



CENTRAL BANK OF THE GAMBIA

PRICING POLICY FOR THE ELECTRONIC PAYMENT, SETTLEMENT AND CREDIT REFERENCE SYSTEMS: THE GAMBIA

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PRICING POLICY FOR THE PAYMENT, SETTLEMENT AND CREDIT REFERENCE SYSTEMS IN THE GAMBIA

1. INTRODUCTION

The Central Bank of The Gambia (CBG), hereafter called the Bank, in collaboration with the West African Monetary Institute under the West African Monetary Zone (WAMZ) Monetary Integration Programme, embarked on the modernization of the Country's payments, clearing and settlement systems infrastructure. This is part of a regional payments system initiative and forms an integral part of the prerequisites for effective West African monetary integration. Part of the support provided by the CBG/WAMZ project included funding of the maintenance costs of the payments system for the first three years of operation (from 2011 to 2014).

In a bid to design a successor system to the above, a pricing policy is hereby established, which is aimed at making the payments system financially self-reliant, through the adoption of cost recovery principles, i.e costs sharing between participants and customers. The components of the payments system affected by this policy include the following:

- Real Time Gross Settlement System (RTGS) for large value and time critical transactions;
- Automated Cheque Processing (ACP) and the Automated Clearing House (ACH), which handles cheque images for processing and funds transfers;
- Securities Settlement System (SSS) for the management of investments in government securities;
- The Switching System for retail transactions (GAMSWITCH)

The stakeholders¹ of the electronic payment systems include the CBG, the commercial banks, service providers and users of the system (customers). The Central Bank plays a pivotal role in its operation, with responsibility for oversight and serving as administrator and participant at the same time. The CBG also provides a leadership role in the implementation of retail payment system, namely through GAMSWITCH. All these are part of the Bank's mandate under the CBG Act 2005, to provide efficient and cost effective payment and settlement systems in The Gambia.

¹ The other stakeholders include service providers, like printers card issuers, MICR cheque printers, telecommunication companies and internet service providers for connectivity etc. These provide the infrastructural arrangements for the payments system.

Each participant is identified by a unique code, which facilitates costs allocation where necessary. Additional numerical codes (such as branch codes) are used to provide more detailed information about the payments.

2. LEGAL BASIS

The Central Bank of The Gambia Act, 2005 establishes the legal basis for the CBG's participation in the payment systems. The Bank is empowered by Section 52 of the Act to oversee all payment systems in The Gambia, while Section 53 authorizes the Bank to enter into clearing and settlement agreements, or contract with private or public institutions for the purposes of clearing and settlement. Sections 8.7 and 19 of the RTGS and ACP/ACH Participants Rules respectively requires Participants to pay the fees and charges in the amount and manner prescribed by CBG in the CBG Payments Pricing Policy.

The Electronic Payments System Act 2013 defines the establishment and operation of the electronic payments system, as well as the rights and obligations of the participants. The Statute also seeks to make provisions for the efficient operation of payment, clearing and settlement systems, with a view to controlling systemic risk and promoting completeness of electronic transactions. It guarantees finality and irrevocability of payments and acceptability of electronic data as evidence in court, through its recognition of digital signature as authorization for electronic transactions.

The above laws put the CBG in good stead, as regards compliance with the Bank for International Settlement (BIS) Core Principles for Systematically Important Payment Systems. These principles are fundamental in assessing the soundness of payment systems and to some extent the financial system of a country. As the overseer and a participant, the Bank is committed to ensuring that the Core Principles are observed.

3. OBJECTIVES AND RATIONALE

Considering the varied costs involved in the operation and maintenance of the payments system, coupled with the impending expiry of the support provided by the WAMZ, the CBG is not in a position to subsidize the payments system going forward. Above all, the CBG is mandated by law to provide public infrastructure, available to all who require it, for public purposes, which does not extend to costs of maintenance. On the other hand, the main objective of providing an efficient payments and settlement system cannot be achieved, if it is poorly funded and under resourced. A rational approach therefore is to operate a centralized payments system, which ensures standardization, efficiency and costs effectiveness, based on the principles of cost recovery / cost sharing.

The overriding consideration therefore is the feasibility of implementation of costs recovery measures, without compromising efficiency. Accordingly, the CBG will continue to perform its leadership role on all components of the system. This involves pre-financing of some of the activities on behalf of participants, with the possibility of costs recovery or costs sharing.

4. TYPES OF TRANSACTIONS

The following types of transactions are handled across the main components of the payments systems (ACP/ACH, RTGS, SSS, GAMSWITCH etc), which may attract different kinds of variable costs:

- ✓ **Presentations of payment instruments**, e.g. through cheque images;
- ✓ **Credit transfers**- Issuance of credit transfer instructions to pay out funds
- ✓ **Debit transfers**-Issuance of instructions for debit transfer to collect funds
- ✓ **Representations**-Issuance of payment instructions;
- ✓ **Received rejections**-
- ✓ **Corrective settlement transfers (credit transfer cancellations);**
- ✓ **Sent rejection cancellations;**
- ✓ **Sent cancellations;**
- ✓ **Regulatory rejections;**
- ✓ **Fund recovery notice;**
- ✓ **Charges for various priority levels;**
- ✓ **Maintenance Service Contracts, especially Information Technology (IT) related contracts;**
- ✓ **Hardware maintenance costs**
- ✓ **Software Licence fees;**
- ✓ **Ancillary system transactions;**
- ✓ **Information and technical transactions;**
- ✓ **Cost of Usage of Service Bureau at CBG;**
- ✓ **Request for return of funds;**
- ✓ **Gridlock resolution etc.**

The above list is not exhaustive, as a more comprehensive set of transactions and related charges are found in Annex A (see attached). Annex A shall be the official price lists for costs allocation between participants and/or charges as a means of revenue generation by the CBG towards the maintenance costs of the payment systems. It shall be subject to review by the CBG as and when appropriate, following consultation with the banking industry.

The related fixed costs, such as maintenance service contracts on Information Technology (IT) systems, Replacement of damaged parts, one-off payments etc, shall be computed by the CBG and allocated equitably between participants when due for payment.

5. PRICING STRATEGY

Due to the diverse nature of the charges, a linear² pricing model for the distribution of costs among participants is considered inappropriate. Under the circumstances, a non-linear pricing strategy is considered most appropriate. The theory of non-linear pricing offers two main possibilities for costs allocation between participants. It is often considered the most suitable for the pricing of public goods such as the payments systems as follows:

Multi-part pricing – where participants pay some form of fixed charge, for instance, a membership fee, plus a variable fee for additional usage, and possible additional charges for add-on features that are imposed individually or as a bundle of charges.

Single-Part pricing- where participants pay a fixed (lump-sum) charge that does not vary with usage of the system, and variable charges in proportion to usage or consumption level.

A literature review shows that the theory of non-linear pricing continues to be used predominantly by industry regulators and Central Bankers, who deal with payment-pricing of such transactions. In adopting the strategy, the following principles are instituted for practical implementation purposes:

Principle 1: Principle of cost recovery, where customers of participating institutions bear responsibility for the costs of transactions which they originate. This applies to transaction related charges, from which funds collected are subsequently forwarded to the CBG by participating institutions. The charges are effectively volume driven, and capable of monitoring by the CBG for compliance.

Principle 2: Principle of origination, which stipulates that costs will be borne by the participant institution, from which the transaction originated. Being the originator, such institutions will also bear responsibility for collecting charges from customers who requested such transactions. This principle disregards the fact that recipients or payees also benefit from transactions and absolves them from payments.

Principle 3: Principle of cost sharing, which stipulates that the CBG shall incur costs on behalf of participants, within the framework of the centralized payments system,

² A pricing system based on a single price payable by all, irrespective of level of usage.

subject to compensation. This shall apply where fixed costs or predetermined amounts are involved. Such costs are independent of transaction volumes and include software license etc. The CBG shall adopt a non-discriminatory cost allocation policy, meaning all fixed costs shall be distributed equitably between participants, including the CBG. Applicable costs shall be debited to the current accounts of respective participants, and thereafter advised accordingly.

Nonetheless, price discrimination may be used where justified, to reflect the underlying cost differences in providing a service (or related services) to the different participants. Examples of cases where discriminatory prices may be justified include provision of service bureau facilities to participants on a case by case basis.

Principle 4: Principle of applicable currency; which stipulates that the dalasi shall be the currency of settlement between participants, both for purposes of conducting transactions and for refund of charges to the CBG, until such time that the CBG directs otherwise.

6. EFFECTIVE DATE AND REVISION OF FEES AND CHARGES

This policy shall take effect as soon as approved by the Board of Directors of Central Bank of The Gambia. Accordingly, Annex A shall be the official price lists for costs allocation between participants and shall be subject to review by the CBG as and when appropriate, subject to consultation with the banking industry.

Nonetheless, the CBG reserves the right to vary the terms and conditions, or manner of application of these principles, either partially or by transaction, based on uniform adoption and fairness across the industry.

The CBG at its discretion may periodically amend its fees and charges. CBG reserves the right to charge Participants on a cost recovery basis for any additional services rendered to Participants. CBG will announce the tariff and fees information to all Participants by circular.

Collection of Fees and Charges – charges/fees at pre-defined period of time will be collected through the RTGS and a message to advise the related Participant sent.

ANNEX A

CBG ACP-ACH CHARGE SCHEDULES

NO.	INSTRUMENT - CHEQUES (30)	CODES	TARIFF PER TRANSACTION		PRICING METHOD
1	PRESENTATIONS	30-21	GMD	5.00	Tariff based /per transaction.
2	REPRESENTATIONS	33-21	GMD	2.50	Tariff based /per transaction.
3	RECEIVED REJECTIONS	30/33-22	GMD	10.00	Tariff based /per transaction.
4	SENT REJECTION CANCELLATIONS	30/33-24	GMD	2.50	Tariff based /per transaction.
5	SENT CANCELLATIONS	30/33-23	GMD	2.50	Tariff based /per transaction.
6	REGULATORY REJECTIONS	VARIOUS	GMD	10.00	Tariff based /per transaction.
7	FUND RECOVERY NOTICE	30/33-83	GMD	10.00	Tariff based /per transaction.
NO.	INSTRUMENT - DIRECT CREDITS (10/13)	CODES	TARIFF PER TRANSACTION		PRICING METHOD
1	PRESENTATIONS	10-21	GMD	2.50	Tariff based /per transaction.
2	REPRESENTATIONS	13-21	GMD	1.25	Tariff based /per transaction.
3	RECEIVED REJECTIONS	10/13-22	GMD	5.00	Tariff based /per transaction.
4	SENT REJECTION CANCELLATIONS	10/13-24	GMD	1.25	Tariff based /per transaction.
5	SENT CANCELLATIONS	10/13-23	GMD	1.25	Tariff based /per transaction.
6	REGULATORY REJECTIONS	VARIOUS	GMD	5.00	Tariff based /per transaction.
7	FUND RECOVERY NOTICE	10/13-83	GMD	5.00	Tariff based /per transaction.

ANNEX A: BASIS OF COSTS ALLOCATION

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NO.	INSTRUMENT - DIRECT DEDITS (20/23)	CODES	TARIFF PER TRANSACTION		PRICING METHOD
1	PRESENTATIONS	20-21	GMD	2.50	Tariff based /per transaction.
2	REPRESENTATIONS	23-21	GMD	1.25	Tariff based/ per transaction.
3	SENT REJECTIONS	20/23-22	GMD	5.00	Tariff based/ per transaction.
4	SENT REJECTION CANCELLATIONS	20/23-24	GMD	1.25	Tariff based/ per transaction.
5	SENT CANCELLATIONS	20/23-23	GMD	1.25	Tariff based/ per transaction.
6	REGULATORY REJECTIONS	VARIOUS	GMD	5.00	Tariff based/ per transaction.
7	FUND RECOVERY NOTICE	20/23-83	GMD	5.00	Tariff based/ per transaction.
NO.	HELP DESK/DESK SERVICES	ACP/ACH			PRICING METHOD
1	FILE DEPOSITS ONLY	VARIOUS	GMD	500.00	Depending on Usage
2	FILE RETRIEVAL ONLY	VARIOUS	GMD	500.00	Depending on Usage
3	UNDER ONE HOUR	VARIOUS	GMD	1,000.00	Depending on Usage
4	UNDER TWO HOURS	VARIOUS	GMD	2,250.00	Depending on Usage
5	UNDER THREE HOURS	VARIOUS	GMD	3,750.00	Depending on Usage
6	UNDER FOUR HOURS	VARIOUS	GMD	5,500.00	Depending on Usage
7	ANY ADDITIONAL HOURS	VARIOUS	GMD	2,000.00	Depending on Usage

ANNEX A: BASIS OF COSTS ALLOCATION

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CBG RTGS CHARGE SCHEDULES					
NO.	PAYMENT TYPE - PRIORITY LEVEL - EXCEPTIONAL	CODES	TARIFF PER TRANSACTION		PRICING METHOD
1	BANK TO BANK	MT202	GMD	80.00	Tariff based/ per transaction
2	ON BEHALF OF CUSTOMERS SINGLE	MT103	GMD	80.00	Tariff based/ per transaction
3	ON BEHALF OF CUSTOMERS MULTIPLE	MT102	GMD	80.00	Tariff based/ per transaction
4	REQUEST FOR RETURN OF FUNDS	MT101	GMD	100.00	Tariff based/ per transaction
5	ACH NET SETTLEMENTS	MT971		-	
6	WRONG PAYMENT ORDERS	VARIOUS	GMD	100.00	Tariff based/ per transaction
7	RETURN OF FUNDS	VARIOUS	GMD	80.00	Tariff based/ per transaction
8	CANCELLED/REJECTED PAYMENT ORDERS	VARIOUS	GMD	80.00	Tariff based/ per transaction
9	GRIDLOCK RESOLUTION	VARIOUS	GMD	5,000.00	Depending on Usage
10	EXTENTION DUE TO GRIDLOCK RESOLUTION	VARIOUS	GMD	10,000.00	Depending on Usage
NO.	PAYMENT TYPES - PRIORITY LEVEL - SYSTEM	CODES	TARIFF PER TRANSACTION		PRICING METHOD
1	BANK TO BANK	MT202	GMD	75.00	Tariff based /per transaction.
2	ON BEHALF OF CUSTOMERS SINGLE	MT103	GMD	75.00	Tariff based /per transaction.
3	ON BEHALF OF CUSTOMERS MULTIPLE	MT102	GMD	75.00	Tariff based /per transaction.
4	REQUEST FOR RETURN OF FUNDS	MT101	GMD	100.00	Tariff based /per transaction.
5	ACH NETV SETTLEMENTS	MT971		-	
6	WRONG PAYMENT ORDERS	VARIOUS	GMD	100.00	Tariff based/ per transaction
7	RETURN OF FUNDS	VARIOUS	GMD	75.00	Tariff based/ per transaction
8	CANCELLED/REJECTED PAYMENT ORDERS	VARIOUS	GMD	75.00	Tariff based/ per transaction
9	GRIDLOCK RESOLUTION	VARIOUS	GMD	5,000.00	Depending on Usage
10	EXTENTION DUE TO GRIDLOCK RESOLUTION	VARIOUS	GMD	10,000.00	Depending on Usage

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NO.	PAYMENT TYPES - PRIORITY LEVEL - URGENT	CODES	TARIFF PER TRANSACTION		PRICING METHOD
1	BANK TO BANK	MT202	GMD	70.00	Tariff based/ per transaction
2	ON BEHALF OF CUSTOMERS SINGLE	MT103	GMD	70.00	Tariff based /per transaction.
3	ON BEHALF OF CUSTOMERS MULTIPLE	MT102	GMD	70.00	Tariff based /per transaction.
4	REQUEST FOR RETURN OF FUNDS	MT101	GMD	100.00	Tariff based /per transaction.
5	ACH NETV SETTLEMENTS	MT971		-	
6	WRONG PAYMENT ORDERS	VARIOUS	GMD	100.00	Tariff based /per transaction.
7	RETURN OF FUNDS	VARIOUS	GMD	70.00	Tariff based/ per transaction
8	CANCELLED/REJECTED PAYMENT ORDERS	VARIOUS	GMD	70.00	Tariff based/ per transaction
9	GRIDLOCK RESOLUTION	VARIOUS	GMD	5,000.00	Depending on Usage
10	EXTENTION DUE TO GRIDLOCK RESOLUTION	VARIOUS	GMD	10,000.00	Depending on Usage
NO.	PAYMENT TYPES - PRIORITY LEVEL - NORMAL	CODES	TARIFF PER TRANSACTION		PRICING METHOD
1	BANK TO BANK	MT202	GMD	65.00	Tariff based/ per transaction
2	ON BEHALF OF CUSTOMERS SINGLE	MT103	GMD	65.00	Tariff based /per transaction.
3	ON BEHALF OF CUSTOMERS MULTIPLE	MT102	GMD	65.00	Tariff based /per transaction.
4	REQUEST FOR RETURN OF FUNDS	MT101	GMD	100.00	Tariff based /per transaction.
5	ACH NETV SETTLEMENTS	MT971		-	
6	WRONG PAYMENT ORDERS	VARIOUS	GMD	100.00	Tariff based /per transaction.
7	RETURN OF FUNDS	VARIOUS	GMD	65.00	Tariff based /per transaction.
8	CANCELLED/REJECTED PAYMENT ORDERS	VARIOUS	GMD	65.00	Tariff based /per transaction.
9	GRIDLOCK RESOLUTION	VARIOUS	GMD	5,000.00	Depending on Usage
10	EXTENTION DUE TO GRIDLOCK RESOLUTION	VARIOUS	GMD	10,000.00	Depending on Usage

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NO.	PAYMENT TYPES - PRIORITY LEVEL - LOW	CODES	TARIFF PER TRANSACTION		PRICING METHOD
1	BANK TO BANK	MT202	GMD	65.00	Tariff based/ per transaction
2	ON BEHALF OF CUSTOMERS SINGLE	MT103	GMD	65.00	Tariff based /per transaction.
3	ON BEHALF OF CUSTOMERS MULTIPLE	MT102	GMD	65.00	Tariff based /per transaction.
4	REQUEST FOR RETURN OF FUNDS	MT101	GMD	100.00	Tariff based /per transaction.
5	ACH NET SETTLEMENTS	MT971		-	
6	WRONG PAYMENT ORDERS	VARIOUS	GMD	100.00	Tariff based /per transaction.
7	RETURN OF FUNDS	VARIOUS	GMD	65.00	Tariff based /per transaction.
8	CANCELLED/REJECTED PAYMENT ORDERS	VARIOUS	GMD	65.00	Tariff based /per transaction.
9	GRIDLOCK RESOLUTION	VARIOUS	GMD	5,000.00	Depending on Usage
10	EXTENTION DUE TO GRIDLOCK RESOLUTION	VARIOUS	GMD	10,000.00	Depending on Usage
NO.	SERVICE BEREAU/DESK SERVICES	RTGS SERVICE BUREAU			PRICING METHOD
1	CASH RESERVATION ONLY	MT202	GMD	500.00	Depending on Usage
3	UNDER ONE HOUR	VARIOUS	GMD	1,000.00	Depending on Usage
4	UNDER TWO HOURS	VARIOUS	GMD	2,250.00	Depending on Usage
5	UNDER THREE HOURS	VARIOUS	GMD	3,750.00	Depending on Usage
6	UNDER FOUR HOURS	VARIOUS	GMD	5,500.00	Depending on Usage
7	ANY ADDITIONAL HOURS	VARIOUS	GMD	2,000.00	Depending on Usage

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NO.	PAYMENT TYPES – FIXED CHARGES	CODES	TARIFF PER TRANSACTION	PRICING METHOD
1	Maintenance Service Contracts Costs	N / A	N/ A	Shared equally between participants
2	Software Licence fees	N / A	N / A	Shared equally between participants
3	Any other Charges, fixed or variable, which are not volume driven	N / A	N / A	Shared equally between participants
5				
6				
7				
8				
9				
10				

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