant regulators. Where these rules have been amended, all participants shall be required to sign-off.

7 GOVERNING LAW

7.1 The items covered by these Rules shall be subject, in all respects, to the Laws of Zambia.

8 FUNCTIONS OF THE NFS

8.1 The National Financial Switch shall:

8.1.1 Switch and clear domestic e-money transactions;

8.1.2 Calculate interchange and billing fees on behalf of participants;

8.1.3 Calculate net settlement positions;

8.1.4 Transmit settlement instructions to the Bank of Zambia for settlement;

8.1.5 Provide a platform for dispute resolution; and

8.1.6 Provide a platform for monitoring suspected fraudulent transactions.

9 APPLICATION FOR PARTICIPATION ON THE NFS

9.1 Persons wishing to participate on the NFS shall apply to ZECHL using NFS Application Form in **Appendix I**.

9.2 An applicant must be designated as a Payment System Participant or licensed to provide financial services by the Bank of Zambia

9.3 An applicant shall be admitted as a participant on the NFS by ZECHL if the applicant:

9.3.1 Has met all the technical requirements specified in Section 9.

9.3.2 Has provided proof of its settlement arrangement with a settlement bank where the applicant is a non-bank.

9.3.3 Meets the prescribed certification standards for all of its relevant NFS infrastructure as required by the relevant regulators.

9.3.4 Meets the Bank of Zambia authorization criteria for participating on the ZIPSS.

9.3.5 Has provided any further evidence of compliance which is reasonably requested by ZECHL.

10 GENERAL REQUIREMENTS FOR PARTICIPATION ON THE NFS

10.1 An entity admitted to participate on the NFS shall ensure that:

- 10.1.1 The devices it uses satisfy applicable technical and security standards.
- 10.1.2 The PIN management system satisfies relevant security requirements.
- 10.1.3 Where relevant, the key loading and transfer devices it uses satisfy applicable security standards.
- 10.1.4 Its interface to the NFS satisfies the standards outlined in the ISO8583 1993 External Interface Specification document.
- 10.1.5 It puts in place measures to adequately mitigate operational risk.
- 10.1.6 It pays the NFS fees as prescribed in the NFS Manual of fees for e-money payments as specified in Schedule II.
- 10.1.7 Any services provided by third parties are provided in conformance with the relevant standards and requirements specified in this document.

11 NETWORK AND OPERATIONAL REQUIREMENTS

- 11.1 All Participants must ensure that they have adequate Business Continuity arrangements in place to deal with any disruptive events.
- 11.2 Each participant is responsible for interconnectivity to the NFS.
- 11.3 All participants shall make provisions to meet the minimum service levels required by ZECHL.
- 11.4 The participant's switch should not add more than a maximum elapsed time through the components of its network to the total processing time of a transaction, as stated in the Service Level Agreement (SLA).
- 11.5 Participants' hosts should respond to a request for Authorisation within a period not exceeding a maximum time specified by ZECHL.
- 11.6 The Participants shall meet and exceed the SLA required by ZECHL. These service levels are detailed in the SLA signed between each Participant and ZECHL.
- 11.7 NFS interoperability links shall be supported 24 hours per day, every day including weekends and holidays. The availability of the participant's systems shall meet or exceed the SLA determined by ZECHL from time to time.
- 11.8 All major disruptive events from any participant must be reported to ZECHL in writing within 24 hours in the format prescribed by ZECHL.
- 11.9 Where a disruptive event occurs at ZECHL, ZECHL shall inform all affected participants of such an event.
- 11.10 Examples of a major disruptive event include but are not limited to:
 - 11.10.1 Failure of or disruption to infrastructure.
 - 11.10.2 Host system failure.
 - 11.10.3 Major communications outage and failure of telecommunications provider to re-route interface traffic.
 - 11.10.4 Loss of primary and/or backup interface links.
 - 11.10.5 A major pandemic or natural disaster that results in the inability to operate the infrastructure.

12 BUSINESS CONTINUITY AND DISASTER RECOVERY

- 12.1 Participants shall ensure that they have Business Continuity Plans (BCP) in place.
- 12.2 The BCP shall provide for uninterrupted business operations and include all the organisational, technical and staffing measures employed in order to:
 - 12.2.1 Ensure the continuation of all business activities in the immediate aftermath of a crisis; and
 - 12.2.2 Gradually ensure the continued operation of all business activities in the event of sustained and severe disruption.
- 12.3 All participants shall be required to carry out at a minimum bi-annual testing of their Business Continuity and Disaster Recovery Plans.
- 12.4 Participants are also responsible for compliance with disaster recovery procedures whenever initiated and/or requested by ZECHL.

13 SERVICE LEVEL AGREEMENTS

13.1 Each participant shall be required to enter into a Service Level Agreement (SLA) with ZECHL. A Participant who fails to meet the requirements set forth in the SLA may be penalised.

14 CONFIDENTIALITY

14.1A Participant shall ensure that any information it receives relating to the NFS is kept confidential and only provided to its employees, legal advisers, auditors and any of its contractors, prospective contractors, consultants or prospective consultants, who have a need to know the information to carry out their roles, and not used or copied except for the purposes of the Rules, subject to an explicit approval from ZECHL.

14.2A Participant's transaction activity reports are confidential and shall not be disclosed to any person or used in any form or format except as permitted by these Rules.

14.3 ZECHL may disclose aggregated data with respect to the volume and value of transactions or any particular type of transaction in line with these Rules.

14.4 ZECHL shall disclose and/ or use confidential information and/or transaction data as follows:

14.4.1 For the benefit of the Participant providing the information.

14.4.2 As required by the Bank of Zambia, a judicial authority or government agency.

14.4.3 For Transaction processing, clearing and settlement.

14.4.4 For resolving /processing claims and/or other forms of disputes.

14.4.5 For protection against, or prevention of actual or potential fraud, unauthorised transactions, claims or other liability.

14.4.6 For Risk Management and compliance with these Rules.

14.4.7 For the preparation of financial and monetary research and studies, statistical reports and analyses.

14.5A Participant shall ensure that they are compliant with applicable laws in Zambia in cases where furnishing or disclosing confidential transaction data is required.

15 COMPLIANCE

15.1A Participant shall comply with all applicable regulatory requirements and requirements that may be issued by ZECHL

15.2 ZECHL may issue requirements with respect to:

15.2.1 Transactions;

15.2.2 Interchange fees;

15.2.3 Switching fees;

15.2.4 Deployed devices;

15.2.5 Settlement of transactions and interchange fees;

15.2.6 Matters related to transactions or interchange fees;

15.2.7 Access to the NFS; and

15.2.8 Any other requirements as may be required for the operation of the NFS.

15.3 Failure to comply:

15.3.1 Where a participant fails to comply, ZECHL may effect the following compliance enforcement processes:

15.3.1.1 Review of non-compliance and associated risk;

15.3.1.2 Agree on corrective/remedial actions to be taken;

15.3.1.3 Agree timeframes when remedial actions should be taken;

15.3.1.4 Depending on the severity of the non-compliance, fines as prescribed in the NPS Act or even suspension of services may be effected.

15.4 Disclosure of Non-Compliance

- 15.4.1 A participant shall disclose by notice in writing to ZECHL each and every instance of non-compliance with the Rules by itself or any other participant immediately upon becoming aware of the non-compliance or the reasons for inability to comply.

16 SUSPENSION OF A PARTICIPANT

16.1 Suspension from Participation

- 16.1.1 ZECHL may recommend a participant for suspension to BOZ. A participant so recommended shall be suspended from the NFS upon BOZ approving such recommendation, by written notice. Grounds for suspension include:

- 16.1.1.1 Bank of Zambia requesting for suspension of the participant;
- 16.1.1.2 Failure to meet and maintain certification and Regulatory requirements;
- 16.1.1.3 Introducing material risk to the system;
- 16.1.1.4 Failure to meet obligations due to ZECHL; or
- 16.1.1.5 Any other material breach of these Rules or regulations.

16.2 Notice of Suspension

- 16.2.1 ZECHL, upon being notified by BOZ in writing shall immediately inform in writing the suspended participant and all participants of the suspension of the participant.

16.3 Effect of Suspension

- 16.3.1 On suspension:

- 16.3.1.1 ZECHL shall block the participant from participating in the NFS.
- 16.3.1.2 A participant shall not process any NFS transactions;
- 16.3.1.3 Not engage in any other NFS activities;
- 16.3.1.4 The suspension of a Participant does not relieve the Participant of its obligations under the NFS
- 16.3.1.5 Suspension of a Participant will not affect any rights or obligations of other Participants arising under these Rules.

16.4 Re-admission of Suspended Participants

- 16.4.1 ZECHL may re-admit a participant to the NFS upon authorization by BOZ. Conditions for re-admission include;

- 16.4.1.1 The participant has settled all outstanding obligations incurred under these Rules; and
- 16.4.1.2 The participant has rectified any breach of these Rules and/or any other regulations associated with its suspension.

17 IMPOSITION OF CONDITIONS TO PARTICIPATION

- 17.1 ZECHL may impose conditions on a participant, in writing where the participant's activities may be deemed to potentially introduce additional risk on the NFS.

- 17.2 Any conditions imposed by ZECHL should be necessary to preserve the reputation, integrity, security, reliability and stability of the NFS.

18 TERMINATION

- 18.1 ZECHL may, upon approval by the Bank of Zambia, terminate the participation on the NFS of a participant by notice in writing to the participant if;

- 18.1.1 The Bank of Zambia revokes the participant's designation/license.
- 18.1.2 A participant becomes insolvent or makes an arrangement of composition with creditors generally.
- 18.1.3 A participant is wound up, dissolved or otherwise ceases to exist.
- 18.1.4 A suspended participant fails to comply with the conditions under which the participant was suspended.

18.2A participant aggrieved by the decision will express this to the Bank of Zambia as provisioned for in the NPSA.

18.3A Participant whose participation has been terminated is not entitled to a refund of any part of the Certification, NFS Operations, or other fee paid.

18.4 Notice of Termination

18.4.1 ZECHL will immediately notify in writing all participants of the termination of a participant.

18.5 Effect of Termination

18.5.1 Any termination of participation does not relieve a participant from any outstanding obligations to ZECHL and to any other participant on the NFS.

19 ROLES, RIGHTS AND OBLIGATIONS OF STAKEHOLDERS ON THE NFS

19.1 ZECHL

19.1.1 ZECHL shall ensure that the NFS is operating according to the highest standards and best practices; this includes:

19.1.2 The availability of the centralized payment switch at the pre-determined service levels for the interconnection of transactions between participants.

19.1.3 The provision of interchange, transaction, and statistical reports to participants on demand at a fee, or on standardized periodic basis for free.

19.1.4 The notification to participants on status of settlement obligations.

19.1.5 The provision of a secure connection to the NFS based on ZECHL standards and specifications, which shall be based on international standards and best practices.

19.1.6 The routing and switching of transactions amongst participants.

19.1.7 The enforcement of all agreements reached with the participants.

19.1.8 The application of the relevant fees and charges to all transactions processed through the NFS.

19.1.9 The maintenance of transaction integrity and security for all transactions passing through the NFS.

19.1.10 The notification of all existing participants of the joining of new participant, and/or the addition of the new participant / new institution identifier.

19.1.11 The maintenance of service levels according to a set of predefined criteria included in a Master SLA between ZECHL and the provider of the NFS. These include:

- 19.1.11.1 Availability;
- 19.1.11.2 Response;
- 19.1.11.3 Load;
- 19.1.11.4 Accuracy;
- 19.1.11.5 Batch Service;
- 19.1.11.6 Service Goals;
- 19.1.11.7 Measurement;
- 19.1.11.8 Performance;
- 19.1.11.9 Technical Assistance;
- 19.1.11.10 Communications;
- 19.1.11.11 Maintenance.

19.1.12 Interpret and enforce these rules.

- 19.1.13 Provide a mechanism for the resolution of any dispute between or among participants relating to their activities on the NFS in line with the Dispute Management Guidelines.
- 19.1.14 Enforce suspension or termination of participants rights, or both of any participant who does not comply with any rule
- 19.1.15 Levy fines and penalties on participants for violations of these operating rules, in accordance with the compliance clauses and proceedings in these rules
- 19.1.16 Oversee the exception handling process on behalf of the participants with regard to disputed transactions
- 19.1.17 ZECHL may, from time to time, check for adherence to set standards to ensure compliance with these Rules and other regulations.

19.2 PARTICIPANTS

19.2.1 GENERAL

19.2.1.1 A participant on the NFS shall:

- 19.2.1.1.1 Ensure compliance with these Rules and set standards.
- 19.2.1.1.2 Fulfil and perform every obligation and duty imposed on it by, or pursuant to the Rules.
- 19.2.1.1.3 A participant shall be responsible for settlement of transactions in compliance with these rules, technical standards and procedures, and agreements
- 19.2.1.1.4 Ensure they have sufficient funds to settle their net settlement obligations.
- 19.2.1.1.5 Be responsible for the mitigation of the risks it introduces in relation to its participation on the NFS
- 19.2.1.1.6 Participants must allow each other to perform transactions at all outlets, subject to the applicable participant's right and justifiable reason, to decline a transaction.
- 19.2.1.1.7 A participant shall comply with the interchange fees and charges as determined under these rules.

19.2.2 TRANSACTIONS

- 19.2.2.1.1 All domestic e-money transactions must be denominated in Zambian Kwacha (ZMW).
- 19.2.2.1.2 Participants shall ensure that a validation mechanism is put in place based on their internal policies and procedures for transactions to minimize risk

19.2.3 BRANDING STANDARDS

- 19.2.3.1.1 ZECHL may prescribe the NFS brand mark and branding standards for acquiring devices to promote consumer awareness for the NFS which participants shall be required to comply with. A participant shall display such brand mark and comply with such standards as may be prescribed by ZECHL.

19.2.4 ACQUIRER

19.2.4.1 General Acquirer requirement

- 19.2.4.1.1 A participant serving as an acquirer shall comply with certification processes required by ZECHL
- 19.2.4.1.2 The acquirer may set various transaction limits based on their internal policies and procedures.
- 19.2.4.1.3 An acquirer shall provide statistical reports in the format and frequency set by ZECHL.

19.2.5 Agent Service Agreement

- 19.2.5.1 An agreement entered into between a participant and an Agent shall specify terms and obligations of each party. Such agreement shall include the following obligations on the part of the Agent;
- 19.2.5.2 The Agent shall accept all NFS supported transactions.
- 19.2.5.3 The Agent shall not surcharge a customer that executes a transaction at its outlet;
- 19.2.5.4 The Agent shall not prescribe conditions to a customer before executing an NFS transaction;
- 19.2.5.5 The Agent must not retain sensitive authentication information after authorization.

- 19.2.5.6 The Agent shall not set minimum limits outside those prescribed by the participants before accepting transactions;
- 19.2.5.7 Where an Agent, with whom a participant has entered into an Agent Services Agreement, is under investigation, the participant shall retain all records concerning such an Agent for a period as specified in the applicable laws relating to data retention.

19.2.6 Transaction Receipts

- 19.2.6.1 An Acquirer shall ensure that a transaction receipt displays, at the minimum, the following;
- 19.2.6.2 The e-money or bank account number;
- 19.2.6.3 Acquirer identification;
- 19.2.6.4 Local Date and Time;
- 19.2.6.5 Transaction Amount;
- 19.2.6.6 Acquiring Agent ID;
- 19.2.6.7 Transaction Reference Number;

19.2.7 Transaction Logs

- 19.2.7.1 An acquirer shall maintain a device transaction log, which shall include, at a minimum, the same information as provided on the transaction receipt.
- 19.2.7.2 The log, whether paper or an online authorization file, shall be available for reference purposes at the acquirer's site, but shall not include the PIN or any discretionary data from the mobile device.
- 19.2.7.3 In the event of a declined transaction, the log should include the reason code.
- 19.2.7.4 An Acquirer shall ensure that transaction logs for every device in the network are being recorded, maintained and can be retrieved for reconciliation and dispute resolution purposes. These logs shall be held for the period as specified in the applicable laws relating to data retention.

19.2.8 Data Retention of Transaction Records

- 19.2.8.1 Acquirers must retain records of each financial transaction they process for a period of ten (10) years or such period as may be revised in the Financial Intelligence Centre Act.
- 19.2.8.2 If a transaction is subject to dispute just before the end of the minimum retention period, then the records of that transaction must be maintained until the dispute is resolved. If required, the retention period for these records may be extended by the relevant authority.
- 19.2.8.3 The Transaction record in the Acquirer's site must contain at a minimum, the data elements that support the following message classes:
- 19.2.8.3.1 Authorisation.
 - 19.2.8.3.2 Financial Transactions.
 - 19.2.8.3.3 Reversal.
 - 19.2.8.3.4 Claim Adjustment.
 - 19.2.8.3.5 Reconciliation.

- 19.2.8.4 Acquirers are obliged to maintain records for failed and declined transactions.
- 19.2.8.5 Acquirers can only use transaction details for their intended use.

19.2.9 ISSUER

19.2.9.1 General Issuer responsibilities

- 19.2.9.1.1 Each issuer shall ensure that:
- 19.2.9.1.1.1 Reasonable care and diligence is taken in investigating the integrity of its customer
 - 19.2.9.1.1.2 Details of all current e-wallets issued or accounts held (including inactive e-wallets or accounts) are updated daily within the relevant systems to enable authorization requests to be responded to promptly.
 - 19.2.9.1.1.3 It complies with all applicable regulatory requirements with respect to the provision of an e-wallet or account to a customer.

- 19.2.9.1.1.4 It does not impose upon a customer to whom it has issued an e-wallet or account any terms or conditions that conflict with these Rules.
- 19.2.9.1.1.5 The issuer shall monitor on an ongoing basis the e-wallet or account transaction activity by undertaking the following tasks and ensure its compliance with applicable Anti Money Laundering (AML) and Combating the Financing of Terrorism (CFT) requirements:
 - 19.2.9.1.1.5.1 Keep up to date the primary Customers verification data held on record as required:
 - 19.2.9.1.1.5.2 Verify transaction records at regular intervals, where the frequency will depend on the level of risk attributed to the primary customer, to ensure that these fall within the scope agreed in the contract established with the primary customer:
 - 19.2.9.1.1.5.3 Maintain a log of all the transactions undertaken using the services. This data must be available for scrutiny by relevant authorities as and when requested for:
 - 19.2.9.1.1.5.4 Report suspicious activities promptly to the Financial Intelligence Centre:
 - 19.2.9.1.1.5.5 Conduct transaction screening as well as account and primary customer behaviour monitoring to identify any unusual activity:
- 19.2.9.1.1.6 An issuer agrees to settle all liabilities created by authorised transactions on their issued e-wallets or accounts, when presented for settlement.
- 19.2.9.1.1.7 An issuer shall issue e-wallets or accounts which are fully compliant with set standards.
- 19.2.9.1.1.8 An Issuer shall put in place adequate controls to prevent, track and minimize fraud.
- 19.2.9.1.1.9 An issuer shall notify their Customers of the process for reporting a compromised e-wallet or account.

19.2.10 Customer Support Services

- 19.2.10.1 All participants shall provide customer support services with a minimum of a dedicated channel for customer complaints, transaction disputes, and enquiries.

19.2.11 Billing Errors

- 19.2.11.1 Billing errors may arise from the following:
 - 19.2.11.1.1 A failure by the issuer to properly post a transaction to the customer's e-wallet account.
 - 19.2.11.1.2 An error of computational or accounting nature that is made by the issuing institution, where a charge is either over or understated, including application fees or penalty charges that are not in accordance with the terms and conditions of the e-wallet Account Opening and e-wallet Application agreements in force.
 - 19.2.11.1.3 The issuer shall handle billing errors as stipulated in the Dispute Resolution Guidelines.

20 DISPUTE RESOLUTION

- 20.1 All disputes shall be resolved in accordance with the Dispute Resolution Guidelines.

21 OPERATIONS

21.1 Clearing of Fees

- 21.1.1 ZECHL shall administer the clearing of all interchange and other fees due to all participants.
- 21.1.2 An issuer shall pay the acquirer for the net interchange fees generated from e-money transactions.
- 21.1.3 An acquirer shall pay the issuer the net interchange fees generated.

21.2 Settlement, Reconciliation and Exceptions

- 21.2.1 All transactions cleared and consolidated in the net settlement report at Cut-Over and Settlement shall be final and irrevocable for settlement at BOZ.
- 21.2.2 All settlement positions shall be determined on a net basis.

- 21.2.3 All settlement obligations arising from the NFS shall be settled at the Bank of Zambia. Settlement shall take place at times prescribed in Schedule 1 – Cut-over and Settlement.
- 21.2.4 Each participant shall ensure that the settlement account at BOZ is sufficiently funded to meet the settlement obligations from the NFS.
- 21.2.5 Each bank settling on behalf of another participant shall ensure that it has sufficient funds to meet its own obligations and that of the sponsored participants.
- 21.2.6 Sponsor Banks shall ensure that they put in place adequate settlement arrangements with the sponsored participant.
- 21.2.7 Penalties arising from failure to settle shall be borne by the settlement bank.
- 21.2.8 All settlement banks shall maintain collateral as prescribed by the BOZ.
- 21.2.9 Participants must balance the reconciliation totals of transactions provided through the dedicated link with their own internal records at the end of each business day.
- 21.2.10 Discrepancies must be processed through the prescribed claims processing arrangements put in place.
- 21.2.11 Participants must reconcile the net Settlement position through a report with their own records on a daily basis and follow up with ZECHL where there are exceptions.
- 21.2.12 Settlement of amounts due between participants shall take place at the settlement date and time as defined in schedule 1 of these rules.

21.3 Cutover

- 21.3.1 Participants are expected to adhere to the cut-over times as agreed by the industry. See Schedule 1- Cut-over and Settlement.

21.4 Business Day

- 21.4.1 The Business Day for all transactions processed through the NFS shall be determined by ZECHL.
- 21.4.2 Participants may define their own business day timings for their internal accounting processes and procedures. This shall not affect the NFS Business Day.

22 GENERAL OPERATING STANDARDS AND PROCEDURES

- 22.1 Each participant must comply with the Operating Standards and Procedures prescribed and amended by ZECHL from time to time.
- 22.2 The Operating Standards and Procedures shall be published in a separate document by ZECHL and shall be read in conjunction with these rules.

23 DATA PROTECTION

- 23.1 Participants and ZECHL shall ensure that they comply with current legislation and regulation regarding Data Protection.

24 FEES AND CHARGES

24.1 Fees Management

- 24.1.1 ZECHL, may introduce, amend and administer existing/new fees and charges applicable to NFS in consultation with stakeholders.
- 24.1.2 Each participant is liable to pay or entitled to receive the fees specified by ZECHL. The applicable fees and charges shall be published in the 'NFS/ZECHL Manual of Fees and Charges' and may be amended from time to time.
- 24.1.3 Participants must adhere to the listed Fees and Charges and any published amendments henceforth.

24.2 Breach of Service Level Agreement

24.2.1 In the event that service levels specified in Service Level Agreements are not achieved by the participant, ZECHL may impose charges.

24.3 Breach of Service Standards

24.3.1 In the event that a participant is found not complying with service standards (including but not limited to NFS LOGO, E-Money payments Standards, the NFS LOGO compliance and reports therein), ZECHL may impose charges.

24.4 Fines

24.4.1 ZECHL shall fine a Participant if it:

24.4.1.1 Fails to comply with these rules and other regulatory requirements.

24.4.1.2 Fails to meet its obligations due to ZECHL or other Participants.

25 RISK MANAGEMENT AND SECURITY

25.1 Participant's Obligations

25.1.1 Participants shall set up risk management and fraud prevention mechanisms.

25.1.2 Participants should comply with Anti Money laundering and combating the financing of terrorism regulations.

25.1.3 Although ZECHL will provide fraud monitoring at Switch level, participants are expected to implement some fraud monitoring tools on their systems.

25.1.4 Participants will be expected to set up fraud monitoring parameters on the tool to allow for effective monitoring.

25.1.5 Participants are required to report all security incidents, fraudulent transactions or other criminal risk activity to ZECHL, BOZ and other relevant authorities without delay in the format prescribed by the relevant authorities where applicable. The report must include details of the incident including the time and date, involved parties, amounts involved (if available), and what action has been taken by the Participant.

25.1.6 Participants are liable for maintaining the mandated data security standards requirements including e-wallet and account data.

25.1.7 By virtue of their participation in NFS, participants agree to take appropriate measures to prevent the system from being used for or associated with illegal activities.

25.1.8 Participants are mandated to abide by local and international laws governing anti-money laundering, counter terrorism financing and any other law applicable to the use of electronic payment systems.

25.1.9 A participant is expected to have a security and fraud control function within the organisation. Security and fraud control staff of a participant must continue to report fraudulent and suspicious transactions to relevant authorities.

25.1.10 Participants should ensure that the Business Continuity Plan is in place including backup measures, and Disaster Recovery site.

25.1.11 Participant should ensure that it adheres to its Business Continuity Plan.

25.1.12 A participant is obliged to:

25.1.12.1 Undertake a daily investigation into any Agent appearing on its exception reports or identified by its risk management system.

25.1.12.2 Employ sufficient risk management staff resources and security controls to undertake the required risk and fraud detection activities.

25.1.12.3 Cooperate fully with ZECHL, BOZ or any other relevant authorities in any investigation and release relevant information related to the Agent upon request.

25.1.12.4 Terminate the Agent agreement if it is determined that the Agent is a threat to the integrity of NFS, or the relationship introduces a disproportionate level of fraud into NFS. The termination of such an Agent

should be communicated to all participants to ensure such a blacklisted agent is not contracted by other participants.

25.1.12.5 Take legal action to minimize losses, where appropriate.

25.1.12.6 Cooperate with issuers and concerned authorities.

25.1.12.7 Hold funds related to the fraud case that are yet to be settled while the Agent is fully investigated.

25.1.13 A participant is obliged to immediately report to ZECHL/BOZ and other relevant authorities, formally without delay in the event of a suspected or confirmed loss, theft or compromise, including loss, theft, or compromise by one of its Agents, of any material or records that contain account or transaction information.

25.1.14 Comply with the validation and reporting requirements.

25.1.15 Maintain all materials and/or records in any form that contains account or transaction information in a safe and secure manner with access limited to authorised personnel, as specified in the relevant standards.

25.1.16 Ensure that agreements and contracts with Agents clearly establish their responsibilities to meet industry agreed standards, the liabilities for failure to meet the standards and the requirement to allow for inspections by ZECHL/BOZ or independent third parties as required.

25.1.17 Ensure that all Agents with access to account or transaction information comply with industry agreed requirements.

25.1.18 Comply with PIN security standards as prescribed by the industry at all times.

25.2 ZECHL Obligations

25.2.1 ZECHL shall be responsible for configuring global rules on the fraud monitoring tool.

25.2.2 ZECHL shall ensure that it adheres to its Business Continuity Plan.

25.2.3 ZECHL shall maintain a level of System availability as stipulated in the Service Level Agreement

25.3 Data Retention

25.3.1 Participants are obliged to retain transactional data for the minimum periods defined by any applicable law.

25.4 Fraud Prevention

25.4.1 Participants must:

25.4.1.1 Co-operate with ZECHL and other participants to prevent fraudulent transactions from occurring;

25.4.1.2 Investigate any fraudulent transactions that have occurred.

25.4.2 Participants shall continue to report all confirmed fraudulent transactions originating from an e-wallet or bank account immediately to ZECHL.

25.4.3 Participants shall apply sufficient fraud monitoring resources in the form of competent staff and systems to protect all stakeholders from actual or potential fraud.

25.4.4 ZECHL and BOZ reserve the right to inspect any participant's fraud monitoring infrastructure at regular intervals or as may be required.

25.4.5 ZECHL, as operator of the NFS, reserves the right to impose proportionate fines if it deems that the fraud prevention measures employed by a participant fail to meet standards.

25.4.6 Participants are required to educate their customers on safeguards against fraud. ZECHL and BOZ, may, from time to time, request proof of such awareness programmes.

26 CHANGE MANAGEMENT

- 26.1 The change management process will be administered by ZECHL.
- 26.2 Proposed changes can be initiated by participants for consideration by ZECHL and shall be agreed upon by participants.
- 26.3 Changes may be major or minor in nature.
- 26.4 A major change is a change that affects or proposes to alter the substance of the Operating Rules. Examples of such changes include proposals for new services to be offered, changes affecting compliance, membership criteria, the role of stakeholders, and operating procedures. Changes that are classified as Major Changes are subject to formal ZECHL approval.
- 26.5 A Minor Change is a change that will usually affect or modify an existing procedure.
- 26.6 Clarifications of existing rules shall not be deemed to affect the substance of these Rules or NFS and will therefore be a minor change. Examples of such changes include minor adjustments to technical standards to take account of upgrades.
- 26.7 ZECHL, in consultation with the participants, will determine whether a proposed change is major or minor.

26.8 Change Management Cycle

Type of Change	Publication Frequency	Effective Date
Major	Annual	180 days from publication date
Minor	Bi Annual	60 days from publication date

26.9 Exceptional Circumstances

- 26.9.1 ZECHL may expedite the change request approval, publication and implementation process in exceptional circumstances where the failure to implement a change proposal may adversely affect participants or any of its stakeholders. For the benefit of the NFS, ZECHL may deem more frequent change cycles if required.

Schedule 1 – Cut-over and Settlement

	Period	NFS Cut-over	Settlement
1.	Monday	24:00hrs	Tuesday 12:00 hrs
2.	Tuesday		Wednesday 12:00hrs
3.	Wednesday		Thursday 12:00hrs
4.	Thursday		Friday 12:00hrs
5.	Friday – Sunday		Monday 12:00hrs
6.	Public Holiday		Next Business Day 12:00hrs

Schedule 2 – NFS/ZECHL Manual of Fees and Charges

1. Switching fees

NFS switching fees shall be charged and collected daily as follows:

Financial Transactions	Issuer/Originator (Source account) Debit	Acquirer/Recipient (Destination account) Debit	NFS Credit
E-wallet to e-wallet	Transactions up to K150 – Free	nil	K0.00
	Transactions above K150 – K0.50		K0.50
e-wallet to bank	Transactions up to K150 – Free	nil	K0.00
	Transactions above K150 – K0.50		K0.50
Bank to e-wallet	Transactions up to K150 – Free	nil	K0.00
	Transactions above K150 – K0.50		K0.50
Cash-out	Transactions up to K150 – Free	nil	K0.00
	Transactions above K150 – K0.50		K0.50
Cash-in	K0.50	nil	K0.50
Bank to bank	K0.50	nil	K0.50

2. Interchange Fees

The table below describes the interchange fee structure.

Device	Paid By		Paid to	
E-wallet to e-wallet		nil		Nil
e-wallet to bank		nil		Nil
Bank to e-wallet		nil		Nil
Cash-out	Issuer	K5.00 (To be reviewed)	Acquirer	K5.00
Cash-in	Acquirer	K5.00 (to be reviewed)	Issuer	K5.00
Bank to bank		nil		Nil

3.
 - 3.1 Participants shall be advised of fees and charges for which they are liable through the daily report.
 - 3.2 ZECHL shall advise BOZ of the NFS Net Settlement position for all participant fees and charges
 - 3.3 ZECHL may change the frequency with which fees and charges are applied to participants with 1 month prior notice. Changes will be effected on the 1st day of the following month.
 - 3.4 Settlement of Interchange fees and processing charges is made independently of transaction processing.

4. Report Service Fee

ZECHL may levy charges for providing reports on demand to participants.

Appendix I - Application Form for Joining the National Financial Switch

GUIDELINES

Please read these guidelines carefully before completing the form.

Application Form:

1. Please tick (√) in the relevant boxes where appropriate.
2. If there is insufficient space for your answers, please attach annex(es) which should be identified as such.
3. This application form should be completed by two authorised signatories such as the Chief Executive Officer, Chief Finance Officer, Chief Operations Officer, Company Secretary/Legal Advisor, Director, etc. and they should state in what capacity they are signing.
4. The following documents must be attached to the application:
 - a. Copy of the Bank of Zambia designation certificate.
 - b. Certificate of Incorporation.
 - c. Proof of payment for the applicable fee.
 - d. A copy of RTGS Direct Debit Mandate (for banks).
 - e. A copy of the settlement agreement with a licensed bank (for financial institution).
5. ZECHL may require the applicant to provide any additional information considered relevant or material to the application process.

Payments:

1. An applicant is required to pay a non-refundable application fee of K1,000 to be accompanied with the application form.
2. Once admitted, an applicant will be required to pay a one-off joining fee of K25,000.
3. Use the following ZECHL bank account details to make the payments:

Account Name : Zambia Electronic Clearing House Limited
 Bank Name : Zambia National Commercial Bank
 Branch Name : Lusaka Business Center
 Branch Code : 010003

Account Number : 0367334500109
Swift Code : ZNCOZMLU

4. Participants will be required to be paying annual participation fee of K5,000 every January.

Contacts:

For further guidance please contact:

The Head Operations and ICT,
Zambia Electronic Clearing House Limited,
COMESA Secretariat,
Ben Bella Road,
P. O. Box 39370
Lusaka, Zambia 10101
Telephone: +260-211-234354/260-211-234358
Fax: +260-211-234357

APPLICATION FORM

To: The Chief Executive Officer,
Zambia Electronic Clearing House Limited,
COMESA Secretariat,
Ben Bella Road,
P. O. Box 39370
Lusaka, Zambia 10101
Telephone: +260-211-234355 / 260-211-234358
Fax: +260-211-234357

Dear Sir,

APPLICATION TO JOIN THE NATIONAL FINANCIAL SWITCH

1. Name of Applicant: <i>(A copy of the certificate of incorporation must be attached)</i>		
2. Participant License/Designation Type: <input type="checkbox"/> Payment System Participant <input type="checkbox"/> Payment System Business <input type="checkbox"/> Payment System <input type="checkbox"/> Deposit taking Financial Institution <input type="checkbox"/> Non-Deposit taking Financial Institution <input type="checkbox"/> Other (Please specify) <i>(A copy of the license/certificate must be attached)</i>		
3. Address: Physical:	Telephone:	
	Mobile:	
	Fax:	

Postal:	Email:	
	Website	
4. Provide the name of the products/services you offer: e.g. Money transfer, bill payments, savings, bulk payments etc.		
5. Indicate the name of the products/services you will be using on the NFS:		
<input type="checkbox"/> ATM Acquiring	<input type="checkbox"/> ATM Issuing	<input type="checkbox"/> POS Acquiring
<input type="checkbox"/> POS Issuing	<input type="checkbox"/> Mobile Payments	<input type="checkbox"/> Switching
		<input type="checkbox"/> Other
For other, please specify:		
6. Please choose the option you will use to connect to the NFS.		
<input type="checkbox"/> Option 1: use two private connections. This option involves establishing two connections to the NFS via Zamtel and CEC-Liquid MPLS. A Virtual Private Network must be configured.		
<input type="checkbox"/> Option 2: use one public connection and one private connection. This option involves establishing one connection via the public (Internet) and the second one via the Private network (either Zamtel or CEC-Liquid). A Virtual Private Network must be configured.		
<i>(A network diagram of your set-up must be attached)</i>		
7. For financial institution participants, please provide a copy of the Settlement Agreement with the Settlement Sponsor Bank for settlement purposes:		
<i>(A copy of the Settlement Agreement must be attached)</i>		
8. Give details of arrangements or proposed arrangements for monitoring and enforcing compliance with the NFS Rules:		
9. Please briefly outline the risk management measures put in place to address liquidity, credit and such other risks associated with participation on the NFS.		

We declare that the particulars in this application are true to the best of our knowledge and we have not suppressed any material fact. We understand that if after the issuance of the participation certificate, it is found that we have made any false declaration in this form, the Zambia Electronic Clearing House Limited may revoke our participation on the NFS as stipulated in the National Financial Switch Rules of 2018.

For and on behalf of (*indicate applicant name*):

Signatory 1	Signatory 2

Name:	Name:
Signature:	Signature:
Capacity:	Capacity:
Date:	Date: