

The background of the slide is a collage of various East African currencies, including Tanzanian Shillings (TAN), Kenyan Shillings (KEN), Ugandan Shillings (UGX), and South Sudanese Pounds (SSP). The currencies are shown in different denominations and are partially overlapping. In the top left corner, there is a large, stylized rainbow arc. In the top right corner, there is a circular emblem featuring a map of East Africa and the text "MUMUITYA YA AFRIKA MASHARIKI".

THE EAST AFRICAN COMMUNITY CROSSBORDER PAYMENT SYSTEM MASTERPLAN



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THE EAST AFRICAN COMMUNITY CROSSBORDER PAYMENT SYSTEM MASTERPLAN

March 2025

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FOREWORD

Efficient, secure and well-integrated payment systems are essential for a strong and competitive regional economy. In the East African Community (EAC), advancing towards a unified monetary system requires a payment ecosystem that facilitates seamless financial transactions, supports financial inclusion, and enhances cross-border trade. While progress has been made, challenges such as high costs, inefficient payment systems, and regulatory fragmentation persist, limiting the potential benefits for businesses and consumers.

The East African Monetary Union (EAMU) Protocol, adopted in 2013, laid the groundwork for deeper financial and economic integration among EAC Partner States. Achieving this vision requires more than policy coordination—it demands integrated payment systems and a harmonised regulatory environment that fosters efficiency, interoperability, and innovation. It is on this basis that the EAC Monetary Affairs Committee (MAC) developed this five-year comprehensive Payment System Masterplan to provide a structured and forward-looking approach to the harmonisation, modernisation and integration of regional payment systems.

In addition to the EAC integration objectives, the Masterplan aligns with the objectives of the African Continental Free Trade Area (AfCFTA) as well as the G20 agenda to make cross-border payments more efficient, cost-effective and transparent. The Masterplan is a product of extensive consultation, assessment and analysis of the national payment system landscape in the EAC Region, to establish the challenges, gaps and barriers that impede the achievement safe, efficient and integrated cross-border payment transactions. To address the challenges, barriers and gaps identified, the Masterplan outlines 20 strategic initiatives to enhance digital payments, streamline regulatory frameworks, and promote collaboration between public and private sector stakeholders. The goal is to create a payment ecosystem that not only supports regional financial stability, but also empowers small businesses and consumers by improving accessibility and reducing transaction costs.

Successful implementation of the Masterplan will require collective effort between the Partner States' central banks, EAC Secretariat, as well as effective support from development partners. MAC is fully committed to creating a conducive payments ecosystem – where industry and regulators work together to ensure its objectives are met. We strongly believe that the Masterplan forms a valuable addition to the ongoing integration efforts, and will be a driver for economic growth for the Region. We therefore encourage all stakeholders to actively participate, contribute their expertise, and support the initiatives outlined in this plan. By fostering cooperation and innovation, we can build a modern, inclusive and resilient payment system that strengthens economic integration across the EAC.

The path to a more connected and efficient regional payments landscape is clear.

Now is the time to act.

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EXECUTIVE SUMMARY

The EAC Cross-Border Payment System Masterplan (“Masterplan”) provides a strategic framework to enhance the efficiency, security and accessibility of cross-border payments within the EAC Region over the next five years. Developed through extensive consultation with central banks, financial institutions, policymakers and development partners, the Masterplan outlines a structured approach to modernising and integrating East African payment systems to support regional economic growth and financial inclusion.

Vision and Mission

The Masterplan envisions a payments ecosystem that fosters economic integration and sustainable growth across the EAC. Its mission is to implement an inclusive, secure, efficient and interoperable cross-border payments ecosystem to support the objectives of the EAC Monetary Union.

Strategic framework

The Masterplan is structured around four key pillars:

Pillar 1. Governance, legal, regulatory and oversight framework: Establishes harmonised regulatory environments to enhance compliance, reduce risks, and promote interoperability among payment service providers (PSPs).

Pillar 2. Infrastructure: Strengthens and modernises payment systems to facilitate faster, more cost-effective transactions, including the expansion and enhancement of the East African Payment System (EAPS) and the development of a regional instant retail payment switching mechanism.

Pillar 3. Inclusivity: Ensures that individuals, businesses and financial institutions across all Partner States have equitable access to cross-border payment systems.

Pillar 4. Capacity building: Develops technical expertise, regulatory capabilities, and financial literacy to support the modernisation of payment systems and ensure their sustainability.

Key challenges and interventions

The Masterplan identifies several key challenges in the current cross-border payment landscape, including:

- Fragmented regulatory frameworks and licensing regimes across Partner States.
- Limited interoperability between existing national and regional payment systems.

- High transaction costs and slow settlement processes.
- Gaps in financial inclusion and consumer protection mechanisms.
- Limited cross-border data-sharing and risk management capabilities.

To address these challenges, the Masterplan proposes 20 strategic initiatives to be completed over the next five years:



PILLAR 1: GOVERNANCE, LEGAL, REGULATORY AND OVERSIGHT FRAMEWORK

1. Development of a mutual recognition framework for cross-border PSP licensing.
2. Development of a regional cooperative oversight framework.
3. Development of a harmonised intra-regional cross-border mobile money/e-wallet regulatory framework.
4. Implementation of ISO 20022 as the harmonised messaging standard.
5. Development of cross-border principles for currency acceptability and convertibility.



PILLAR 3: INCLUSIVITY

11. Development of regulatory technology (regtech) and supervisory technology (suptech) tools for oversight.
12. Establishment of a regional payment system forum with private sector participation.
13. Development of a regional consumer protection framework.
14. Development of regional technical standards for QR codes, proxy identifiers, and open APIs.
15. Tracking and monitoring of progress against G20 principles for cross-border payments.



PILLAR 2: INFRASTRUCTURE

6. Establishment of common minimum standards for AML/CFT/CPF compliance and fraud mitigation.
7. Development of cross-border transaction dispute resolution and insolvency frameworks for non-bank PSPs.
8. Assessment of the potential onboarding of hard currencies within EAPS.
9. Upgrade of EAPS to improve operational efficiency and market adoption.
10. Development of a regional instant retail switch according to Digital Public Infrastructure (DPI) principles.



PILLAR 4: CAPACITY BUILDING

16. Exploration of the feasibility of CBDCs for regional cross-border transactions.
17. Understanding and developing regulatory approaches for virtual assets.
18. Exploring the use of emerging technologies in cross-border payments, including AI and cloud computing.
19. Promotion of regional payment systems through awareness and dissemination campaigns.
20. Enhancement of knowledge sharing and peer learning on cross-border payment systems.

Implementation roadmap

The Masterplan provides a comprehensive roadmap for implementation, with detailed considerations for each initiative. The success will be measured by improvements in transaction speed, cost reduction, increased accessibility, and enhanced transparency of cross-border payments across the EAC.

Key milestones below:

Short-term (1-2 years):

Regulatory harmonisation, initial technical enhancements to EAPS, and foundational capacity-building efforts.

**1-2
YRS**

Medium-term (3-5 years):

Full interoperability between Partner States' payment systems, operationalisation of a regional instant retail payment switch, and expanded financial inclusion measures.

**3-5
YRS**

Long-term (beyond 5 years):

Sustained regional coordination, integration with global payment networks, and continuous adaptation to emerging financial technologies.

**Beyond
5
YRS**



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ACRONYMS

ACRC	Africa Cybersecurity Resource Centre
ADFI	Africa Digital Financial Inclusion Facility
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AFI	Alliance for Financial Inclusion
AI	Artificial Intelligence
AML/CFT/CPF	Anti-Money Laundering, countering the Financing of Terrorism and Financing the Proliferation of weapons of mass destruction
API	Application Programming Interface
ATM	Automated Teller Machine
BIF	Burundian Franc
BIS	Bank for International Settlement
CBDC	Central Bank Digital Currency
CDF	Congolese Franc
CERT	Computer Emergency Response Team
CFA franc	West African Franc
CIRT	Computer Incident Response Team
COMESA	Common Market for Eastern and Southern Africa
CPMI	Committee on Payments and Market Infrastructures
CSD	Central Securities Depository
CSIRT	Computer Security Incident Response Team
DNS	Deferred Net Settlement
DPI	Digital Public Infrastructure
DRC	Democratic Republic of Congo
EAC	East African Community
EACJ	East African Court of Justice
EAPS	East African Payment System
EFT	Electronic Fund Transfer
eKYC	Electronic Know-Your-Customer
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EUR	Euro
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
FIU	Financial Intelligence Unit
FPS	Fast Payment System
FSB	Financial Stability Board
FX	Foreign exchange

GABAC	Action Group against Money Laundering in Central Africa
GBP	British Pound
GFCE	Global Forum on Cyber Expertise
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
ISAC	Information Sharing and Analysis Centre
ISO	International Organization for Standardization
ITU	International Telecommunications Union
KES	Kenyan Shilling
KPI	Key Performance Indicator
KYC	Know-Your-Customer
MAC	Monetary Affairs Committee
MEL	Monitoring, Evaluation and Learning
MFI	Microfinance Institution
ML/TF/PF	Money Laundering, Terrorist Financing, and Proliferation Financing
MMO	Mobile Money Operator
NPS	National Payment System
PAFI	Payment Aspects of Financial Inclusion
PAPSS	Pan-African Payment and Settlement System
PCI DSS	Payment Card Industry Data Security Standard
PFMI	Principles for Financial Market Infrastructures
POS	Point-Of-Sale
PSP	Payment Service Provider
PvP	Payment versus Payment
QR	Quick Response
REPSS	Regional Payment and Settlement System
RTGS	Real-Time Gross Settlement
RWF	Rwandan Franc
SADC	Southern Africa Development Community
SCMM	Sectoral Cybersecurity Maturity Model
SOC	Security Operation Centre
STP	Straight-Through Processing
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TCIB	Transactions Cleared on an Immediate Basis
TMA	TradeMark Africa
TZS	Tanzanian Shilling
UGX	Ugandan Shilling
USD	US Dollar
USSD	Unstructured Supplementary Service Data

GLOSSARY

AI (Artificial Intelligence)	The simulation of human intelligence by machines, used in payment systems for fraud detection, customer service automation, and risk management.
Alias	An alternative name or unique identifier used to facilitate transactions without revealing full account details, enhancing privacy and usability in payment systems. Synonymous with proxy identifier.
API (Application Programming Interface)	A set of protocols and tools that allow different software applications to communicate and integrate, enabling seamless financial transactions and services.
CBDC (Central Bank Digital Currency)	Central bank-issued digital money denominated in the national unit of account, and representing a liability of the central bank.
Cloud computing	The use of remote servers hosted on the internet to store, manage and process data, offering scalable and secure financial services infrastructure.
Cryptocurrency	A digital or virtual currency secured by cryptography, operating on a decentralised network and not controlled by a central authority.
Currency acceptability	The extent to which a currency is accepted for transactions within and across borders, influencing trade and financial integration.
Currency convertibility	The ease with which a currency can be exchanged for another, affecting international trade, investment and monetary stability.
DPI (Digital Public Infrastructure)	The foundational technology systems, including digital identity, payments and data-sharing mechanisms, that support inclusive financial and economic participation.
EAC Secretariat	The executive body responsible for coordinating policies and initiatives within the East African Community, including regional payment systems.
E-money	A service in which the mobile phone is used to access financial services.
FPS (Fast Payment System)	A licensed domestic retail (public or private) payment system that allows for the transmission of the payment message and the final crediting of funds to the payee in real time or near real time. Final crediting in this context means that the payee has unconditional and irrevocable access to the funds, even if settlement among payment service providers is deferred. FPS typically operate around the clock or very close to 24 hours a day, every day of the week throughout the year. FPS is synonymous with instant, faster or real-time payment system.
Governance	The framework of policies, regulations and oversight mechanisms that ensure the efficient, secure and accountable operation of payment systems.
Hub-and-spoke model	Connects multiple domestic payment systems through a central hub, which can handle clearing, settlement, or message synchronisation. Depending on its role, the hub may be considered a payment system or a service provider.
Inclusivity	The principle of ensuring that financial services are accessible to all individuals and businesses, particularly underserved populations, to promote economic participation, as well as the ability of financial service providers to get access to the underlying payment systems.
Interoperability	The ability of different payment systems and financial institutions to seamlessly exchange information and process transactions across networks.
ISO 20022	A global messaging standard for financial transactions that enhances interoperability, efficiency and data richness in payment systems.

MAC (Monetary Affairs Committee)	The Committee of the EAC Partner States Central Bank Governors responsible for coordinating the harmonisation that addresses regional economic challenges and progress towards the East African Monetary Union.
Machine learning	A subset of AI that enables systems to learn and improve from data patterns, used in payments for fraud detection, credit scoring, and automation.
Masterplan	A strategic document outlining the long-term vision, framework, and implementation roadmap for an EAC-wide payment system.
Mobile money	A service in which the mobile phone is used to access financial services.
Mobile wallet	An account that is primarily accessed using a mobile phone.
Mutual recognition of licenses	A regulatory framework that allows financial service providers licensed in one jurisdiction to operate in others, promoting cross-border payment integration.
Partner State	A member country of the East African Community.
PSP (Payment Service Provider)	A licensed bank or non-bank entity that facilitates cross-border payments, including mobile money operators, fintechs and commercial banks.
Payment system	A set of instruments, procedures and rules, including participants and the entity operating the arrangement, used for transferring funds between or among participants.
Proxy identifier	An alternative name or unique identifier used to facilitate transactions without revealing full account details, enhancing privacy and usability in payment systems. Synonymous with alias.
Regtech (regulatory technology)	The use of technology to improve regulatory compliance, risk management, and oversight in financial services.
Regulatory arbitrage	The practice of taking advantage of differences in regulations between jurisdictions to minimise compliance costs or bypass stricter financial rules.
Regulatory sandbox	A controlled testing environment where financial innovations can be trialled under regulatory supervision before full market implementation.
Resolution framework	A structured approach for managing the failure of financial institutions, ensuring minimal disruption to the payment system and protecting consumers.
Retail payment	Low-value, high-volume transactions made by individuals and businesses.
Stablecoin	A type of digital asset designed to maintain a stable value by being pegged to a reserve asset, such as a national/regional currency or commodities.
Suptech (supervisory technology)	The use of technology to enhance regulatory oversight, improve data collection, and detect risks in financial systems.
Unit of account	An International Financial Reporting Standard 13 accounting mechanism used as a consistent evaluation standard for different currencies and instruments specifically for cross-border transactions. It is not a tradable currency or a reserve instrument; instead, it serves solely as a common value measure to standardise transactions in a multi-currency region where a single regional currency does not exist.
Virtual asset	A digital representation of value that can be traded or transferred electronically, including cryptocurrencies and tokenised assets.
Wholesale payment	Large-value transactions typically processed between financial institutions or corporations, often settled in real-time through central bank systems.

VISION 1



1 | VISION

This East African Community (EAC) Masterplan aims to provide Partner States of the EAC Region with a point of reference, a roadmap and general architecture of all the requirements and specifications needed to achieve the aspiration of the Region in matters related to wholesale and retail payment systems - to make cross-border payments faster, safer, cheaper, transparent and more integrated to facilitate trade and financial inclusion in the Region.

The vision that underpins the Masterplan is:

A payments ecosystem that fosters economic integration and sustainable growth across the East African Community



MISSION 2

2 | MISSION

The Masterplan outlines strategic initiatives that need to be implemented over the next five years to achieve efficient, affordable, harmonised and interoperable cross-border payments in the EAC Region.

The mission that guides interventions of the Masterplan is:

To implement an inclusive, secure, efficient and interoperable cross-border payments ecosystem to support EAC monetary union objectives.

MASTERPLAN FRAMEWORK

3



3 | MASTERPLAN FRAMEWORK

Four guiding pillars provide the strategic direction of the interventions in this Masterplan: **1. Governance, legal, regulatory and oversight framework; 2. Infrastructure; 3. Inclusivity; and 4. Capacity building.**

The four pillars represent the fundamental payments ecosystem building blocks, based on the current EAC context and informed by international good practice¹.

¹ See Annex A for further information on the international standards consulted.

**PILLAR 1:
GOVERNANCE, LEGAL, REGULATORY
AND OVERSIGHT FRAMEWORK**



Rationale: A strong governance, legal, regulatory and oversight framework ensures the safety, efficiency and integrity of cross-border payments in the EAC. A harmonised regulatory environment fosters trust and mitigates risks such as fraud, money laundering and cyber threats. Coordinated oversight enhances regulatory cooperation and ensures compliance with international standards. Given the varying regulatory frameworks across Partner States, a cohesive approach is essential to facilitate interoperability, reduce regulatory arbitrage, and create a level playing field for payment service providers.

**PILLAR 2:
INFRASTRUCTURE**



Rationale: Modern payment infrastructure is key to efficient, seamless cross-border transactions. Interoperability and scalability enhance speed, cost-effectiveness, and transparency. In the EAC, infrastructure gaps—such as limited interconnectivity, reliance on correspondent banking and legacy systems—hinder efficiency. Investing in shared payment rails, system interlinkages, and regional clearing mechanisms will reduce costs, strengthen financial stability, and deepen regional integration. A strong infrastructure foundation also supports innovation, including instant payments and Central Bank Digital Currencies (CBDCs).

**PILLAR 3:
INCLUSIVITY**



Rationale: An inclusive payments ecosystem ensures that all economic actors—central banks, financial institutions, payment service providers, and consumers, particularly underserved populations—can seamlessly and viably engage in cross-border transactions. Gaps in formal financial access, digital literacy, interoperability and infrastructure must be addressed. Collaborative governance between central banks and financial institutions, supported by clear regulatory frameworks, will drive sustainability. Affordable, interoperable and user-centric payment solutions will empower small businesses, informal traders and consumers, fostering regional economic growth.

**PILLAR 4:
CAPACITY BUILDING**



Rationale: Capacity building ensures that there are skills and knowledge to support a modern, efficient payments ecosystem. Strengthening human and institutional capacity is key to advancing payment system modernisation. In the EAC, gaps in technical expertise, regulatory enforcement, and awareness of cross-border innovations hinder integration. Targeted training, knowledge sharing, and partnerships with international bodies will equip stakeholders to sustain a resilient payments landscape. Capacity building will also enhance cybersecurity, regulatory compliance, and consumer protection in an evolving digital payments space.

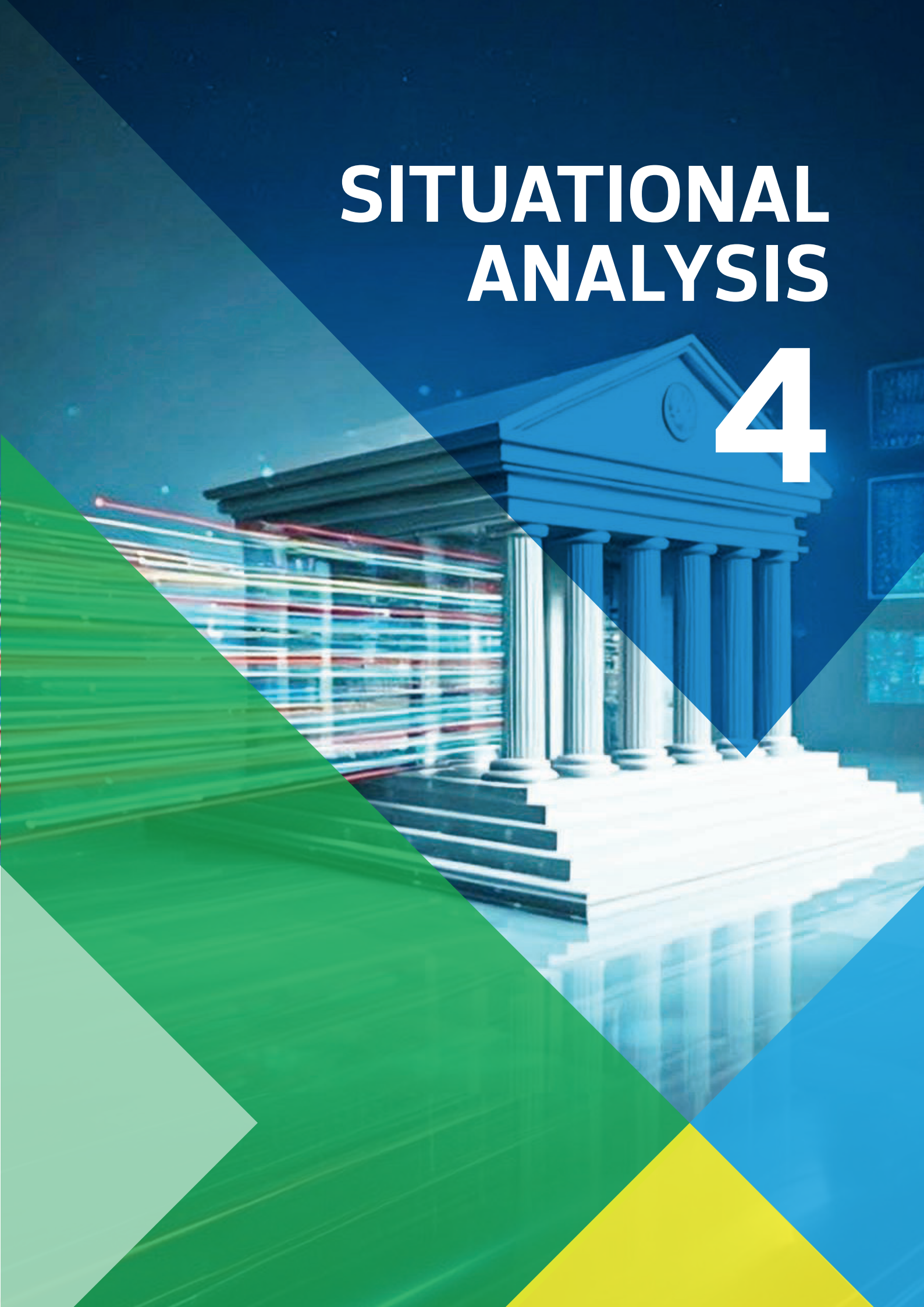
The link between the pillars, the strategic objectives, and the Masterplan interventions is outlined in Figure 1:

				
	Governance, legal, regulatory and oversight framework	Infrastructure	Inclusivity	Capacity building
Strategic objective:	Harmonisation of legal, regulatory and oversight frameworks to promote a conducive cross-border payment ecosystem	Development of infrastructure that is enabling of instant cross-border wholesale and retail payments	Promotion of broad inclusion of consumers/ businesses and financial institutions across the EAC region and building of consumer trust to ensure ecosystem sustainability and economic viability	Evidence-based decision-making and awareness across the cross-border payments ecosystem building blocks by Partner States through training, knowledge-sharing, and technical assistance
Description:	The interventions in this pillar address frictions and mitigate risks that arise from the multi-jurisdictional nature of a cross-border payments market through inclusive governance, regulatory, supervisory, and oversight frameworks that are consistent with international rules and standards. As regulatory harmonisation is a key goal of the EAC, aligning such frameworks is a prerequisite to the convergence towards a monetary union.	The interventions in this pillar focus on tailoring cross-border payment system infrastructure components and arrangements to mitigate the high costs and inefficiencies associated with existing structures. The issues of access, liquidity, operational and settlement risks, and the challenges inherent in foreign exchange mechanisms are core focus areas.	The interventions in this pillar target inclusivity from a supply-side and demand-side perspective. On the demand side, all EAC citizens are to benefit from improved cross-border payment services through cost-effectiveness. On the supply side, financial institutions are encouraged to shape operating models that are economically sustainable.	The interventions in this pillar empower actors to make informed and collaborative choices to implement ecosystem elements and create opportunities to share expertise within and outside the EAC. The success of the mission and its outcomes is anchored on a strong foundation of knowledge, skills, and collaboration among stakeholders.

Figure 1. Masterplan pillars and strategic objectives

SITUATIONAL ANALYSIS

4



4| SITUATIONAL ANALYSIS

The Masterplan initiatives are informed by the challenges faced by EAC Partner States' central banks, financial institutions, and consumers of financial services and products. These barriers were identified through extensive consultation and analysis across Partner States, ensuring the Masterplan addresses current regional cross-border barriers and aligns with the needs of the ecosystem². This chapter provides a high-level overview of the current challenges by Masterplan pillar. Annex B provides further insights into the situational analyses outcomes that underpin these problem statements.

² As the newest Partner State The Federal Republic of Somalia did not form part of the situational analysis assessment as the country joined the EAC after the project was conceptualised. Annex A outlines the Masterplan methodology in more detail.



Current challenges

PILLAR 1. Governance, legal, regulatory and oversight framework

Challenge	Observed status and implications
1. Differing cross-border PSP licensing regimes and processes	Cross-border PSPs face costly regulatory hurdles, as Partner States' licensing processes vary in scope and duration despite significant overlaps in requirements, limiting competition and market entry.
2. Inefficiencies in governance arrangements in EAC-wide cross-border payment systems	The lack of a harmonised oversight mechanism for cross-border payment systems that spans all Partner States creates challenges in the mitigation of cross-border risks, enforcement/arbitration, and fostering seamless regional payments integration.
3. Lack of region-wide, cost-effective cross-border mobile money interoperability	Mobile money is currently the preferred method for cross-border retail transactions by consumers, yet the absence of a harmonised regulatory framework creates an uneven playing field for e-money and e-wallet providers, limiting competition and inclusive interoperability.
4. Differing cross-border payments messaging standards	Cross-border providers face reconciliation and innovation challenges across the Partner States. The lack of a common messaging language (such as ISO 20022) negatively impacts data transparency and quality, speed of transactions, and customer experience.
5. The Region does not have a common currency	Varying settlement currencies across the Partner States introduce complex logistics and considerable costs related to foreign exchange for providers and central banks. Without a comprehensive framework for currency acceptability and convertibility, there is need for considerable foreign exchange reserves, affecting transaction cost and speed.
6. Persistent threat of money-laundering, terrorist-financing and cross-border payments fraud	The lack of EAC-wide consistent approach to anti-money laundering and combatting terrorist financing and proliferation financing (AML/CTF/CPF) standards of cross-border transactions compromises the Region's security. Similarly, the absence of common fraud detection and mitigation approaches hinders risk-information sharing and coordinated mitigation strategies, putting consumers, providers and central banks at risk.
7. Differing dispute resolution processes and wind-down procedures for cross-border non-bank PSPs	The absence of comprehensive resolution frameworks for non-bank PSPs creates regional financial stability risks. While resolution frameworks exist for commercial banks, there is no unified regional process for dispute resolution or wind-down/insolvency for cross-border non-bank PSPs. This creates an unlevel playing field between banks and non-banks in the cross-border payments environment, introduces undue risks, and hampers consumer confidence.



PILLAR 2. Infrastructure

Challenge	Observed status and implications
8. EAPS currently only connects four of eight Partner States	The limited participation in the East African Payment System (EAPS) reduces its effectiveness as a regional settlement platform, leading to reliance on alternative, less efficient payment mechanisms. This fragmentation hinders financial integration, increases transaction costs, and limits the scalability of cross-border payments. As EAPS currently only enables local-to-local currency clearing and settlement, the planned expansion of the system to connect all Partner States introduces potential liquidity risks around hard currencies, foreign regulatory compliance burdens, and legal complexities related to jurisdiction and enforcement.
9. EAPS faces uptake barriers	Some financial institutions face hurdles relating to EAPS' foreign exchange management, functionality and customer service. As a result, they offer non-EAPS routing options as these can also be more lucrative. These issues impact the sustainability and inclusivity of EAPS. Without dynamic and efficient foreign exchange management and settlement mechanisms, foreign exchange risks arise, and prices charged to the consumer and speed of cross-border transactions are considerably affected.
10. No region-wide clearing mechanism for instant retail cross-border transactions	The absence of EAC-wide mechanisms for the instant clearing of cross-border transactions that is accessible to all licensed cross-border PSPs introduces costs and transfer delays, and negatively impacts competition. PSPs have partly overcome this infrastructure barrier by heavily investing in bilateral partnerships, integrating with third-party aggregators, or joining private, closed-loop payment systems. These arrangements are all based on different standards and rules.
11. Fragmented regional data availability for efficient oversight	Inconsistent data reporting and lack of real-time transaction visibility across Partner States create challenges in regulatory oversight, risk assessment, and policymaking. There is currently no EAC-wide agreement between Partner States on cross-border data sharing, nor a facility to generate oversight-relevant insights from the cross-border payments environment. Without regional suptech and regtech applications regulators struggle to detect fraud, ensure compliance, and foster transparency in the regional payments ecosystem.



PILLAR 3. Inclusivity

Challenge	Observed status and implications
12. Limited platforms for collaboration between public and private entities in the cross-border payments value chain	The lack of structured collaboration mechanisms between regulators, financial institutions, and fintechs hampers innovation, efficiency and regulatory alignment in cross-border payments. This results in delays in policy implementation, fragmented payment infrastructure, and missed opportunities for cost reduction and improved service delivery.
13. Fragmented approach to consumer protection	Inconsistent consumer protection frameworks across Partner States lead to varying levels of recourse, dispute resolution, and fraud protection for users of cross-border payment services. Consumers also face issues around navigating payment solutions due to the different interfaces. This weakens consumer trust and limits financial inclusion, as consumers may be deterred from using digital financial services due to uncertainty regarding their rights and protections.
14. Lack of regional standards undermines inclusion, ranging from interoperability to financial literacy	Non-bank PSPs face technical integration challenges due to the lack of common interoperability standards across Partner States. Limited consumer understanding of digital financial services is exacerbated by complex payment details, such as long account numbers and foreign banking requirements, making cross-border transactions difficult to navigate. These barriers result in higher transaction costs, limited access to financial services, and reduced economic participation among underserved populations.
15. No regional monitoring of advancements in speed, cost, access and transparency of cross-border payments	The absence of a dedicated regional mechanism to track Key Performance Indicators (KPIs) in cross-border payments prevents informed policymaking, evidence-based interventions, and accountability in achieving regional payment system goals. This results in limited transparency and understanding of cost drivers, persistent high transaction costs, and slow progress toward improving financial inclusion and integration.



PILLAR 4. Capacity building

	Challenge	Observed status and implications
16.	Limited EAC-wide exploration of the feasibility and implications of CBDCs for cross-border transactions	There is no regional consensus on the potential role of CBDCs in cross-border payments, and Partner States have varying levels of research and experimentation. There is need to explore the feasibility and implication of the use of CBDCs for cross-border payment transactions, complemented by capacity-building initiatives. Without these, policymakers and financial institutions may struggle to determine whether CBDCs can effectively address cost, speed, and access challenges (including spillover effects) in regional payments.
17.	Unclear regulatory and oversight stances for virtual assets in cross-border payments	The regulatory landscape for virtual assets (e.g., cryptocurrencies and stablecoins) is fragmented across EAC Partner States, with some jurisdictions banning them while others are exploring regulatory frameworks. This lack of harmonisation creates uncertainty for financial service providers, limits the safe integration of virtual assets into payment systems, and increases risks related to fraud, money laundering, and consumer protection. Strengthening knowledge of virtual asset regulation (domestically and regionally) is essential to developing a coordinated and risk-sensitive approach.
18.	Limited capacity to assess and integrate emerging technologies in cross-border payments	Emerging technologies such as artificial intelligence (AI), machine learning, cloud computing, and alternative payment methods present opportunities to enhance efficiency, security and access in cross-border payments. However, support is needed in evaluating risks, developing appropriate policies, and supporting safe adoption. The absence of regional regulatory sandboxes or structured experimentation further slows down innovation, leaving the Region at risk of becoming competitively disadvantaged. There is need for capacity building on these emerging technologies and innovation enablers.
19.	Low awareness and adoption of regional payment systems	Many consumers (including businesses) are unaware of existing regional payment initiatives, leading to underutilisation of available cross-border payment systems. A lack of targeted communication, outreach and capacity-building efforts reinforce the continued reliance on inefficient, costly or informal payment channels, undermining financial integration efforts in the Region.
20.	Limited knowledge-sharing and peer learning on payment systems	There is no structured platform for central banks, financial institutions, and policymakers to exchange experiences and good practices on cross-border payment system development. Knowledge gaps persist, particularly regarding regulatory approaches, operational challenges, and innovations in other regions. Without peer learning, Partner States struggle to align their policies, optimise existing infrastructure, and adopt best-fit solutions for regional payment integration.

STRATEGIC INITIATIVES

5



5 | STRATEGIC INITIATIVES

Addressing the challenges identified, the 20 strategic Masterplan initiatives outlined in this chapter ensure that an EAC-wide future-proof and comprehensive faster, safer, cheaper, transparent and more integrated cross-border payments ecosystem is achieved. The initiatives are organised by pillar.



PILLAR 1.

Governance, legal, regulatory and oversight framework

The outcome:

Harmonised legal, regulatory and oversight frameworks that reduce regulatory friction, enhance compliance with international standards, and strengthen public-private sector governance.

➤ **INITIATIVE 1:**

Development of a mutual recognition framework for cross-border PSP licensing

Partner States will establish a set of guidelines for the mutual recognition of cross-border PSP licenses across the Region. This involves:

- Setting common licensing criteria,
- Aligning regulatory requirements, and
- Creating clear processes for cross-border supervision and compliance.

A regional working group comprised of regulators and industry representatives will be established to co-develop the guidelines (including a roadmap). Using the individual situational analyses as the starting point, the working group will conduct a comparative analysis of the current Partner State licensing regimes, identify commonalities and gaps, and benchmark against regional and international good practices to inform the creation of harmonised guidelines to PSP licensing across Partner States. Each Partner State will gradually align their domestic licensing regimes with the regional guidelines. The guidelines build on learnings from Partner States' ongoing initiatives in establishing mutual recognition frameworks for PSP licensing.

By de-duplicating licensing processes while preventing regulatory arbitrage, this initiative facilitates market entry for PSPs and enhances competition in the cross-border payments ecosystem.

🔗 INITIATIVE 2:

Development of a regional cooperative oversight framework

Partner States will establish a framework for cooperative oversight of wholesale and retail cross-border payment systems in the EAC. This involves:

- Defining foundational oversight principles and demarcation of domestic and regional supervisory roles,
- Determining arbitration and enforcement mechanisms, and
- Developing processes for coordinated risk mitigation and compliance monitoring.

A regional working group comprised of regulators from all Partner States will be established to develop the framework (including a roadmap). The working group will analyse existing oversight frameworks (for example for EAPS), develop mechanisms for regulatory coordination across all Partner States, and benchmark against regional and international good practices to inform the development of the framework. This oversight mechanism will also support the implementation of the mutual recognition framework by ensuring that licensed PSPs operate within a well-defined supervisory and enforcement regime.

By strengthening regulatory coordination, this initiative enhances oversight efficiency and reduces cross-border legal/regulatory grey areas. Annex C.i outlines further guidance on this initiative.

🔗 INITIATIVE 3:

Development of a harmonised intra-regional cross-border mobile money/ e-wallet regulatory framework

Partner States will establish a harmonised regulatory framework for cross-border mobile money and e-wallet services. This involves:

- Aligning licensing conditions,
- Developing mobile money/e-money scheme rules, and
- Determining minimum consumer protection measures and technical standards to support inclusive interoperability across the Region.

A regional working group comprised of regulators and cross-border mobile money/e-money industry representatives will be established to co-create the regulatory framework (including roadmap) and to develop cross-border mobile money scheme rules. The Partner States' existing regulatory framework draft (Annex D) and situational analyses serve as foundations for this initiative.

By providing an EAC-wide approach to cross-border e-money regulation, this initiative promotes fair competition, industry-led, regulator-approved rule setting, and cost-effective cross-border transactions.

➤ **INITIATIVE 4:** **Development of a harmonised version of common messaging standards**

Partner States will implement ISO 20022 as the harmonised messaging standard for cross-border payments. This involves:

- Standardising payment instructions and data exchange by adopting ISO 20022 to enhance interoperability between financial institutions and payment service providers,
- Defining minimum data requirements to improve transparency, reduce reconciliation challenges, and enable Straight-Through Processing (STP),
- Establishing technical implementation guidelines to facilitate seamless integration across different financial systems and payment service providers.

A regional working group comprised of regulators and industry representatives will be established to oversee the adoption of ISO 20022. The working group will conduct a comparative analysis of existing messaging protocols, assess key interoperability gaps, and develop technical implementation guidelines to support a seamless rollout.

Field and data standards adopted within ISO 20022 are important not only for accuracy of clearing and reporting, but also for risk analytics and risk mitigation. By ensuring a unified approach to payment messaging, this initiative will reduce friction in cross-border transactions, enhance data quality, and improve the overall efficiency and transparency of payments across Partner States.

➤ **INITIATIVE 5:** **Development of cross-border principles for currency acceptability and convertibility**

Partner States will develop a comprehensive framework for currency acceptability and convertibility, to enhance foreign exchange (FX) management and settlement for cross-border payments. This involves:

- Developing a structured currency acceptability framework, addressing gaps and aligning with international good practices,
- Establishing clear principles for currency convertibility and FX settlement, ensuring liquidity, reducing conversion costs, and improving pricing transparency,
- Defining mechanisms for efficient FX management, including transparent pricing structures and risk mitigation measures.

A regional working group comprised of regulators and industry representatives will be established to assess the agreements that have been put in place to date, identify challenges, and develop a structured framework to guide harmonised FX policies and settlement mechanisms.

By introducing a structured and harmonised approach to currency acceptability and convertibility, this initiative will reduce FX costs, enhance transaction speed, and improve pricing transparency, fostering a more seamless and cost-effective cross-border payments ecosystem.

➤ **INITIATIVE 6:** **Development of common minimum standards for cross-border transactions**

Partner States will establish common minimum standards for AML/CFT/CPF compliance and fraud mitigation. This involves:

6.1: Develop minimum AML/CFT/CPF assurance standards

- Establishing harmonised onboarding, monitoring and screening requirements for cross-border transactions, aligned with global AML/CFT/CPF frameworks and risk-based approaches,
- Defining minimum customer due diligence standards within regional and local contexts to facilitate efficient and secure customer identification and verification while ensuring compliance with international good practices,
- Developing common transaction monitoring and reporting guidelines, strengthening cross-border coordination in identifying and mitigating financial crimes.

A regional working group comprised of regulators and industry representatives will be established to develop a harmonised framework for these standards. The working group will conduct a comparative assessment of AML/CFT/CPF policies across Partner States, benchmark against regional and global good practices, and define implementation roadmaps for the adoption of minimum standards.

6.2: Develop minimum standards for fraud mitigation

- Establishing standard fraud detection and prevention measures for cross-border transactions, ensuring consistent fraud screening and reporting mechanisms across Partner States, including for cybersecurity (see Annex E for further information),
- Defining risk-information sharing protocols, allowing providers and regulators to collaborate on fraud identification and mitigation strategies,
- Implementing standardised consumer protection measures, ensuring timely dispute resolution and redress mechanisms for fraudulent transactions.

A regional working group comprised of regulators and industry representatives will be established to develop a harmonised framework for these standards. The working group will conduct a comparative assessment of fraud mitigation policies across Partner States, benchmark against regional and global good practices, and define implementation roadmaps for the adoption of minimum standards.

By ensuring consistent AML/CFT/CPF compliance and fraud mitigation practices, this initiative will enhance the security and integrity of cross-border payments, reducing regulatory fragmentation while safeguarding financial transactions across the Region. Annex C.ii outlines further guidance on this initiative.

➤ INITIATIVE 7:

Development of cross-border transaction dispute resolution frameworks and insolvency frameworks for non-bank PSPs

Partner States will develop harmonised frameworks for non-bank PSPs to ensure consistent handling of cross-border payment disputes, including transaction limits, settlement failures, and dispute resolution, as well as a structured approach to insolvency management.

This involves:

7.1: Develop non-bank PSP dispute resolution framework

- Establishing a clear and harmonised resolution framework to address payment failures, transaction limit inconsistencies, and settlement challenges specific to non-bank PSPs,
- Defining transparent and consistent cross-border payment limits to reduce transaction rejections, enhance predictability, and improve the efficiency of cross-border payments,
- Developing structured dispute resolution mechanisms that ensure timely resolution of issues faced by non-bank PSPs in cross-border transactions.

7.2: Develop non-bank PSP insolvency framework

- Developing regional guidelines for the insolvency, wind-down and restructuring of non-bank PSPs,
- Defining fund safeguarding and settlement obligations at a regional level to ensure that consumer funds remain protected in case of insolvency,
- Establishing harmonised minimum capital and liquidity management requirements to strengthen financial resilience among non-bank PSPs operating in the cross-border space.

A regional working group comprising regulators and industry representatives, will be established to assess gaps in dispute resolution and insolvency management for non-bank PSPs, benchmark global good practices to ensure alignment with international regulatory frameworks, and develop clear implementation guidelines for both frameworks.

By implementing harmonised dispute resolution and insolvency frameworks for non-bank PSPs, this initiative will enhance financial stability, reduce systemic risks, and ensure fair, predictable, and transparent processes for cross-border payments across Partner States. Annex C.iii outlines further guidance on this initiative.



PILLAR 2. Infrastructure

The outcome:

Infrastructure that is enabling of instant cross-border wholesale and retail payments.

🕒 **INITIATIVE 8:**

Assessment of potential onboarding of hard currency within EAPS to expand access

Partner States will assess the feasibility of integrating all Partner States' currencies, and especially hard currencies, within EAPS.

This involves:

- Evaluating demand and potential use cases for hard currency settlement within EAPS, considering Partner States that rely on hard currencies domestically, as well as trade and remittance flows,
- Assessing technical, operational, and regulatory implications, including the impact on liquidity management, FX settlement processes, and alignment with regional currency convertibility and acceptability principles (Initiative 5),
- Identifying alternative mechanisms to allow participation of Partner States that rely on hard currencies, if hard currency onboarding is not pursued,
- Ensuring that any recommendations from this assessment feed into Initiative 9, particularly regarding the required enhancements to EAPS to support cross-border transactions involving Partner States with different currency dependencies.

An assessment to gather insights and technical analysis will be conducted. A regional working group, comprised of Partner States central banks representatives from payment systems departments, will oversee the process, validate findings, and guide decision-making on next steps.

By assessing how EAPS can support the participation of all Partner States, regardless of currency constraints, this initiative aims to ensure full regional access, reduce FX-related frictions, and improve cross-border transaction efficiency in alignment with broader efforts on currency acceptability and convertibility.

➤ INITIATIVE 9: Upgrade of EAPS

Partner States will enhance and modernise EAPS. This initiative will evaluate technical, operational and governance enhancements to improve the system's efficiency and value proposition. This involves:

- Conducting an in-depth study on EAPS technical, operational, and governance challenges, using findings from situational assessments as a starting point,
- Assessing the feasibility of a centralised clearing and settlement model to simplify currency pairings, reduce FX exposure for PSPs, and enable a designated regional clearing currency or unit of account,
- Enhancing EAPS operational efficiency by reviewing the pre-funding arrangement, liquidity management mechanisms, and foreign exchange processes to improve PSP participation and reduce costs,
- Strengthening governance and enforcement mechanisms, ensuring PSPs are actively involved in rule-setting and dispute resolution to enhance service quality and customer experience,
- Evaluating infrastructure and technical upgrades, including improved messaging and connectivity options, to enhance real-time transaction visibility, automation and integration with other regional financial market infrastructures,
- Improving market awareness and incentives for PSP adoption, ensuring the benefits of EAPS are passed on to end-users through cost-effective, transparent pricing structures.

A regional working group, comprised of central bank representatives from payment system departments, will oversee an assessment study and use its findings to guide the decision on potential upgrades and structural changes to EAPS.

By enhancing EAPS' functionality and attractiveness to PSPs, this initiative will drive greater adoption and inclusion, improve cost efficiency, and strengthen the regional cross-border payments ecosystem. Annex C.iv outlines further guidance on this initiative.

② INITIATIVE 10:

Development of a regional inclusive instant retail switch according to Digital Public Infrastructure (DPI) principles

Partner States will develop a regional instant retail payments switch to facilitate cross-border transactions. The development of the switch will be guided by DPI principles³, with a focus on interoperability driven by common standards, diverse and inclusive innovation, and security and privacy by design—principles that support an open, accessible and resilient cross-border payments ecosystem. It will leverage national instant retail payment switches where feasible to avoid duplication of infrastructure.

To achieve this, four key sub-initiatives will be undertaken:

10.1: Develop and align national retail instant switches for all Partner States

- Partner States with an existing national instant retail switch commit to aligning with common technical standards to facilitate future interoperability with the regional cross-border switch,
- Partner States without a national retail switch commit to developing national switches, using agreed-upon common technical standards as the foundation to ensure future interoperability with the regional switch⁴.

10.2: Develop a common rulebook for cross-border retail payments

A regional common rulebook will be developed to govern cross-border retail payments, ensuring consistency in technical, operational, and regulatory requirements across Partner States. This rulebook will:

- Define technical and operational requirements (transaction limits, use cases, etc.),
- Establish minimum consumer protection measures, including dispute resolution mechanisms,
- Set data protection, cybersecurity⁵ and anti-fraud compliance standards in line with regional and international frameworks, including for transactions involving Unstructured Supplementary Service Data (USSD),
- Provide clear participation criteria for licensed PSPs to ensure fair and transparent access to the regional switch once developed.

The rulebook will be developed through a consultative process involving regulators and industry representatives to ensure practical implementation and enforcement.

3. DPI refers to a secure and interoperable network of components that include digital payments, ID, data exchange, and other foundational systems. It is an evolving concept, but there is growing consensus on it being a combination of (i) networked open technology standards built for public interest, (ii) enabling governance, and (iii) a community of innovative and competitive market players working to drive innovation, especially across public programmes (UNDP, 2024). The DPI Safeguards Initiative is currently developing a comprehensive and adaptable framework through a multi-stakeholder dialogue process.

4. The agreed-upon common technical standards are developed under initiative 10.2.

5. See Annex E for further information on a proposed cybersecurity framework.

10.3: Interlink existing national retail switches

Partner States will interconnect national instant retail payment switches bilaterally (nostro-vostro) to enable seamless cross-border retail payments. The aim of this initiative is to reduce reliance on proprietary, closed-loop payment hubs, enhances regional interoperability, and prepares the ecosystem for a scalable, inclusive regional switch. The interlinking will be done according to the rulebook and agreed standards.

This will involve:

- Developing interlinkages between existing national switches to enable direct cross-border payment processing,
- Conducting a proof of concept to test the technical and operational feasibility of interconnecting national switches for cross-border transactions,
- Assessing clearing, settlement and reconciliation mechanisms to support near-instant regional transactions,
- Identifying and addressing gaps in standards, governance and risk management to ensure smooth integration between national systems.

10.4: Transition to a fit-for-purpose regional centralised switch

Once a sufficient number of Partner States have established national switches and implemented bilateral interlinkages, Partner States will consider transitioning to a centralised regional cross-border switch to provide a more efficient and scalable clearing and settlement solution for regional cross-border retail transactions.

This will involve:

- Assessing the scale and volume of cross-border retail transactions to determine the feasibility, business and financial model of a centralised regional switch,
- Designing and implementing a scalable, interoperable and cost-effective switch that can clear and settle transactions across Partner States,
- Defining a governance and operational framework to oversee the regional switch, ensuring compliance, risk mitigation, and financial stability,
- Assessing national switches developments across Partner States, ensuring those with slower progress are not excluded from participating in the regional switch.

Coordination across sub-initiatives

To ensure coordination across all sub-initiatives, a regional working group will be established, comprising central banks payment system representatives, switch operators, and licensed PSPs. This working group will:

- Oversee the alignment of national retail instant switches, ensuring they conform to agreed technical standards,

- Guide the development of the scheme rulebook, ensuring harmonisation with regulatory and market needs,
- Coordinate national switches interlinkages, managing the proof of concept and technical integration efforts,
- Lead the feasibility assessment, governance and technical design for the transition to a regional switch,
- Engage with industry stakeholders and technical experts to ensure practical and commercially viable implementation.

Annex C.v outlines further guidance on this initiative.

➤ **INITIATIVE 11:** **Development of regulatory technology (regtech) and supervisory technology (suptech) tools for effective oversight and data collection**

Partner States will develop regtech and suptech solutions to improve risk monitoring, regulatory compliance, and decision-making, leveraging payment data to enhance transparency and fraud detection⁶.

This will involve:

- Developing a regional framework for cross-border data sharing, defining which payment data can be consistently collected and shared, under what conditions, and how regulators can securely access oversight-relevant transaction insights,
- Assessing the feasibility of creating a centralised regional data repository or analytics hub, enabling regulators to monitor cross-border transactions, detect anomalies, and improve risk assessment,
- Standardising cross-border payments reporting requirements, ensuring that data from PSPs and financial institutions is structured, timely, and comparable across Partner States,
- Considering regtech and suptech applications to automate fraud detection, compliance monitoring, and transaction screening⁷.

A regional working group comprising regulators and technical experts will lead implementation, ensuring alignment with global good practices.

By integrating regtech and suptech solutions, this initiative will enhance regulatory efficiency, improve risk detection, and create a more secure, data-driven cross-border payments ecosystem.

⁶ Regtech refers to technology that improves compliance and risk management for financial institutions, while suptech enables regulators to monitor financial systems more effectively using advanced data analytics and automation.

⁷ Examples of regtech and suptech applications: automated know-your-customer (KYC) and AML screening, transaction monitoring systems, regulatory reporting automation, AI-powered risk assessment models.



PILLAR 3.

Inclusivity

The outcome:

Broad inclusion of businesses and consumers as well as PSPs across the Region, and building of consumer trust to ensure ecosystem sustainability/ economic viability.

➤ **INITIATIVE 12:** **Constitution of a regional payments system forum which includes private sector participation**

Partner States will establish a regional payments system forum to facilitate structured engagement between regulators, bank and non-bank financial institutions, fintechs, and other key stakeholders in the cross-border payments ecosystem. This forum will serve as a platform for dialogue, coordination and decision-making, ensuring that policy, regulatory and infrastructure development are aligned with market realities.

This initiative will involve:

- Establishing clear governance parameters to ensure the forum serves as an advisory body that informs policy and regulation without undermining the authority of regulators,
- Formalising a regional payments system forum with representation from central banks, financial regulators, payment system operators, PSPs, fintechs and industry associations,
- Establishing a structured engagement framework, including periodic meetings, working groups, and dedicated thematic discussions on regulatory alignment, infrastructure interoperability, and innovation.

By institutionalising structured public-private collaboration, this initiative will accelerate regulatory alignment, enhance innovation, and drive efficiency in regional cross-border payments, leading to lower costs, better service delivery, and a more inclusive payments ecosystem.

🕒 INITIATIVE 13: Development of a consumer protection framework

Partner States will develop a regional consumer protection framework to ensure that users of cross-border payment services have clear, fair and enforceable rights, regardless of the Partner State in which they transact. The framework will also include consumer experience guidelines to improve service usability, accessibility, and transparency.

This will involve:

- Establishing minimum consumer protection standards, covering transparency, liability, redress mechanisms, fraud prevention and structured process for dispute resolution and recourse,
- Defining consumer experience guidelines, which will include:
- Standardised disclosures on fees, transaction times, and service expectations to enhance consumer trust,
- Minimum interface design standards, ensuring payment platforms provide clear, user-friendly experiences, including multilingual support and accessible layouts,
- Requirements for clear transaction tracking and notifications, ensuring users receive real-time updates on cross-border payments.

A regional working group comprised of regulators, consumer protection bodies, and industry representatives will be established to assess current consumer protection gaps, benchmark international good practices, and develop the framework. The working group will also define an implementation roadmap, including any regulatory adjustments and industry adoption timelines.

By establishing a harmonised consumer protection framework and consumer experience guidelines, this initiative will enhance trust in cross-border payments, improve financial inclusion, and ensure consumers have clear protection, transparency and recourse options when transacting across Partner States.

🕒 INITIATIVE 14: Development of regional technical standards

Partner States will develop regional technical standards to enhance cross-border payment interoperability, security and accessibility.

Initial priorities include:

14.1: Quick Response (QR) code for simplified user experiences and alignment of risk management of QR transactions

QR codes provide a user-friendly method for initiating payments, reducing reliance on manual data entry and improving accessibility. To ensure consistency across Partner States, this initiative will involve:

- Developing a regional QR code standard, ensuring that QR-based cross-border transactions are interoperable and consistent across Partner States,
- Aligning risk management measures, including authentication protocols, fraud detection mechanisms, and transaction verification to enhance security.

14.2: Proxy identifiers/aliases and their validation processes

Proxy identifiers replace long account numbers with familiar aliases, such as mobile numbers, making payments easier to initiate. To enable secure and efficient cross-border use, this initiative will involve:

- Defining a standardised proxy identifier framework, enabling payments using mobile numbers instead of account numbers,
- Developing validation and verification protocols, ensuring unique, secure and fraud-resistant proxy identifiers across Partner States,
- Establishing interoperability requirements, allowing PSPs and financial institutions to process cross-border transactions using proxy identifiers efficiently.

14.3: Open and secure APIs for seamless technical integration and onboarding

Open and secure application programming interfaces (APIs) streamline PSP onboarding, reducing technical integration friction and enhancing connectivity across payment systems. To support seamless implementation, this initiative will involve:

- Defining regional API specifications, ensuring standardisation across Partner States.

A regional working group comprising regulators, financial institutions, PSPs, payment system operators, and technical experts will be established to develop and refine these technical standards. The working group will also benchmark global good practices, determine if additional technical standards are required, and define an adoption roadmap to ensure Partner States gradually integrate these standards into their payments ecosystems.

By developing harmonised regional technical standards, this initiative will enhance digital payment accessibility, improve cross-border payment interoperability, and strengthen security, contributing to a more inclusive, efficient and cost-effective regional payments ecosystem.

🕒 INITIATIVE 15: Tracking and monitoring of progress against G20 principles

Partner States will establish a regional monitoring framework to track KPIs on speed, cost, access and transparency, aligned with the [G20 roadmap for enhancing cross-border payments](#).

This will involve:

15.1: Defining a regional KPI framework aligned with the G20 principles

- Identifying core metrics to assess improvements in cross-border payment efficiency, including transaction costs, processing times, accessibility and transparency,
- Aligning KPIs with global benchmarks, ensuring consistency with the G20 roadmap while incorporating regional priorities,
- Developing a structured methodology for data collection, analysis and reporting, allowing Partner States to track progress consistently.

15.2: Establishing a regional reporting and transparency mechanism

- Defining data-sharing protocols, ensuring secure and standardised reporting across Partner States,
- Implementing a regional dashboard or reporting system, providing regulators and policymakers with real-time insights into payment system performance,
- Developing a structured review process, enabling Partner States to assess trends, identify bottlenecks, and implement corrective actions.

A regional working group comprising representatives of Partner State central banks' payment system departments will be established to oversee KPI development, data collection, reporting mechanisms, and alignment with global good practices.

By establishing a dedicated regional monitoring mechanism, this initiative will enhance transparency, improve policy effectiveness, and accelerate progress toward cost-effective, efficient and inclusive cross-border payments across Partner States.



PILLAR 4. Capacity building



The outcome:

Evidence-based decision-making and awareness across the cross-border payments ecosystem building blocks by Partner States through training, knowledge-sharing, and technical assistance.

➤ **INITIATIVE 16:**

Explore the feasibility of using CBDC for regional cross-border transactions

Partner States will strengthen their understanding of the potential role of CBDCs in cross-border payments through research, peer learning and knowledge exchange. Given the interconnected nature of regional economies and financial systems, the introduction of a CBDC by a Partner State must be carefully coordinated to prevent unintended spillover effects that could disrupt regional economies and payment fluidity.

This will involve:

16.1: Building capacity on CBDC

- Organising capacity-building sessions for central banks and policymakers on CBDC design, interoperability and policy considerations,
- Facilitating knowledge-sharing forums and engagement with international organisations and technical experts to exchange insights on global CBDC initiatives.

16.2: Assessing feasibility of CBDCs for cross-border payments

- Establishing a consultation process for any Partner State planning to launch a CBDC, enabling structured discussions with other Partner States to assess potential regional impacts and coordination measures,
- Supporting collaborative research and feasibility studies on CBDC use for cross-border payments.

The EAC Secretariat will coordinate these activities in collaboration with Partner State focal persons, who will be designated by central banks.

By jointly exploring CBDCs, Partner States will better understand their potential role in improving regional payments while ensuring a harmonised and risk-sensitive approach to their development.

🕒 INITIATIVE 17:

Understand the approach to regulation and oversight of virtual assets

Partner States will develop regulatory capacity and deepen their understanding of virtual assets, including their risks, opportunities and implications.

This will involve:

- Mapping current regulatory stances on virtual assets across Partner States and identifying knowledge gaps,
- Organising training programmes and workshops for central banks and policymakers on regulatory approaches to virtual assets,
- Facilitating peer learning with other regional blocs on fraud risks, financial stability concerns, and oversight mechanisms for virtual assets,
- Engaging with international bodies to understand global emerging regulatory good practices.

The EAC Secretariat will coordinate these capacity-building initiatives in collaboration with Partner State focal points, who will be designated by central banks.

By improving regulatory understanding, this initiative will help Partner States develop clear and consistent policies that enable responsible use of virtual assets in cross-border payments.

🕒 INITIATIVE 18:

Explore the use of emerging technologies and schemes in the context of cross-border payments

Partner States will enhance their capacity to assess, regulate and respond to the implications of emerging technologies such as AI, machine learning, cloud computing, and alternative payment schemes in cross-border payments through training and knowledge exchange.

This initiative will involve developing a capacity-building curriculum and delivering sessions for central banks and policymakers on:

- The opportunities and risks of AI, machine learning and cloud computing in cross-border payments, including their impact on security, efficiency and regulatory oversight,

- 
- Cybersecurity risks associated with emerging payment technologies and mitigation strategies for regulators and policymakers,
 - The regulatory implications of alternative payment schemes (e.g., WhatsApp Pay and other digital wallets), focusing on AML/CFT/CPF compliance, consumer protection, financial stability risks, and data governance in cross-border transactions,
 - The use of regulatory sandboxes for testing cross-border payment innovations, including good practices for structured experimentation and how regulatory sandbox findings can inform regulatory responses.

The EAC Secretariat will coordinate these capacity-building initiatives in collaboration with Partner State focal points, who will be designated by central banks.

By enhancing regulatory capacity on emerging technologies and alternative payment schemes, this initiative will equip Partner States with the knowledge needed to assess risks, support innovation, and develop informed policy responses that ensure secure, efficient and inclusive cross-border payments.

Annex C.vi outlines further guidance on this initiative.

➤ INITIATIVE 19: Promote regional payment systems through awareness and dissemination

Partner States will implement targeted awareness and dissemination efforts to increase the adoption of regional payment systems among financial institutions, businesses and consumers. This initiative will focus on structured engagement with financial sector stakeholders, as well as broader outreach efforts to improve public awareness of cross-border payment solutions.

This will involve:

- Conducting capacity-building workshops for financial institutions and PSPs to enhance their understanding of regional payment systems, their benefits, and integration processes, such as EAPS,
- Engaging businesses, merchants, and trade networks through industry associations and chambers of commerce to provide practical guidance on leveraging regional payment systems for cross-border trade and remittances,
- Developing and launching consumer education campaigns in collaboration with financial sector stakeholders, leveraging digital platforms, social media and mainstream media to enhance public awareness of available regional payment solutions, including EAPS.

The EAC Secretariat will coordinate these capacity-building initiatives in collaboration with Partner State focal persons, who will be designated by central banks.

By increasing awareness and understanding of regional payment systems, this initiative will drive greater adoption, reduce reliance on inefficient payment channels, and enhance the overall efficiency and accessibility of cross-border payments in the region.

🕒 **INITIATIVE 20:** **Enhance knowledge of payment systems through knowledge sharing and peer learning**

Partner States will establish platforms for knowledge-sharing and peer learning to enable central banks, financial institutions and policymakers to exchange experiences and good practices on cross-border payment system development.

This will involve:

- Hosting periodic regional knowledge-sharing forums, bringing together regulators, financial institutions and policymakers to discuss cross-border payment challenges, opportunities and evolving trends,
- Organising study visits for central banks and policymakers, allowing Partner States to learn from regional and global examples of successful cross-border payment system implementations. Insights from these study visits will be documented and shared across Partner States.
- Engaging with international organisations (e.g., AU, AFI, BIS, IMF, World Bank, FSB, ITU, FATF (ESAAMLG/GABAC)) to provide targeted capacity-building opportunities for Partner States.

The EAC Secretariat will coordinate these capacity-building initiatives in collaboration with Partner State focal points, who will be designated by central banks.

By strengthening peer learning and structured knowledge exchange, this initiative will support Partner States in aligning regulatory approaches, optimising existing infrastructure, and adopting best-fit solutions for cross-border payment integration across the Region.

ROADMAP

6



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The budget in the roadmap is an estimation based on the current scope. The precise budget will be developed during each financial year's work planning. The assumptions that the budget figures are based on include costs of establishment and virtual/in-person convening of working groups, external consultant support, coordination efforts, infrastructure/hardware/software components, feasibility studies, report compilations and convening of capacity building workshops.

[illegible]

Strategic objective	No.	Strategic initiative	Key Performance Indicator	Est. budget required (USD)	Timeline											
					2025				2026				2027			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Development of infrastructure that is enabling of instant cross-border payments	8	Assessment of potential onboarding of hard currency within EAPS to expand access	Feasibility assessment on onboarding hard currency within EAPS completed and validated by Partner States, and a hard currency integration model is adopted.	150 000												
		Upgrade of EAPS	The design of the EAPS upgrade is developed and formally adopted by Partner States.	400 000												
	9		EAPS upgraded and deployed to Partner States.	4 500 000												
		Development of a regional inclusive instant retail switch according to DPI principles:														
	10.1	Develop national retail instant switches for all Partner States	National retail instant switches developed for all Partner States in alignment with common standards.	5 000 000 per country												
	10.2	Develop a common rulebook for cross-border retail payments	Common rulebook for cross-border retail payments, covering technical, operational, and regulatory standards, developed and formally adopted by Partner States.	200 000												
	10.3	Interlink existing national retail switches	National retail switches interlinked for cross-border payments, with key learnings documented and validated by Partner States.	500,000 per interlinkage												
	10.4	Transition to a fit-for-purpose regional centralised switch	Feasibility assessment on transitioning to a regional centralised switch completed.	500 000												
			Regional centralised switching solution implemented.	10 000 000												
	11	Development of regtech and suptech tools for effective oversight and data collection	Regional regtech/ suptech feasibility assessment completed and formally adopted by Partner States.	250 000												
			Regtech and suptech tools implemented.	2 000 000												

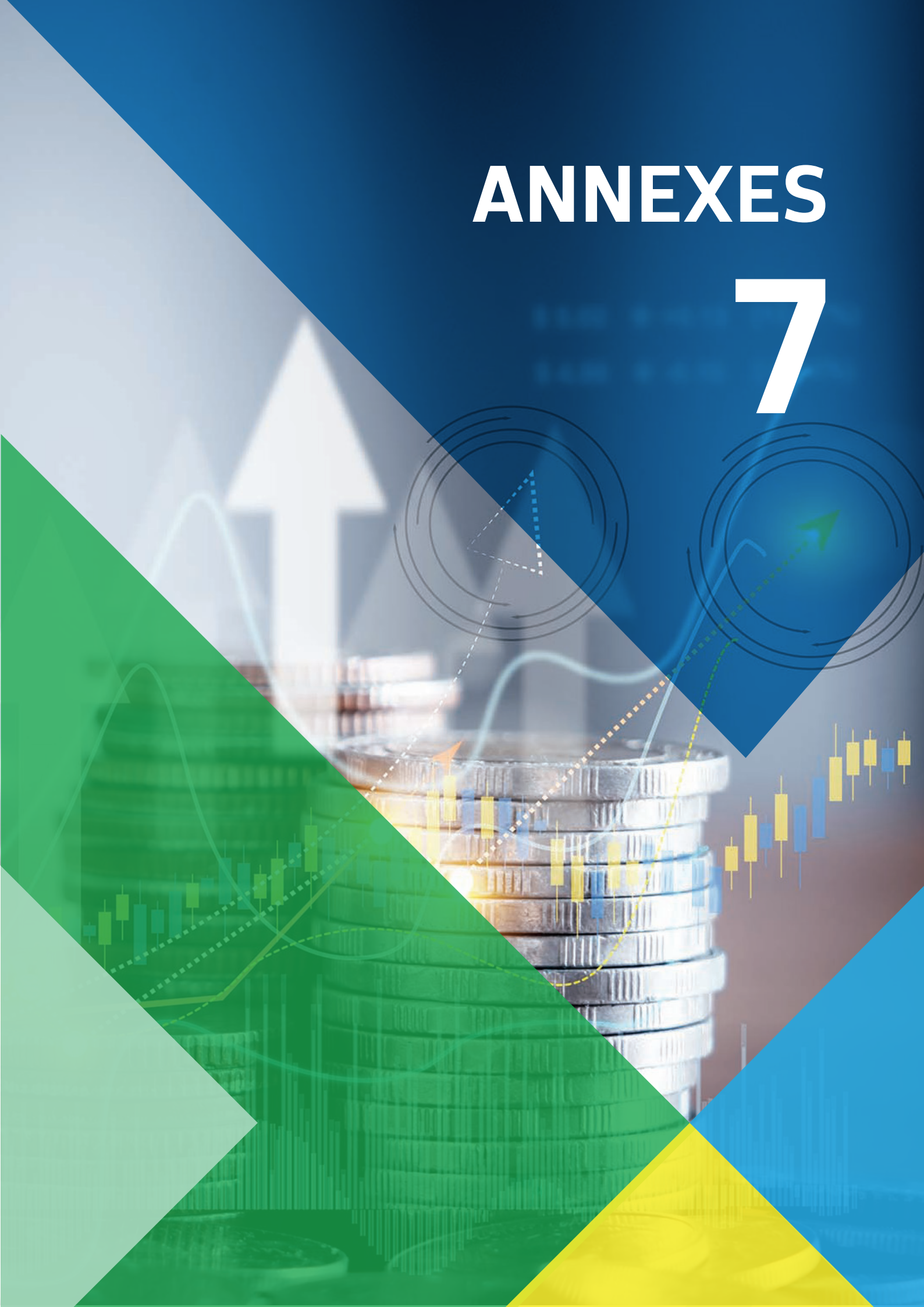
Strategic objective	No.	Strategic initiative	Key Performance Indicator	Est. budget required (USD)	Timeline																										
					2025				2026				2027				2028				2029				2030				2031		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Promote broad inclusion of consumers and PSPs across the region, build consumer trust to ensure ecosystem sustainability/economic viability	12	Constitution of a regional payments system forum which includes private sector participation	Regional payments system forum established, with governance framework and terms of reference formally adopted by Partner States.	200 000																											
	13	Development of a consumer protection framework	Regional consumer protection framework for cross-border payments developed and formally adopted by Partner States.	200 000																											
	14	Development of regional technical standards for:																													
	14.1	QR code for simplified user experiences and alignment of risk management of QR transactions	Regional QR code technical standards and risk management guidelines developed and formally adopted by Partner States.	150 000																											
	14.2	Proxy identifiers/aliases and their validation processes	Standardised proxy identifier standards and validation protocols developed and formally adopted by Partner States.	150 000																											
14.3	Open and secure APIs for seamless technical integration and onboarding	Regional API standards for PSP onboarding and cross-border payments integration developed and formally adopted by Partner States.	150 000																												
15	Tracking and monitoring of progress against G20 principles: Define a regional KPI framework aligned with the G20 principles		Regional cross-border payments KPI framework developed and formally adopted by Partner States.																												
15.1			Regional cross-border payments reporting and transparency mechanism developed and formally adopted by Partner States.	200 000																											
15.2			Regional cross-border payments reporting and transparency mechanism developed and formally adopted by Partner States.	200 000																											

Strategic objective	No.	Strategic initiative	Key Performance Indicator	Est. budget required (USD)	Timeline															
					2025				2026				2027				2028			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Evidence-based decision-making across the cross-border payments ecosystem building blocks by Partner States through training, knowledge-sharing, and technical assistance	16	Explore feasibility of using CBDC for regional cross-border transactions:																		
	16.1	Build capacity on CBDC	Number of Partner State central bank officials capacitated on CBDC interoperability, design, and policy considerations.	100 000																
	16.2	Assess feasibility of CBDCs for cross-border payments	Regional study on the feasibility of CBDC use cases for cross border payments conducted and validated by Partner States.	250 000																
	17	Understand approach to regulation and oversight of virtual assets	Number of Partner State central bank officials capacitated on virtual asset regulation and decentralised finance.	200 000																
	18	Explore the use of emerging technologies and schemes in the context of payments	Number of Partner State central bank officials capacitated on AI, machine learning, cloud computing, and alternative payment schemes delivered, with participation from other Partner State regulators.	300 000																
	19	Promote regional payment systems through awareness and dissemination	Number and categories of ecosystem stakeholders sensitised on regional payment systems.	250 000																
			Number of payments industry associations and chambers of commerce engaged to promote regional payment system adoption, with awareness initiatives conducted for businesses and merchants.	240 000																
			Number of consumer education campaigns/initiatives on regional payment solutions developed and delivered across Partner States.	400 000																
			Number of payment ecosystem stakeholders capacitated through regional knowledge-sharing forums on cross-border payment system development.	500 000																
	20	Enhance knowledge of payment systems through knowledge sharing and peer learning	Number of Partner State regulators capacitated through study visits and peer learning exchanges, with lessons documented and shared across Partner States.	1 000 000																
Monitoring and evaluation - annually in Q2: USD 20,000 (x5)																				



ANNEXES

7



A. MASTERPLAN METHODOLOGY

The design of the Masterplan is based on inputs from stakeholders across the EAC Region, which were gathered between May 2024 and March 2025. It was developed specifically for the EAC context. Situational analyses were conducted in the Partner States from May to October 2024 that included extensive engagements with public and private sector stakeholders across the cross-border payments value chain. A thorough regulatory and policy analysis was undertaken as well as a review of the current payment system structures in the Region. These analyses assessed the state of cross-border payments, covering policy/regulation, infrastructure, provider landscapes, and end-user readiness for each EAC Partner State⁸. Public and private sector consultations, alongside data analysis, helped identify key challenges and Masterplan initiatives. For a detailed overview of each Partner State's situational analysis, please visit the respective central bank website.

International standards and good practices were integrated to ensure the strategy's success, provided that the EAC Treaty principles - coordination and mutual recognition - are embraced. Many resources have been incorporated in the Masterplan given the rich literature around building cross-border payments that should be continuously consulted throughout the lifespan of the Masterplan⁹. The overarching processes and guidelines that guide this document are:

- **G20 Roadmap for Enhancing Cross-Border Payments and supporting publications.**

In 2020, the Financial Stability Board (FSB), in coordination with the Bank for International Settlements' (BIS) Committee on Payments and Market Infrastructures (CPMI) and other international organisations and standard-setting bodies, developed a Roadmap to address challenges in cross-border payments. The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability.

- **Principles for Market Infrastructures (PFMI) and supporting publications.** Released in 2012 by CPMI and International Organization of Securities Commissions, the PFMI are international standards consisting of 24 principles for systemically important payment systems and infrastructures, crucial for maintaining financial stability. The principles apply central securities depositories, securities settlement systems, central counterparties and trade repositories. The international community considers these standards essential to strengthening and preserving financial stability.

8. Somalia was not included in the situational assessment, as its membership in the EAC is recent and the assignment was procured before their official joining date. However, the Central Bank of Somalia took active part in the Masterplan validation sessions.

9. For example, Payment aspects of financial inclusion (PAFI) in the fintech era, Cross-border Fast Payments Toolkit, General principles for international remittances, Guidelines for the Successful Regional Integration of Financial Infrastructures by the World Bank Group; Guidance on Correspondent Banking by FATF; Level One Principles by the Bill and Melinda Gates Foundation; A Policymaker's Guide to Enabling Low-Value Remittances in Cross-border Payment Systems by the United National Capital Development Fund; Responsible Digital Finance Ecosystem and related documents by CGAP. Various additional development partners and multilateral organisations are active in the EAC Region and provide technical guidance documents, capacity building initiatives, and stakeholder forums and engagement platforms that can be leveraged, for example, African Development Bank; the African Union; Financial Sector Deepening Kenya, Somalia, Tanzania, Uganda; Access to Finance Rwanda; Alliance for Financial Inclusion; the GSM Association; the Africa Cybersecurity Resource Centre; the Gates Foundation; The Mastercard Foundation; the German Development Corporation (GIZ); International Fund for Agricultural Development; AfricaNenda; the Mojaloop Foundation, among others.

- **Financial Action Task Force (FATF)** Recommendations and supporting documents. The 2012 FATF Recommendations set out a comprehensive and consistent framework of 40 measures which countries should implement in order to combat money laundering, terrorist financing, and proliferation financing (ML/TF/PF). The recommendations are regularly updated.

B. SITUATIONAL ANALYSES FURTHER INSIGHT

This section comprises a summary of the situation analysis of Partner States. For detailed situational analyses, please visit the respective central bank websites of each Partner State.



PILLAR 1. Governance, legal, regulatory and oversight

Challenge	Observed status and implications
1. Differing cross-border PSP licensing regimes and processes	Cross-border PSPs face costly regulatory hurdles, as Partner States' licensing processes vary in scope and duration despite significant overlaps in requirements, limiting competition and market entry.

Cross-border licence regimes differ across Partner States

The type of PSP (bank, microfinance institution (MFI), money remittance provider, e-money provider/issuer, payment service provider, postal services, etc.) that offer cross-border transactions in the Region is not uniform across Partner States. While Tanzania follows an activity-based approach to non-bank PSP licensing, the other Partner States follow a more entity-based approach to permit non-banks from offering different cross-border payment use cases, limits and capital requirements. Foreign exchange requirements, and particularly, settlement currency modalities are not uniform. Licence validity also ranges from one year to five years between Partner States.

Burundi	DRC	Kenya	Rwanda	South Sudan	Tanzania	Uganda
Cross-border payments licensing regime	Letter of no objection for non-bank PSPs	Bank and non-bank PSP licenses	Bank and non-bank PSP licenses	Letter of no objection for non-bank PSPs	Bank and non-bank PSP licenses	Bank and non-bank PSP licenses

	Challenge	Observed status and implications
2.	Inefficiencies in governance arrangements in EAC-wide cross-border payment systems	The lack of a harmonised oversight mechanism for cross-border payment systems that span all Partner States creates challenges in the mitigation of cross-border risks, enforcement/arbitration, and fostering seamless regional payments integration.

No enforceable payments law, regulations, principles and standards exist at regional level; sustainability/ efficiency of bilateral agreements (EAPS model) to be assessed

Although the EAC Treaty establishes a binding contractual agreement among Partner States, translating regional commitments into national reforms encounters obstacles given the lack of regional principles and standards. Stakeholder engagements reveal that EAC initiatives frequently advance only to the policy level, without fully integrating them into the practical regulatory frameworks of individual Partner States. Consequently, while the Treaty lays the groundwork for harmonisation of key legal instruments, such as NPS Acts, the lack of effective monitoring tools and enforcement mechanisms hinder the achievement of consistent and uniform regulatory practices across the Region¹⁰. In contrast, bilateral agreements between Partner States at times prove more effective in driving tangible changes, such as the agreements that underpin EAPS between Kenya, Rwanda, Tanzania and Uganda. However, as four more Partner States are envisioned to join, the sustainability and efficiency of this model needs to be assessed.

	Challenge	Observed status and implications
3.	Lack of Region-wide, cost-effective cross-border mobile money interoperability	Mobile money is the preferred method for cross-border retail transactions, yet the absence of a harmonised regulatory framework creates an uneven playing field for e-money and e-wallet providers, limiting competition and inclusive interoperability.

In the absence of Region-wide interoperability, mobile money/e-money operators connect bilaterally or via private hubs for cross-border payments

Mobile money providers in the Region currently enable cross-border retail payments mostly through private networks and bilateral partnerships. Cross-border mobile money transfers are available through bilateral partnerships with other mobile money operators in the Region and are also enabled “on-us” via the mobile money operator groups. Some providers use the services of a third-party integrator for arranging cross-border clearing and settlement procedures with counterpart mobile money operators. There is a lack of level playing field for new entrants as there is no Region-wide agreement on business model principles (like “receiver-pays”) or common scheme rules. There is currently no mechanism for operators to organise themselves with regulatory endorsement, resulting in bilateral over multilateral arrangements. As a result, costs to end users for cross-border transfers in many EAC corridors are still above international targets. Some EAC corridors are dominated by one or two operators and others are underserved.

10. The East African Court of Justice (EACJ) plays a crucial role in interpreting and enforcing the EAC Treaty and its protocols, but has not been called upon regarding payments issues. The court can technically ensure that members comply with their obligations under the Treaty and resolves disputes that may arise from its interpretation or application. If a Partner State fails to implement or comply with EAC laws, the EACJ can be called upon to address the issue, further underscoring the binding nature of the Treaty.

Select cross-border mobile money transaction costs split by fees and FX margins (in % of USD 200) in 2024Q2

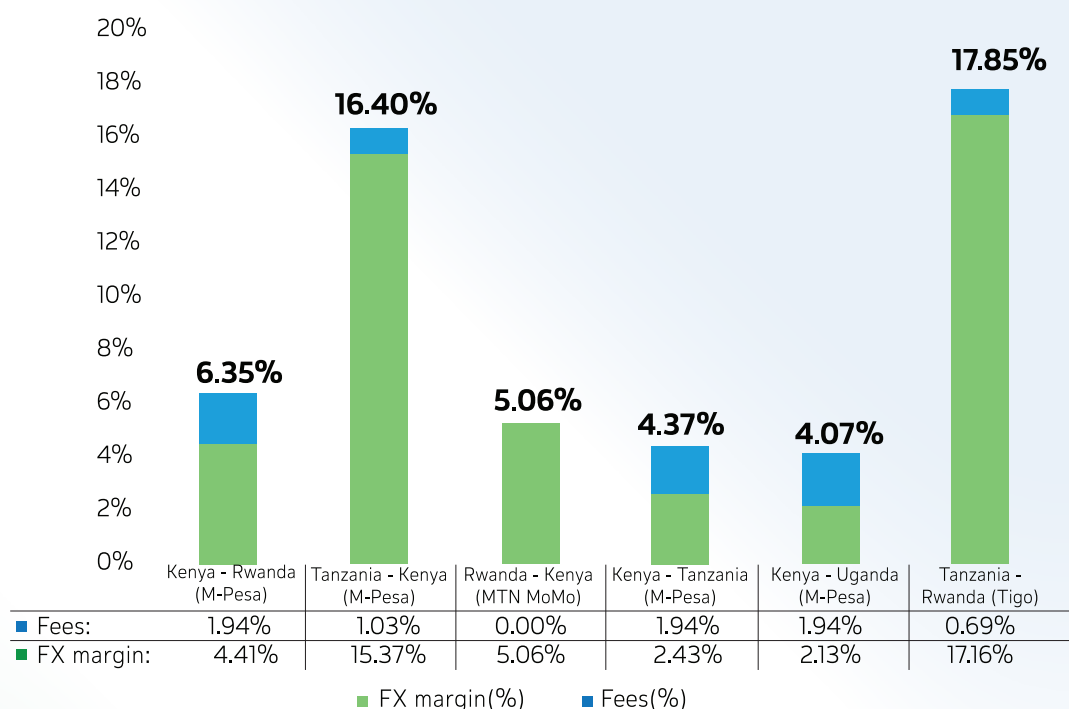


Figure 2. USD 200 remittance cost breakdown of select cross-border mobile money providers in EAC corridors (2024Q2)

Source: The World Bank, 2024, available at <http://remittanceprices.worldbank.org>

Challenge	Observed status and implications
4. Differing cross-border payments messaging standards	Cross-border providers face reconciliation and innovation challenges across the Partner States. The lack of a common messaging language (such as ISO 20022) negatively impacts data transparency and quality, speed of transactions, and customer experience.

Domestic real-time gross settlement (RTGS) systems have different messaging standards

Only three out of the eight Partner States have completed their RTGS ISO 20022 transition. This indicates that not all commercial banks (and therefore the PSPs they are sponsoring) in the Region are able to process transactions seamlessly through a common messaging standard. The Society for Worldwide Interbank Financial Telecommunications (SWIFT) is a commonly used network to send retail and wholesale transactions across Partner States to provide some level of message harmonisation. However, most transactions are not instant as a result and information asymmetries between sending and receiving institutions exist requiring manual intervention at the provider level.

Burundi	DRC	Kenya	Rwanda	Tanzania	Uganda
Is RTGS ISO 20022 compliant?	Underway	No	Yes	Yes	Underway

Challenge	Observed status and implications
5. The Region does not have a common currency	The many settlement currencies across the Partner States introduce complex logistics and considerable costs related to foreign exchange for providers and central banks. Without a comprehensive framework for currency acceptability and convertibility, there is need for considerable foreign exchange reserves, affecting transaction cost and speed.

EAPS settles in local currencies in the absence of a common currency

As many as ten currencies need to be accommodated in any regional settlement system given the lack of common currency within the EAC. The lack of a currency acceptability and convertibility framework leads to operational and financial inefficiencies for financial institutions and central banks. Pre-funding and costly foreign exchange services are currently required to mitigate the risk of different settlement currencies, which can lock in valuable working capital, especially for smaller PSPs.

RTGS settlement currency	
Burundi	BIF, USD, EUR
DRC	CDF (EUR and USD currently suspended)
Kenya	KES, USD, RWF, TZS, UGX
Rwanda	RWF, USD, EUR, GBP, KES, TZS, UGX
Tanzania	TZS, USD, KES, RWF, UGX
Uganda	UGX, USD, EUR, KES, RWF, TZS

Challenge	Observed status and implications
6. Persistent threat of money-laundering, terrorist-financing, and cross-border payments fraud	The lack of EAC-wide consistent approach to anti-money laundering and combatting terrorist financing and proliferation financing (AML/CTF/CPF) standards of cross-border transactions compromises the Region's security. Similarly, the absence of common fraud detection and mitigation approaches hinder risk-information sharing and coordinated mitigation strategies, putting consumers, providers and central banks at risk.

AML/CFT/CPF approaches differ

There is no consistent and cohesive approach to AML/CFT/CPF to provide the minimum assurance levels required for an open network that would promote network effects in cross-border payments and financial inclusion. For example, all Partner States except Burundi, permit simplified due diligence. However, account tiers, daily/monthly transaction limits, and wallet/account limits vary. While many have officially adopted the risk-based approach to AML/CFT/CPF, no Partner State has fully implemented it, and therefore Partner States' national risk appetite cannot be assessed on a comparable basis. Four out of the seven countries are on the FATF grey list, which provides an opportunity to move towards the implementation of the risk-based approach, but also means that these countries could place more scrutiny on cross-border transfers and may become more risk-averse over the coming years. Only three Partner States permit end-to-end electronic customer identification and verification, and not all countries have digital identity verification databases that could serve as risk assurances. Consumer recourse standards (e.g., time to resolve complaints, process for escalation) differ across countries and supporting agencies for cybersecurity do not exist in all Partner States. As cybercrimes and fraud, especially associated with instant payments, are on an alarming rise¹¹, consumers and providers are at risk without regional standards and information-sharing.

	Burundi	DRC	Kenya	Rwanda	South Sudan	Tanzania	Uganda
Is simplified due diligence permitted?	No	Yes	Yes	Yes	Yes	Yes	Yes
Risk-based approach implementation.							
No	No	No	No	No	No	No	
Currently on FATF grey list.							
No	Yes	Yes	No	Yes	Yes	No	
eKYC (identification/ verification) allowed.							
Yes	Yes	No	Yes	No	No	Yes	
Consumer protection law/ regulation.							
Yes	Yes	Yes	Yes	No	Yes	Yes	
Is there a cybersecurity agency?	No	No	Yes	Yes	No	Yes	Yes

11. See: https://fastpayments.worldbank.org/sites/default/files/2023-10/Fraud%20in%20Fast%20Payments_Final.pdf

	Burundi	DRC	Kenya	Rwanda	South Sudan	Tanzania	Uganda
Regulatory cybers ecurity governance framework	Formative; lacks sectoral strategy	Formative; fragmented regulation; lacks sectoral strategy	Strategic; lacks 3 rd party risk governance	Strategic; need for more dynamic and adaptive processes	Formative; lacks sectoral strategy	Strategic; fragmented regulation	Established; fragmented regulation
Risk management	Formative; lacks standardised methodologies	Formative; lacks standardised frameworks	Established; limited risk management mechanisms	Established; limited approach for proactive risk management	Startup; limited risk management capabilities	Established; lacks standardised frameworks	Established; lacks standardised frameworks, limited coordination across entities
Cybersecurity measures	Formative; lacks common standards and enforcement mechanisms across sector	Established; lacks common standards across sector	Established; lacks common standards across sector	Strategic; develop more adaptive capabilities	Established; lacks common standards and enforcement mechanisms across sector	Strategic; need to improve collaboration across entities	Strategic; entity specific
Capacity building	Formative; limited inclusive initiatives	Formative; limited specialised training and collaboration with public private entities	Established; develop more inclusive initiatives	Established; limited specialised training; develop partnerships with public private bodies	Established; increase sector specific initiatives	Strategic; increase sector specific initiatives	Formative; limited inclusive initiatives
Incident response & crisis management	Formative; limited CSIRT capabilities; lacks	Formative; lacks sector-specific Computer incidence	Strategic; improve information and good practices	Strategic; develop real-time and automated	Formative; lacks sector-specific CIRT	Strategic; improve collaboration in	Established; limited to specific entities

Challenge	Observed status and implications
7. Differing dispute resolution processes and wind-down procedures for cross-border non-bank PSPs	The absence of comprehensive resolution frameworks for non-bank PSPs creates regional financial stability risks. While resolution frameworks exist for commercial banks, there is no unified regional process for dispute resolution or wind-down/insolvency for cross-border non-bank PSPs. This creates an unlevel playing field between banks and non-banks in the cross-border payments environment, introduces undue risks, and hampers consumer confidence.

Unlike commercial banks, which operate under established resolution frameworks, non-bank PSPs in the EAC lack a harmonised approach to dispute resolution and insolvency procedures

This regulatory gap creates uncertainty for consumers, businesses, and financial authorities, as there are no clear mechanisms to handle non-bank PSP failures, settlement disputes, or fund safeguarding in cross-border transactions. Without a structured framework, non-bank PSPs face inconsistent regulatory treatment across Partner States, leading to potential financial stability risks and consumer protection concerns. A regionally coordinated resolution mechanism, including standardised insolvency procedures, clear dispute resolution processes, and consumer redress mechanisms, would help mitigate these risks. Capacity building for regulators and industry stakeholders on international good practices in non-bank PSP resolution, alongside the development of a harmonised framework, is essential to ensuring a level playing field and maintaining trust in the regional payments ecosystem.



PILLAR 2. Infrastructure

Challenge	Observed status and implications
8. EAPS currently only connects four of eight Partner States	The limited participation in the East African Payment System (EAPS) reduces its effectiveness as a regional settlement platform, leading to reliance on alternative, less efficient payment mechanisms. This fragmentation hinders financial integration, increases transaction costs, and limits the scalability of cross-border payments. As EAPS currently only enables local-to-local currency clearing and settlement, the planned expansion of the system to connect all Partner States introduces potential liquidity risks around hard currencies, foreign regulatory compliance burdens, and legal complexities related to jurisdiction and enforcement.

EAPS configuration becomes more complex with inclusion of all Partner States

While EAPS' ability to clear and settle in the participants' local currencies is cost effective by cutting out the need for conversion into foreign currency in the middle mile, EAPS does not yet connect all Partner States. Bringing in the additional four Partner States increases the complexity in terms of currency pairings as there are eleven settlement currencies that need to be accommodated and pre-funded (the eight local currencies plus the US dollar, Euro, and British pound (GBP)). Several currencies are illiquid or volatile and could introduce significant costs in the cross-border value chain.

	Burundi	DRC	Kenya	Rwanda	South Sudan	Tanzania	Uganda
Wholesale links established	EAPS under development	REPSS, SADC RTGS	EAPS, REPSS	EAPS, REPSS	None	EAPS, SADC RTGS	EAPS, REPSS
Retail links established	COMESA; PAPSS under development	TCIB	COMESA, PAPSS	COMESA, PAPSS	None	TCIB	COMESA, PAPSS

Integration with other regional systems can lead to scale fragmentation

For wholesale payments, DRC, Kenya, Rwanda and Uganda are also part of the Common Market for Eastern and Southern Africa (COMESA) Regional Payment and Settlement System (REPSS). DRC and Tanzania are participants in the Southern African Development Community (SADC) real-time gross settlement (SADC RTGS) system. On the retail side, COMESA is in the process of establishing a

cross-border system focused on smaller value trade payments while SADC launched its Transactions Cleared on an Immediate Basis (TCIB) scheme in 2021. The Pan-African Payment and Settlement System (PAPSS) is aiming to connect all countries in Africa across borders. While none of the retail schemes are fully rolled out, Partner States have options that span broader than just the EAC Region.

Challenge	Observed status and implications
9. EAPS faces uptake barriers	Some financial institutions face hurdles related to EAPS' foreign exchange management, functionality and customer service. As a result, they offer non-EAPS routing options as these can also be more lucrative. These issues impact the sustainability and inclusivity of EAPS. Without dynamic and efficient foreign exchange management and settlement mechanisms, foreign exchange risks arise, and prices charged to the consumer and speed of cross-border transactions are considerably affected.

EAPS has brought significant efficiencies, but uptake is still low

The wholesale system currently connects Kenya, Rwanda, Tanzania and Uganda, and uptake remains lower than expected. It provides a cheaper alternative to correspondent banking arrangements and can settle in the EAC currencies of connected countries. EAPS is SWIFT-based and works under a pre-funding arrangement. EAPS requires that PSPs source their own currencies and surplus currencies need to be repatriated, which increases operational costs and places the onus on PSPs in terms of foreign exchange management. There is no single or designated regional clearing settlement currency or instrument, which introduces complexities where inbound and outbound currency pairings do not match. Other than the agreements between central banks, PSPs do not have any direct contract with each other, which introduces enforcement and arbitration uncertainties. PSPs lament a lack of customer service compared to other networks, e.g., SWIFT. There is also a lack of awareness among end users that EAPS is an option as PSPs tend to offer other routing options outside of EAPS, which are more lucrative and therefore do not pass on to their end users the potential cost savings that EAPS achieves.

EAPS is a good base to evolve wholesale transactions that incorporate all Partner States but needs to evolve

EAPS is not suitable for low-value, high-volume flows in its current configuration. There is no centralisation of functions in EAPS, e.g., a facility to dynamically manage foreign exchange exposure to enable local-to-local currency pairings. The lack of centralised functions decreases the value proposition for PSPs, who in turn choose to offer more expensive options to their customers. Furthermore, as more countries join the complexity of managing clearing, settlement and due diligence increases exponentially without centralisation of functions and services.

Challenge	Observed status and implications
10. No region-wide clearing mechanism for instant retail cross-border transactions	The absence of an EAC-wide mechanism for the instant clearing of cross-border transactions that is accessible to all licensed cross-border PSPs introduces costs and transfer delays, and negatively impacts competition. PSPs have partly overcome this infrastructure barrier by heavily investing in bilateral partnerships, integrating with third-party aggregators, or joining private, closed-loop payment systems. These arrangements are all based on different standards and rules.

In the absence of a regional retail system, PSPs connect bilaterally or via private hubs for cross-border payments

PSPs currently enable cross-border retail payments mostly through private networks and bilateral partnerships. Commercial banks use correspondent banking relationships and transact via the SWIFT network and can conduct cross-border payments within their banking group “on-us”. Cross-border mobile money transfers are available through bilateral partnerships with other mobile money operators in the Region and are also enabled “on-us” via the mobile money operator groups. Some PSPs use the services of a third-party integrator to arrange cross-border clearing and settlement procedures with counterpart PSPs. All non-bank relationships require pre-funding, and not all corridors are well served. As a result, costs to end users for cross-border transfers in many EAC corridors are still above international targets. Additionally, delays in transactions, particularly in the banking sector, lead to inconvenience, especially for trade payments.

	Instant retail payments (excl. point of sale and ATM) possible between...	Domestic cross-domain switch.
Burundi	Banks (Bi-Switch) and some mobile money operators (MMOs) (bilateral)	Under development
DRC	Some banks and non-banks (switches)	Under development
Kenya	All banks and some non-banks (PesaLink); MMOs (bilateral)	Under development
Rwanda	All PSPs (eKash)	Yes - eKash
South Sudan	Under development	
Tanzania	All PSPs (TIPS)	Yes - TIPS
Uganda	Some banks and non-banks (private switches; bilateral)	Under development

Partner States are at different levels of domestic interoperability and only two countries have cross-domain retail switches

Rwanda's eKash and Tanzania's TIPS are the only two operational switches that enable the instant transfer between e-wallets, bank accounts, and vice versa. Kenya has several private switches that fulfil this function partially (e.g., PesaLink enables instant bank account transfers and select mobile wallet interoperability), while Burundi's Bi-Switch, DRC's and South Sudan's switch are still being rolled out. Uganda's and Kenya's switch developments are also underway albeit in earlier stages

than in the other countries. In the absence of national switches, PSPs have integrated bilaterally or via closed-loop systems that are not necessarily inclusive of all licensed providers. As a result, some Partner States have achieved de-facto interoperability but with different market dynamics in terms of dominant PSPs that charge prices above national targets.

Challenge	Observed status and implications
11. Fragmented regional data availability for efficient oversight	There is currently no EAC-wide agreement between Partner States on cross-border data sharing nor a facility to generate oversight-relevant insights from the cross-border payments environment. Suptech and regtech solutions rely on common data frameworks for the collection and processing of relevant data. Data frameworks would enable the creation of regional facilities to provide assurance and risk mitigation regarding AML/CFT/CPF, flows trends analysis, and reconciliation, among other functions. The lack of regional suptech and regtech applications has led to manual and costly reporting processes, as well as lack of transparency of prices for consumers.

Partner States currently have varying data protection regulations, many of which impose data localisation and cross-border data sharing restrictions

While exceptions exist for financial processes and AML/CFT/CPF purposes, allowing data sharing across borders, these exceptions are not consistently understood or applied throughout the Region. As a result, many providers are uncertain about what personal and financial data—particularly related to cross-border transactions—can be shared between countries while complying with data protection regulations and other legal requirements, such as AML/CFT/CPF. Additionally, data localisation clauses create ambiguity around the use of cloud solutions for storing and processing financial data. Similarly, Partner States are at different stages of developing their domestic data collection and analysis solutions for payments, many of which do not cater explicitly for cross-border transactions. Resulting in lack of visibility of formal (and informal) regional flows (volumes and values) since there is no structured mechanism to share the data that the EAC countries do collect.

	Burundi	DRC	Kenya	Rwanda	South Sudan	Tanzania	Uganda
Data protection law/ regulation.	No	Yes	Yes	Yes	No	Yes	Yes
Data localisation requirement.	No	Yes	Yes	Yes	No	Yes	No



INCLUSIVITY

Challenge	Observed status and implications
12. Limited platforms for collaboration between public and private entities in the cross-border payments value chain	The lack of structured collaboration mechanisms between regulators, financial institutions, and fintechs hamper innovation, efficiency and regulatory alignment in cross-border payments. This results in delays in policy implementation, fragmented payment infrastructure, and missed opportunities for cost reduction and improved service delivery.

Few Partner States have implemented payments councils that focus on cross-border payments matters domestically

While all countries have provisions in the national payment systems (NPS) laws to create national payment councils that can convene different domestic regulators and private sector, only Rwanda has established such a platform. There is also no regional forum or platform to holistically facilitate dialogue and co-creation between cross-border public and private sector authorities. The input of bank and non-bank PSPs and their technical partners relating to scheme rules, regulatory reforms, regional standards, data reporting, etc. leads to higher stakeholder buy-in into regional solutions, and therefore a bigger network effect for regional cross-border payments.

Challenge	Observed status and implications
13. Fragmented approach to consumer protection	Inconsistent consumer protection frameworks across Partner States lead to varying levels of recourse, dispute resolution, and fraud protection for users of cross-border payments services. Consumers also face issues around navigating payments solutions due to the different interfaces. This weakens consumer trust and limits financial inclusion, as consumers may be deterred from using digital financial services due to uncertainty regarding their rights and protections.

While almost all Partner States have a law and/or regulation pertaining to consumer protection, many are still nascent and have not been fully enforced

There are differences in the handling of transparency, pre-validation and accuracy of details, service quality and turnaround, fair treatment and non-discrimination, right to information and PSP accountability in the context of cross-border payments. This leads to differing user experiences concerning dispute resolution and recourse as well as fraud protection. Furthermore, consumers lament the absence of a unified approach to the user experience between PSPs. Key areas for consideration include minimising the number of screens a user must navigate, using clear and simple language, and offering the user interface in the consumer's home language. These measures will enhance accessibility, reduce friction, and provide a unified user experience, regardless of the location or provider involved in the transaction.

	Burundi	DRC	Kenya	Rwanda	South Sudan	Tanzania	Uganda
Consumer protection law/ regulation.	Yes	Yes	Yes	Yes	No	Yes	Yes

Challenge	Observed status and implications
14. Lack of regional standards undermines inclusion, ranging from interoperability to financial literacy	Non-bank PSPs face technical integration challenges due to the lack of common interoperability standards across Partner States. Limited consumer understanding of digital financial services is exacerbated by complex payment details, such as long account numbers and foreign banking requirements, making cross-border transactions difficult to navigate. These barriers result in higher transaction costs, limited access to financial services, and reduced economic participation among underserved populations.

Finscope reveals gaps in interoperability and financial inclusion

The most recent Finscope surveys in the Region (Kenya, Rwanda, Tanzania, Uganda) show progress in terms of formal financial inclusion (access and usage of financial services) and gender divides continue to shrink. Data for Burundi, DRC and South Sudan are quite outdated and show higher levels of financial exclusion. The data provides insights into the important role that mobile money has played in bringing the EAC population into the formal financial system. However, the fairly high overlap between banking and non-banking service uptake underscores the nascent progress in terms of bank and non-bank interoperability: many consumers own both bank and non-bank products, including for payments. Financial literacy, especially among rural populations, continues to be a barrier to uptake and usage. User errors when making payments are common and recourse can be a long and arduous process that scares customers off.

	Kenya (2024)	Rwanda (2024)	Tanzania (2023)	Uganda (2023)
Formally financially included	85%	96%	76%	68%
Banked	44%	22%	22%	14%
Other formal (non-bank)	41%	70%	54%	54%
Informal only	5%	4%	6%	13%
Financially excluded	10%	4%	19%	19%
Gender divide (formally financially included)	2%	4%	3%	13%

Challenge	Observed status and implications
15. No regional monitoring of advancements in speed, cost, access and transparency of cross-border payments	The absence of a dedicated regional mechanism to track key performance indicators (KPIs) in cross-border payments prevents informed policymaking, evidence-based interventions, and accountability in achieving regional payment system goals. This results in limited transparency and understanding of cost drivers, persistent high transaction costs, and slow progress toward improving financial inclusion and integration.

There is no regional data sharing framework as a base for joint monitoring of key indicators

The G20 roadmap for enhancing cross-border payments highlights the overall targets of improved speed, cost, access and transparency in cross-border transactions. The EAC Partner States currently do not have a mechanism to monitor progress regarding these indicators. The Remittances Prices Worldwide dashboard by the World Bank offers some comparison specifically for remittances but there is limited data around other use cases, such as trade payments, and not all Partner State corridors are included. The lack of a common data collection framework across the Region, such as aligning balance of payments codes for comparability, prevents the efficient monitoring of retail transactions. EAPS offers a comprehensive view of flows to Partner States that are connected but the retail space remains opaque.



PILLAR 4. CAPACITY BUILDING

Challenge	Observed status and implications
16. Limited EAC-wide exploration of the feasibility and implications of CBDCs for cross-border transactions	There is no regional consensus on the potential role of CBDCs in cross-border payments, and Partner States have varying levels of research and experimentation. There is need to explore the feasibility and implication of the use of CBDCs for cross-border payment transactions, complemented by capacity-building initiatives. Without these, policymakers and financial institutions may struggle to determine whether CBDCs can effectively address cost, speed and access challenges (including spillover effects) in regional payments.

Several Partner States are exploring CBDCs but mostly for domestic purposes

The innovation in the digital payments arena requires careful consideration of the role of technology in monetary systems. There is currently no exploration of a regional CBDC in the EAC. Some Partner States, like Kenya, have decided not to prioritise a domestic CBDC focusing instead on instant payment systems. Others, like Rwanda, may potentially launch a retail CBDC in the coming years. Since there are several efficiency arguments around using CBDC for cross-border payments, including streamlined processing, reduced costs, increased transparency, and lower settlement risk, Partner States have expressed the need for a feasibility study as well as capacity building and knowledge exchange around cross-border CBDCs in the EAC Region.

Burundi	DRC	Kenya	Rwanda	South Sudan	Tanzania	Uganda
Official CBDC exploration.	No	No	Yes – potential launch by 2026	No	Yes – research	Yes – research

Challenge	Observed status and implications
17. Unclear regulatory and oversight stances for virtual assets in cross-border payments	The regulatory landscape for virtual assets (e.g., cryptocurrencies and stablecoins) is fragmented across EAC Partner States, with some jurisdictions banning them, while others are exploring regulatory frameworks. This lack of harmonisation creates uncertainty for financial service providers, limits the safe integration of virtual assets into payment systems, and increases risks related to fraud, money laundering, and consumer protection. Strengthening knowledge of virtual asset regulation (domestically and regionally) is essential to developing a coordinated and risk-sensitive approach.

Decentralised finance and virtual asset regulation, particularly, are increasingly important to consider

In 2024, CNBC Africa [reported](#) that about 12 million East Africans use cryptocurrencies, especially for money transfer. The potential for cost savings in the payments value chain is significant given that several steps in the middle mile can be cut out. However, the risk to consumers is also significant, with financially less literate consumers at risk. The rapid developments in the sector call for risk-appropriate regulation that protects the end user while encouraging innovation and financial stability. Therefore, capacity building and technical assistance around virtual asset and decentralised finance regulation from a regional perspective is crucial to support Partner States.

Country	Regulation status on virtual assets	Key focus
Burundi	No regulation. Central bank has shown caution about the use of cryptocurrencies.	No active engagement or regulatory framework.
DRC	No regulation. Central bank has raised concerns but has no formal legal or regulatory stance.	No clear position; concerns raised by the central bank.
Kenya	No formal regulation yet, but the central bank has issued warnings. Task force created to explore regulation.	Developing a legal framework, focusing on consumer protection and fintech competitiveness.
Rwanda	No specific regulation, but central bank has cautioned the public. Exploring blockchain technology integration.	Exploring blockchain technology and its integration into the financial system.
South Sudan	No regulation.	Minimal focus on virtual assets.
Tanzania	No formal regulation yet, instruction to explore the use of cryptocurrencies in 2022.	Studying implications and integration of digital assets with existing financial systems.
Uganda	No formal regulation, but central bank has issued warnings. Considering future regulation.	Focus on consumer protection and regulatory framework development.

	Challenge	Observed status and implications
18.	Limited capacity to assess and integrate emerging technologies in cross-border payments	Emerging technologies such as artificial intelligence (AI), machine learning, cloud computing and alternative payment methods present opportunities to enhance efficiency, security and access in cross-border payments. However, support is needed in evaluating risks, developing appropriate policies, and supporting safe adoption. The absence of regional regulatory sandboxes or structured experimentation further slows innovation, leaving the region at risk of becoming competitively disadvantaged. There is need for capacity building on these emerging technologies and innovation enablers.

There are several key developments in modern cross-border payments similar to CBDC and virtual assets that require exploration

Suptech and regtech and their enabling technologies, such as AI, machine learning and cloud computing hold promise to reduce cost barriers for providers and authorities. Integrated payment solutions in popular communications platforms (e.g., WhatsApp) are being deployed and tested around the world. Currently there is no regional mechanism to allow regulating for innovation test cases (or regulatory sandboxes). EAC Partner States can benefit from international good practice and domestic initiatives that are underway in the Region. However, they require assistance in the exploration, role, adoption and regulation of these innovations with a targeted capacity building programme.

Challenge	Observed status and implications
19. Low awareness and adoption of regional payment systems	Many businesses, financial institutions and consumers remain unaware of existing regional payment initiatives, leading to underutilisation of available cross-border payment systems and solutions. Lack of targeted communication, outreach and capacity-building efforts prevents stakeholders from understanding the benefits and practicalities of regional payment solutions. This results in continued reliance on inefficient, costly or informal payment channels, undermining financial integration efforts in the Region.

Central banks that are integrated with EAPS lament lack of awareness of EAPS among intended end users of the solution

Some commercial banks in the Region offer more costly cross-border services to their customers first, given that these are more lucrative for the institution. Awareness raising campaigns around EAPS and any forthcoming retail solutions will empower end users to demand the most cost-effective service for their needs. Similarly, expanding outreach to non-bank PSPs (especially in the retail space) increases network effects if they decide to integrate.

Challenge	Observed status and implications
20. Limited knowledge-sharing and peer learning on payment systems	There is no structured platform for central banks, financial institutions, and policymakers to exchange experiences and good practices on cross-border payments system development. Knowledge gaps persist, particularly regarding regulatory approaches, operational challenges, and innovations in other regions. Without peer learning, Partner States struggle to align their policies, optimise existing infrastructure, and adopt best-fit solutions for regional payment integration.

The lack of structured knowledge-sharing mechanisms – similar to challenges in emerging technologies and virtual assets – limits the ability of EAC Partner States to develop harmonised and effective cross-border payment systems

While some international organisations facilitate good practice exchanges, there is no dedicated regional platform that enables central banks, financial institutions and policymakers to systematically engage in peer learning. This results in fragmented regulatory approaches, inconsistent adoption of global standards, and missed opportunities for innovation. Establishing a regional knowledge-sharing forum would help address these gaps by fostering collaboration, enabling regulators to learn from successful implementations, and promoting the adoption of solutions tailored to the EAC context. Capacity-building initiatives, study visits and technical assistance programmes are essential to ensuring that Partner States can continuously adapt to evolving payment system trends and align their policies with international good practices.

C. ADDITIONAL GUIDANCE FOR SELECT INITIATIVES

Some initiatives involve complex implementation choices that require careful consideration of trade-offs before finalisation. In developing this Masterplan, preliminary considerations were made on some of these trade-offs to ensure that the proposed initiatives are practical, actionable and aligned with regional needs. To support the working groups tasked with advancing these initiatives, this annex provides non-prescriptive guidance outlining some of these considerations. These insights serve as a starting point, but working groups are encouraged to adapt, refine or expand upon them as they develop the initiatives further.

i. Initiative 2: Additional guidance on the development of a regional cooperative oversight framework

To establish a structured and effective cooperative oversight framework, Partner States may consider the following approaches:

a. Establishing an EAC payment system law, regulation and designating an EAC payments system regulator

A dedicated legal and regulatory framework is essential to define supervisory roles, enforcement mechanisms, and risk management for cross-border payments. To achieve this, Partner States may introduce:

An EAC payment system law to provide a structured regulatory foundation, covering:

- Jurisdictional boundaries and the demarcation of domestic vs. regional oversight roles,
- Regulatory coordination mechanisms, ensuring a harmonised supervisory approach,
- Governance structures and compliance requirements for licensed PSPs.

An EAC payment system law regulation to operationalise the law by setting out:

- Practical supervisory and enforcement processes, ensuring consistency across Partner States,
- Consumer protection, financial integrity and systemic risk mitigation measures,
- Governance provisions, including the role of regulators in appointing key oversight bodies.

This legal framework would apply exclusively to cross-border payments, complementing existing national laws. Partner States in the process of developing or updating their national payment system Acts could reference these provisions for alignment.

To ensure effective implementation, the law and regulation would be developed through a consultative process, requiring:

- Active engagement of Partner States in drafting,
- Consideration of existing structures within the EAC that could serve the role of the EAC regulator,
- Approval by Heads of State and adoption as an Act of the community,
- Integration into national legal frameworks to enable enforcement.

b. Bilateral/Multilateral memoranda of understanding (MoUs) and contracts

Recognising that the development and enactment of a Law and Regulation may take time, Partner States may use multilateral contracts as a transitional approach to:

- Establish a binding framework for regulatory collaboration, ensuring interim oversight structures are in place,
- Implement common rulebooks and scheme rules within a contractual agreement,
- Allow for periodic review and amendment of contract appendices, refining regulatory roles and responsibilities over time.

During this interim period, Partner States should document regulatory challenges encountered under these agreements, as these insights will inform the final legal and regulatory framework. Once the EAC Payment system Law and Regulation are enacted, these contracts will phase out naturally.

ii. Initiative 6: Additional guidance on the development of common minimum standards

To ensure effective AML/CFT/CPF compliance and fraud mitigation, Partner States require mechanisms that enable consistent enforcement, risk-based supervision, and seamless cross-border coordination. While the initiative establishes common minimum standards, additional measures may be needed to ensure these standards are effectively applied and operationalised across the Region. This guidance outlines two key areas that can strengthen implementation:

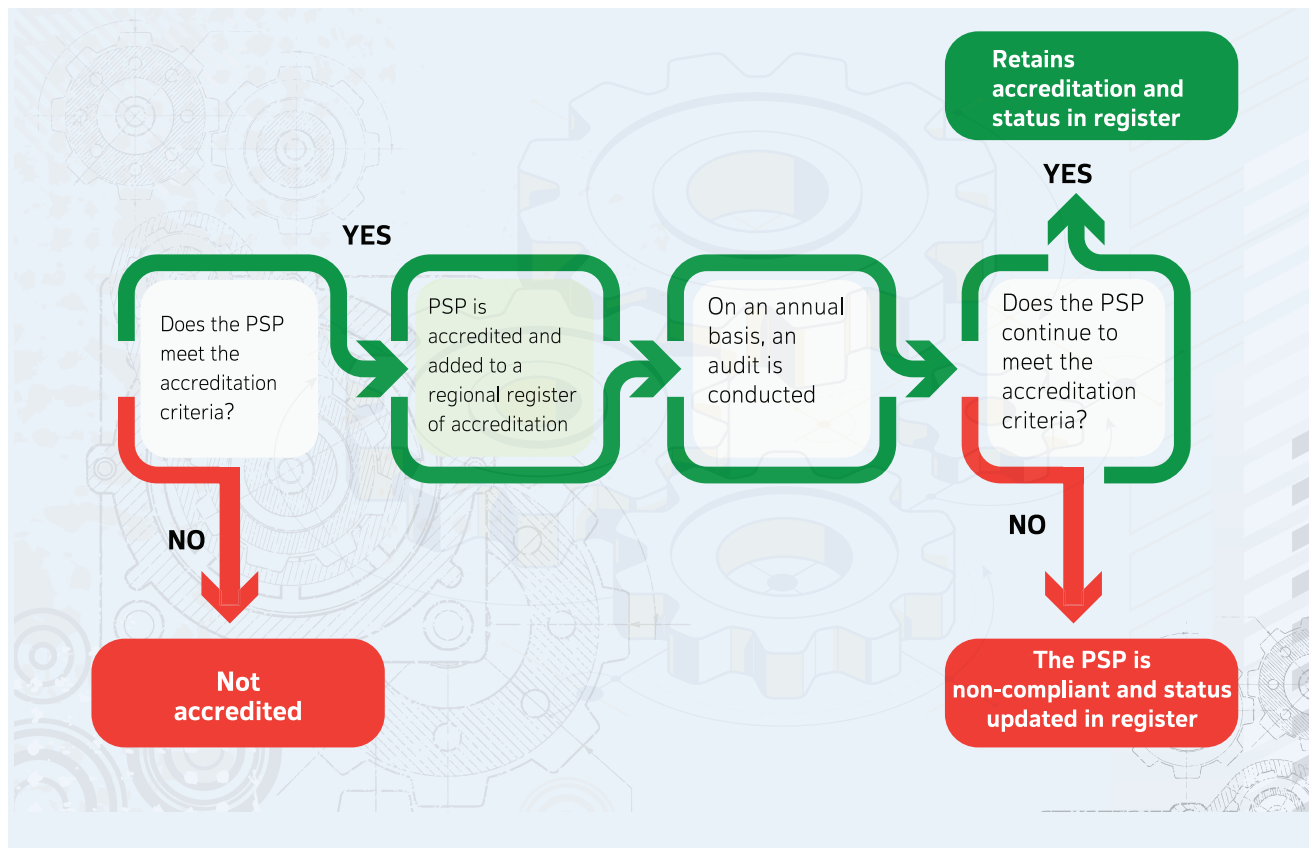
a. A regional AML/CFT/CPF accreditation mechanism to improve compliance assurance and transparency

To enhance the implementation and enforcement of AML/CFT/CPF compliance, a regional accreditation mechanism is proposed. This mechanism will ensure consistent application of common standards, reduce regulatory duplication, and improve cross-border coordination.

To achieve this, Partner States should consider the following actions:

- ② **Define and approve AML/CFT/CPF accreditation criteria** – Standards for assurance should be developed in collaboration with supervisors, Financial Intelligence Centres/Units (FICs/FIUs), and FATF-style bodies such as the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) and Action Group against Money Laundering in Central Africa (GABAC),
- ② **Operationalise an accreditation mechanism** – This mechanism should be risk-proportionate, requiring annual audits of PSPs. Training should be provided to external audit firms and internal compliance officers on these standards. Alternatively, central banks may conduct audits, but this would require significant capacity-building within regulatory institutions,
- ② **Establish a regional register of accredited PSPs** – Accreditation results will be stored in a central digital register accessible to authorised entities such as financial institutions, central banks, and FICs/FIUs. This will improve transparency and reduce redundant due diligence checks across the region.

Figure 3. Process flow for PSP accreditation and compliance monitoring



b. Specific protocols and operational measures for fraud mitigation, ensuring a coordinated regional approach

Fraud cannot be completely eliminated; however, effective management and mitigation measures can reduce risk and enhance confidence in the cross-border payments ecosystem. A proactive approach, supported by real-time data sharing and advanced technologies like supotech and regtech, will strengthen fraud detection and drive greater adoption of digital payments.

Partner States should consider the following actions:

- ① **Set minimum fraud mitigation standards** – Define processing requirements such as account verification protocols and transaction monitoring, addressing risks related to non-verified accounts and single-use accounts commonly exploited for fraud,
- ① **Define critical fraud-related data fields** – Standardise the data fields required for fraud detection, ensuring uniform reporting across low-, medium-, and high-value payment streams,
- ① **Develop freezing protocols for suspicious accounts and transactions** – Establish clear procedures for institution-wide freezing mechanisms, including criteria for taking action,
- ① **Coordinate regional fraud-related data sharing** – Develop a framework for cross-border fraud information exchange, ensuring fraud-related data can be shared as an exception to

local data protection laws while maintaining compliance with broader data security and privacy measures.

iii. Initiative 7: Additional guidance on the development of a resolution framework for non-bank PSPs

The resolution framework for non-bank PSPs will cover multiple aspects, including settlement failures, dispute resolution, and transaction limits. This annex focuses specifically on the development of payment stream limits as a critical component of the resolution framework.

To reduce transaction failures, improve predictability, and align risk management practices across the Region, Partner States must establish clear, risk-based payments stream limits for cross-border transactions. These limits should be tailored to the different payments streams—low-value (e-money), medium-value (commercial money electronic fund transfer (EFT)), and high-value (wholesale payments)¹²—while ensuring alignment with operational, settlement, foreign exchange, and AML/CFT/CPF compliance requirements.

Given the cross-border nature of these transactions, coordination among central banks is essential to ensuring consistency across all EAC Partner States. The development of payments stream limits must also consider the impact on processing efficiency, system costs, and filtering responsibilities, determining whether limits should be applied at the PSP level, or EAC regional level.

Key considerations for developing payments stream limits include:

a. Data-driven limit setting – research and risk analysis

- ② **Assess transaction ticket values** - Conduct a comprehensive study on transaction ticket values for different use cases and payment corridors to understand market demand and common transaction sizes,
- ② **Conduct a risk assessment** - Evaluate operational, settlement, foreign exchange, and AML/CFT risks associated with different transaction sizes to ensure that limits are risk-appropriate rather than arbitrarily defined,
- ② **Benchmark against international standards** - Review how other regional and global jurisdictions define payment stream limits, and the mitigation measures they apply to effectively manage risks.

b. Establishing and approving regional payment stream limits

- ② **Form a regional working group** - Central banks across partner states should establish a dedicated working group to assess existing regulatory limits, analyse transaction trends, and propose risk-aligned limits for each payment stream,

¹² Please see vi. Initiative 12 for further information on the rationale behind these three proposed payments streams.

- ③ **Align with National Payment System (NPS) and e-money interoperability switches** - Ensure that proposed limits reflect the transaction ticket value distribution within NPS infrastructure and existing e-money interoperability mechanisms,
- ③ **Industry consultation** - Engage with PSPs and other industry stakeholders to validate whether the proposed limits are practical and do not exclude key transaction use cases,
- ③ **Finalisation and ratification** - Following industry consultation, Partner States will finalise and approve payments stream limits, ensuring transparency and alignment with local and international good practices.

By ensuring that payments stream limits are well-researched, risk-based and regionally consistent, this approach will reduce transaction failures, enhance predictability, and create a more efficient cross-border payments ecosystem for non-bank PSPs.

iv. Initiative 9: Additional guidance on the upgrade of EAPS

Cross-border interoperability in payments systems presents significant challenges and trade-offs, particularly in relation to foreign exchange management, clearing and settlement models, and liquidity risks. To strengthen the effectiveness of EAPS, Partner States must carefully assess these factors and determine an approach that balances efficiency, risk management and market realities.

This guidance outlines key FX-related considerations and clearing and settlement models that may inform the enhancement of EAPS.

a. Key foreign exchange considerations

- ③ **Illiquid and volatile currency values** - Many local currencies are not actively traded on international markets, resulting in limited liquidity and high volatility. This creates challenges for cross-border payments, as unstable exchange rates and illiquid markets increase costs and settlement risks,
- ③ **Price discovery and market efficiency** - Foreign exchange mechanisms such as exchange rate pegging, daily rate setting, or mark-to-market pricing can create arbitrage opportunities in informal or shadow exchange markets, undermining consumer confidence and discouraging formal cross-border transactions. While routing all transactions through formal FX markets is ideal, it is not practical for low-value transactions, necessitating a balance between market efficiency and accessibility,
- ③ **Foreign exchange licensing and access to cross-border schemes** - The success of cross-border interoperable schemes depends on broad network participation. However, many institutions that hold consumer and business accounts lack foreign exchange licenses, meaning they can only transact in local currency. Addressing FX licensing barriers is essential to ensuring widespread participation in EAPS.
- ③ **Real-time payments and FX processing** - Real-time payment systems require highly liquid FX markets to support instant settlement. While this may be feasible for high-value transactions, it is less practical for low-value and microtransactions, which require a systemic,

straight-through-processing exchange mechanism to mitigate timing and liquidity risks,

② **Multi-currency vs. cross-currency clearing models** – Are handled as follows:

o Multi-currency clearing – Each currency is processed unaltered across borders, with local central banks or financial institutions managing FX risks. However, this approach introduces Herstatt risk, especially in deferred net settlement (DNS) environments, where transactions are irrevocably cleared before settlement occurs,

o Cross-currency exchange at clearing – A centralised FX mechanism ensures currency conversion is handled within the clearing process, reducing risk but requiring robust FX market structures and liquidity management,

③ **Operational complexity in multi-currency clearing** - Clearing and settling across multiple currency pairings becomes exponentially complex as the number of participating countries and currencies increases. For example, a system involving 8 countries and 10 currencies would require 45 unique currency pairings, 80 clearing and settlement ledger accounts, and further multiplication by the number of participating institutions. Without a well-designed clearing and settlement architecture, this complexity can outweigh potential benefits,

④ **RTGS vs. Deferred Net Settlement (DNS) risks** – Considers the following:

o RTGS with payment-versus-payment (PvP) – Ensures simultaneous delivery and settlement, mitigating timing risks and eliminating FX settlement risk,

o DNS with near-real-time clearing – Creates mismatches in timing between clearing and settlement, increasing risk exposure in cross-border transactions.

To ensure that EAPS upgrades address key FX challenges and settlement risks, Partner States should consider the following actions:

- Assess clearing and settlement models to determine whether multi-currency clearing or cross-currency exchange at clearing provides a more efficient and risk-mitigating approach,
- Evaluate the feasibility of designating a clearing and settlement currency to mitigate FX volatility and simplify transaction processing,
- Develop regional FX governance principles to ensure transparency in price discovery and manage arbitrage risks in informal FX markets,
- Allow non-FX licensed PSPs to participate in cross-border payments through local currency corridors, while ensuring appropriate risk mitigation measures,
- Implement structured FX settlement models for instant payments, particularly for low-

value transactions, ensuring minimal cost and risk,

- Simplify clearing architecture by either limiting the number of currency pairings or introducing a regional unit of account to streamline FX settlement,
- Ensure the settlement model aligns with risk exposure, prioritising PVP mechanisms where feasible while managing the risks associated with DNS.

b. Foreign exchange dependencies and policy considerations

Certain Partner States have legitimate concerns about settling in foreign currency due to economic realities, including:

- Hard currency dependencies – Reserves are critical for fuel, grain and essential imports,
- Illiquid local currencies – Not actively traded or widely accepted,
- Spoke economies trading through hub economies – Some economies rely on regional financial hubs for FX transactions and remittance receipts, even if transactions originate in hard currency.

Due to these factors, some cross-border transactions may need to be settled in hard currency rather than local currency.

c. Clearing and settlement models for consideration

Partner States must determine the most effective clearing and settlement model for EAPS, balancing efficiency, risk mitigation and market feasibility. The choice of model will impact FX volatility, liquidity management, operational complexity, and access to cross-border payments systems.

The table below outlines five possible models, highlighting their advantages and drawbacks. While each approach has merits, the recommended option is the single unit of account with a regional Central Securities Depository (CSD) and traded FX future instrument. However, its feasibility and operational structure require further exploration, including an assessment of regional market conditions, regulatory frameworks and FX liquidity. Partner States can study the European precedent, where a unit of account was used prior to the introduction of the Euro, to inform the design and implementation of a similar model in the EAC

Option	Pro	Con
Designated single local currency as clearing and settlement currency	Vastly simplifies the clearing and settlement architecture	Contentious as to which currency is designated, diverting the complexity, effort and risk to the spoke economies Does not accommodate the hard currency dependencies for some Partner States
Hard currency as single clearing and settlement medium	Less volatility Accommodates hard currency dependencies Simplifies the clearing and settlement architecture and neutral approach being less contentious than a designated currency	Continual trade on international markets by participant country central banks and financial institutions Limited market of PSPs due to foreign exchange licensing or dependency on other foreign exchange-trading PSPs Exposure to a foreign central or reserve bank regulation, standards and other compliance requirements, including continuity and sustainability risks High compliance complexity and costs not aligned with local regional inherent risks
Multi-currency clearing and settlement	Easier to reach consensus Easier path to regional participation	Complex clearing and settlement foreign exchange pairings, multiple currency ledgers, complex reserve management. It reallocates significant risk and operational complexity to the participant central banks and financial services providers Requirement for a foreign exchange license reduces access to significant numbers of accounts or wallets in the network
Fixed receiving currency with multi-currency clearing and settlement	Simplifies the currency risk elements Less onerous country participation criteria and barriers Less complex than multi-currency Easier as a start-up approach	Risks and some complexity still passed back to the central banks and PSPs Still complicated set of ledgers Herstatt risk still inherent Foreign exchange licensing still a key consideration Hard currency dependency remains as issue
Use of a single unit of account¹³ in conjunction with a traded foreign exchange future instrument and a regional CSD	Enables regional central banks to commence repo transactions at regional level. Using their own or acceptable classes of securities, and through a foreign exchange future instrument can substantially mitigate most of the foreign exchange related clearing and settlement risks It is able to systemically exchange currencies during the clearing process in STP processes	The regional CSD and foreign exchange instrument structure is sophisticated and relies on liquid foreign exchange markets and possibly market makers The set-up time is significant but can be progressed from a sending multi-currency model

Table 1. Potential models for cross-border clearing and settlement

13. An International Financial Reporting Standard 13 accounting mechanism used as a consistent evaluation standard for different currencies and instruments specifically for cross-border transactions. It is not a tradable currency or a reserve instrument; instead, it serves solely as a common value measure to standardise transactions in a multi-currency region where a single regional currency does not exist.

v. Initiative 10: Additional guidance on the development of a regional inclusive instant retail switch according to Digital Public Infrastructure (DPI) principles

The situational assessment reveals that while all Partner States are exploring the implementation of domestic Fast Payment Systems (FPS)¹⁴, only two have operational systems. To ensure that Partner States with varying progress in FPS development are not excluded from participating in the regional switch, as emphasised in Initiative 10.4, a hybrid integration model is proposed. This model combines a hub-and-spoke architecture with elements of a common platform¹⁵, facilitating immediate inclusion of all Partner States and promoting regional financial integration.

Key components of the hybrid model:

- Interlinking existing domestic FPS - For Partner States with operational FPS, PSPs connect to the regional switch through their national FPS,
- Direct bilateral integration for PSPs - For Partner States without an FPS, PSPs directly integrate with the regional switch via standardised APIs.

By adopting this hybrid integration model, the regional payment system can accommodate varying levels of domestic infrastructure development, ensuring no Partner State is left behind in the journey toward regional financial integration. In the long term, however, the design end state is expected to transition to a full hub and spoke model, where each Partner State operates its own FPS (spokes), all of which are interconnected with the regional switch¹⁶. Figure 4 provides a simple visual representation of this.

14 An FPS is a licensed domestic retail payment system (public or private) that allows for the transmission of the payment message and the final crediting of funds to the payee in real time or near real time. Final crediting in this context means that the payee has unconditional and irrevocable access to the funds, even if settlement among payment service providers is deferred. FPS typically operate around the clock or very close to 24 hours a day, every day of the week throughout the year (24/7/365) (CPMI, 2024).

15 The hub-and-spoke model connects multiple domestic payment systems through a central hub, which can handle clearing, settlement, or message synchronisation. Depending on its role, the hub may be considered a payment system or a service provider. The common platform model, in contrast, allows PSPs from different countries to directly connect to a single platform. Unlike hub-and-spoke, where domestic systems connect via the hub, common platforms enable direct connections and can enable both domestic and cross-border payments (BIS, 2024a).

16 The direct PSP link is designed to serve an important secondary role as a disaster recovery mechanism. For disaster recovery purposes, maintaining direct connections between the regional switch and PSPs is critical to ensure continuous access to accounts and wallets for all users. Similar to the stand-in processes used by Mastercard and Visa for local card transactions, this allows transactions to be re-routed directly to institutions if FPSs experience any issues. This helps make the system appear seamless to institutions and customers across the region, reducing the likelihood of unreconciled or irregular transactions.

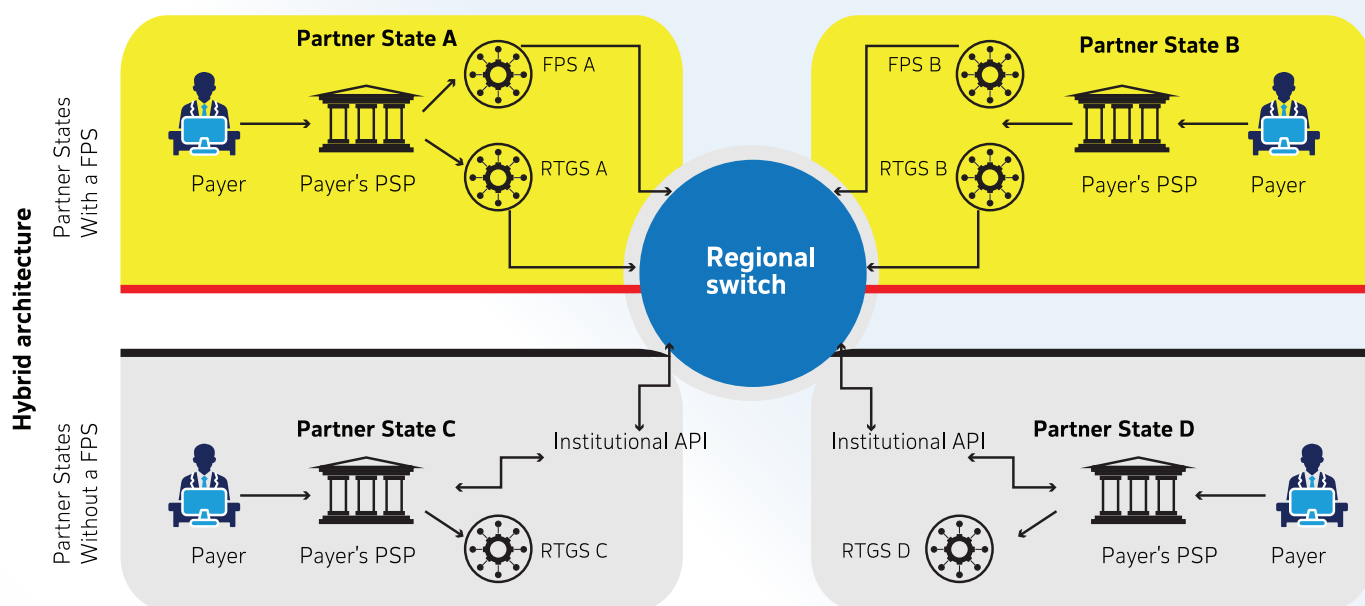


Figure 4. Potential switch model

vi. Initiative 12: Additional guidance on the constitution of a regional payments system forum which includes private sector participation

To improve the effectiveness of the regional payments system forum, three dedicated subcommittees would be formed, each focusing on a specific cross-border payment stream aligned through distinct needs, channels and licensed participant groups:

Payment stream	Key participants	Focus of the subcommittee	Key challenges the forum is expected to solve
E-money payments (see Box 1)	Central banks, bank and non-bank cross-border mobile money providers	Low-value transactions such as remittances, merchant payments and retail government disbursements	Interoperability and prefunding risks across PSPs and jurisdictions Compliance with wallet limits, turnover caps, and AML tiering Low-cost FX conversion through local-to-local currency exchange Simplified processing for USSD and feature phone transactions to prevent high rejection rates

Payment stream	Key participants	Focus of the subcommittee	Key challenges the forum is expected to solve
Commercial money EFT payments	Central banks, cross-border bank and non-bank PSPs	Low-to-medium value transactions such as salary payments, business payments, and bill payments	Bank account-based transactions requiring ACH/EFT interoperability Deferred net settlement model, ensuring liquidity availability across borders Foreign exchange management and AML/CFT compliance alignment
Wholesale payments	Central banks, large financial institutions, forex market operators	High-value transactions such as corporate payments, large-scale trade settlements, and government-to-government transactions	RTGS settlement mechanisms for real-time transfers Liquidity provisioning and intraday collateral management Systemic risk mitigation for large-value flows

Table 2. Proposed payment system subcommittee overview

At the payment stream operational level, there are different operational requirements, different participants and business rules that need to be more flexible or responsive in the shorter term as risks and other conditions change. Bringing all participants into a single forum would make it difficult to address the specific needs of each payment stream effectively. Structuring the forum into subcommittees will allow for more focused engagement, ensuring that the operational, regulatory and risk considerations of each payment stream are effectively addressed.

Box 1. Why an e-money payment stream?

A separate e-money payment stream is necessary due to its distinct inherent risks and operational requirements, which arise from its distinct regulatory framework and structural characteristics. E-money is regulated separately from other payment instruments, which has direct implications for its risk profile, settlement processes, and operational structure.

Several factors require a distinct approach for cross-border e-money transactions:

- **Regulatory structure and settlement risks** – E-money is issued by a licensed PSP, financial service provider or bank, and the instrument represents a claim on the balance sheet of that institution. When issued by banks, it is not different from any regulated commercial bank deposit. However, when issued by non-bank PSPs, the claim is against a structure that is precluded from offering credit or participating in banking, has the balance sheet and capital structure of a service provider and not that of a bank, and is primarily reliant on e-money transaction fees as its main revenue stream,

- » The main asset on the balance sheet of non-bank e-money issuers is the statutory commercial bank deposit against which all e-money must be issued. Every movement of e-money triggers a reciprocal movement in a commercial money deposit, but the timing of these balancing deposits depends on commercial bank EFT payment cycles,
- » Overnight and weekend transactions can create unreconciled imbalances, during which there is ostensibly no value backing the e-money,
- » Many commercial bank “trust accounts” are legally and operationally indistinct from ordinary bank accounts, meaning that no independent trust structure or arm’s length escrow agent exists. The liabilities are co-mingled on the bank’s balance sheet, and liquidity may cease if the bank’s assets are attached or lost,
- » Deposit insurance, unless supplemented by additional underwriting, treats the entire e-money trust account as a single account, meaning that protection is limited in the event of bank failure,
- **Cross-border exchange risks** – The risk is further amplified when e-money instruments are exchanged across providers, particularly when transactions occur at par across multiple jurisdictions and currencies. Without proper risk mitigation, liquidity shortfalls or bank failures in one jurisdiction could have cross-border implications,
- **Compliance and transaction limits** – Wallet limits, turnover limits, and AML tiering must be carefully managed for e-money transactions. A distinct processing stream is needed to ensure transactions do not breach sending and receiving limits, turnover thresholds, or AML blocks,
 - » To prevent operational bottlenecks and high rejection rates, transactions should be pre-screened to avoid failures that could result in consumer frustration and loss of confidence in cross-border e-money services,
- **Transaction costs and financial inclusion** – Given the low transaction values typical of e-money, cost efficiency is a key consideration for financial inclusion,
 - » The broadest participation in e-money cross-border payments relies on network effects, meaning that increasing receiver participation is essential,
 - » Low-cost cross-border transactions are only feasible through simplified and streamlined operational and foreign exchange processes,
 - » If any regional cross-border payment system is designed primarily for urban, middle-class users, it will fail to reach scale. A well-structured e-money payment stream ensures that low-value cross-border transactions remain viable and accessible,
- **Technology and operational challenges** – Cross-border e-money transactions will face significant challenges when additional compliance and foreign exchange requirements are introduced through USSD channels on feature phones,
 - » USSD and feature phone interfaces are not suited for complex processes, surveys, or detailed information collection, making it necessary to streamline e-money cross-border transactions for usability and efficiency.

vii. Initiative 18: Additional guidance on the use of emerging technologies and schemes in the context of cross-border payments

Reference list of providers, among others, with the relevant expertise to assist with capacity building. This list is not exhaustive.

Provider name	Description of expertise	Type of training provided
Africa Cybersecurity Resource Centre (ACRC)	The ACRC addresses the cybersecurity needs of Africa's financial sector, focusing on payment system resilience. Their expertise includes assessing cybersecurity risks in digital payment systems, providing good practices for secure financial transactions, and fostering regional collaboration to protect payment ecosystems. ACRC offers specialised training to enhance cybersecurity awareness and capabilities in payment system operations.	ACRC offers both bespoke and standard training programmes, including capacity-building initiatives, workshops and seminars tailored to the specific cybersecurity needs of financial institutions across Africa.
AfricaNenda	AfricaNenda focuses on accelerating the development of instant and inclusive payment systems across Africa. Their work supports governments, financial institutions and payment providers in creating interoperable and scalable payment infrastructures. Their bespoke training programmes are tailored to the unique challenges of implementing real-time payments in underserved regions.	AfricaNenda provides bespoke training programmes on technical support, secondments and training tailored to specific needs.
Cambridge Centre for Alternative Finance (CCAF)	The CCAF conducts groundbreaking research on alternative finance, digital financial innovations, and emerging payment technologies. They provide insights into digital payment systems such as mobile money, blockchain-based payments, and decentralised finance (DeFi), making them highly relevant for understanding innovative payment solutions and their implementation.	CCAF offers standard training programmes, including online courses and workshops on alternative finance.
Cenfri	Cenfri is an independent think tank based in South Africa and Rwanda, focusing on the development of efficient and inclusive financial systems. Its expertise lies in providing advisory and capacity-building services to policymakers, regulators and financial service providers, particularly in designing and modernising payment systems to enhance financial inclusion. Cenfri is well-known for its research on digital financial ecosystems and payment innovation in emerging markets.	Cenfri offers bespoke training tailored to the specific needs of institutions. For example, it has provided customised training to public institutions in Rwanda to boost capabilities in data analysis for policy decisions.

Digital Frontiers Institute (DFI)	DFI specialises in building capacity in digital finance, equipping professionals and organisations with the skills needed to drive innovation in digital financial services. Its programmes, such as the Certified Digital Finance Practitioner, provide practical training on payment systems, financial technology and digital financial inclusion strategies, making it highly relevant for the development of robust and inclusive payment ecosystems.	DFI provides standard training programmes, including the Certified Digital Finance Practitioner programme, which offers a series of courses covering various aspects of digital finance.
Provider name	Description of expertise	Type of training provided
Glenbrook Partners	Glenbrook Partners is a leading consulting firm in payments strategy, offering deep insights into payments systems, technologies and industry trends. Its expertise includes payment system design, regulatory frameworks and emerging payment technologies such as real-time payments, cross-border payments, and digital currencies. It provides tailored training programmes that help organisations implement and optimise their payments systems for greater efficiency and inclusivity.	Glenbrook offers both bespoke and standard training programmes, including workshops and seminars tailored to client needs.
International Software Testing Qualifications Board (ISTQB)	While ISTQB primarily focuses on software testing standards, its relevance to payments systems lies in the testing and quality assurance of software platforms that power payments infrastructure. It provides standardised training on ensuring the security, reliability and functionality of digital payments systems.	ISTQB provides standard training programmes through accredited training providers offering courses aligned with its certifications.
Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI)	MEFMI enhances the capacity of its member countries in macroeconomic and financial management, including the development of secure and efficient payments systems. It provides training on managing payments system risks, implementing regulatory frameworks, and integrating payments systems into broader financial ecosystems.	MEFMI offers both bespoke and standard training programmes, including joint training on debt sustainability analysis for low-income countries.
The World Bank	The World Bank assists governments in creating efficient, inclusive and secure payments infrastructures, focusing on regulatory policies, modernisation of financial systems, and fostering interoperability. The World Bank offers bespoke training to regulators and institutions on payment system design, governance and risk management.	The World Bank offers both bespoke and standard training programmes such as customised capacity-building initiatives and joint training on debt sustainability analysis for low-income countries.

Table 3. Select capacity-building providers

D. PROPOSED CROSS-BORDER MOBILE MONEY REGULATORY FRAMEWORK

Introduction

The East African Community (EAC) is in the process of establishing a monetary union to integrate the Region's economic, social and political ties. The EAC is an intergovernmental organisation made up of eight countries in East Africa: Burundi, the Democratic Republic of Congo (DRC), Kenya, Rwanda, Somalia, South Sudan, Uganda and Tanzania. An estimated 302 million citizens reside in the Region (EAC, 2024). The work of the EAC is underpinned by the 1999 EAC Treaty. The 2005 Customs Union Protocol, the 2010 Common Market Protocol and the 2017 Political Federation Protocol are aimed at deepening economic, social, and political cooperation. Overall, regional integration is high on the agenda of EAC Member States, with the ultimate goal of implementing the 2013 East African Monetary Union Protocol (EAC, 2024). This protocol aims to create a monetary union by progressively converging the EAC currencies into a single currency in the Region. In the process of creating a monetary union, the EAC Partner States are tasked with harmonising monetary and fiscal policies, as well as financial, payment and settlement systems, among other harmonisation goals (EAC, 2024).

A cross-border mobile money regulatory framework is needed in the Region. Given the importance and high rates of adoption of mobile money for domestic and increasingly cross-border payments across the Member Countries, the central bank governors through the Payment Systems Subcommittee of the Monetary Affairs Committee (MAC) sanctioned the development of a joint regulatory framework and accompanying roadmap to enable the seamless flow of mobile money transactions across borders in the EAC. It refers to Initiative 3 in the EAC Masterplan. This regulatory framework is intended to guide the EAC regulators in creating an enabling environment that encourages private sector players to cooperate through joint mobile money scheme rules for cross-border transfers. The regulatory framework contains a roadmap for action and specifies the key interventions to support cross-border mobile money payments.

EAC cross-border mobile money regulatory framework

PART I - Preliminary provisions

Pursuant to the provisions of Article 5, 8, 16, 82 and 127 of the Treaty for the Establishment of The East African Community, and the provisions of Article 31 and 32 of the East African Community

Common Market Protocol, the provisions for the EAC regulatory framework for cross-border mobile money transactions, 2025 is hereby set forth:

1. Title

EAC regulatory framework for cross-border mobile money transactions, 2025

2. Effective date

This Framework shall come into force on a date to be agreed upon by the EAC Council of Ministers.

3. Preamble

WHEREAS under the provisions of the Treaty for the Establishment of the East African Community, Partner States agreed take measures that would facilitate trade and capital movement within the Community;

AND WHEREAS under the provisions of the Treaty for the Establishment of the East African Community, Partner States agreed to provide an enabling environment for the private sector and to promote a continuous dialogue with the private sector at the national level and at that of the Community to help create an improved business environment for the implementation of agreed decisions in all economic sectors;

AND WHEREAS the operational principle of the EAC is the establishment of an export-oriented economy for the Partner States in which there shall be free movement of goods, persons, labour, services, capital, information and technology;

AND WHEREAS Article 75 1. (b), of The Treaty for the Establishment of the East African Community, agreed that Partner States would endeavour to eliminate internal tariffs and other charges of equivalent effect, for transactions within the Community;

AND WHEREAS under the provision of the East African Community Common Market Protocol, the Partner States agreed to progressively harmonise their tax policies and laws to remove tax distortions in order to facilitate the free movement of goods, services and capital, and to promote investment within the Community;

IN RECOGNISING THAT in order for EAC to achieve the objective of the EAC Treaty and the Common Market Protocol, there is a need to establish a regional regulatory framework to provide an environment that allows formal financial services via mobile money to be made available, accessible and affordable to all segments of the population of the EAC;

AND WHEREAS the draft framework was endorsed by the EAC Payment Systems Steering Committee in Zanzibar, Tanzania, from 4 to 8 November 2024;

AND WHEREAS the key elements of the current framework are as follows:

- (i) Establishment of a cross-border mobile money payments council;
- (ii) Approval of eleven elements to be covered in industry-developed scheme rules in line with domestic Partner State regulations, including AML/CFT/CPF, for cross-border mobile money transactions originating and terminating within the EAC. The business model is one of the eleven elements and provisions include:
 1. The adoption of a “receiver-pays” business model by mobile money issuers in the EAC;
 2. The removal of surcharges for cross-border mobile money transactions originating and terminating within the EAC;
- (iii) Elimination of internal tariffs, taxes and other charges of equivalent effect, for cross-border transactions within the EAC and endeavour to harmonise national taxes, both direct and indirect that have the effect of tariffs between Partner States in accordance with Article 75 1. (b) of The Treaty for the Establishment of the East African Community;
- (iv) Elimination of instances of double taxation or the indirect effect of double taxation based on the same cross-border transactions in accordance with the prevailing double taxation agreements between Partner States;

AND WHEREAS the implementation of the framework by the Partner States is ongoing and the EAC aims to enhance the current framework;

It is agreed as follows:

4. Application and Construction

This framework shall be applicable to all Partner States of the EAC.

5. Objective

The objective of this framework is to:

- a. Facilitate the development of harmonised regulatory tools necessary for the provision of cross-border mobile money transactions within the EAC;
- b. Promote an enabling business environment for payment service providers in cross-border mobile money transactions within the EAC through effective public-private collaboration and engagement;
- c. Facilitate the development of agreed regional standards on cross-border mobile money transactions within the EAC;
- d. Promote transparency in the charging of cross-border mobile money transactions within the EAC;
- e. Provide a coordinated regional response to the formulation of a harmonised cross-border mobile money transaction regulation.

6. Definitions

In this framework, except where the context otherwise requires:

“EAC” - the East African Community;

“EAC Treaty” - the Treaty for The Establishment of The East African Community, 2000;

“Framework” - EAC regulatory framework for cross-border mobile money transactions;

“Mobile money” - a service in which the mobile phone is used to access financial services;

“Mobile money issuer” - an entity (bank or non-bank) licensed by the respective EAC Partner State to issue cross-border mobile money and provide cross-border mobile money services;

“MAC” – Monetary Affairs Committee;

“Partner State” - a country which is a member of the East African Community and comprises of the Republic of Burundi, the Democratic Republic of Congo, Republic of Kenya, Republic of Rwanda, Republic of South Sudan, United Republic of Tanzania, and Republic of Uganda, Somalia, and any other country that joins EAC membership as provided under Article 3 of the EAC Treaty;

“Payment council” - a newly established public-private governing body that oversees mobile money payment systems, instruments, processes and products within the EAC. The council is not a regulator but a joint governance platform for mobile money in the Region. The primary goal of the council is to develop and enforce mobile money scheme rules that are in line with the EAC rulebook (referred to in the EAC Masterplan). The rulebook should provide guidance on the enforcement mechanism to address non-compliance in case of breach of the scheme rules;

“Receiver-pays business model” - a wholesale interparty pricing model where the receiving entity pays the sending entity an agreed amount for payment transactions;

“Scheme rules” - the governing document outlining the terms, conditions and processes and procedures for a particular payments stream or multiple payments streams. The document defines the roles and responsibilities of all participants to the payments streams;

“Surcharging” - when a sending (or receiving) provider charges an additional (or different) amount for an off-net transaction versus what is charged for an on-net transaction.

PART II – Formation of a regional mobile money payments council

Principles for the establishment and functioning of a mobile money payments council

Partner States shall observe the following principles in the formation of a regional mobile money payments council until such time as a regional regulator/central bank and regional regulation has been established:

- a. The payments council shall lead and oversee all activities within the regulatory framework. Regulating the mobile money issuers and services remains with the regulatory authorities in the Partner States. Furthermore, it is to establish standards and guidelines for cross-border mobile money payments systems and infrastructure within the EAC;
- b. The payments council is governed and overseen by the Monetary Affairs Committee;
- c. The payments council shall be comprised of participants from mobile money issuers (bank and non-bank) that are licensed within an EAC jurisdiction and that provide cross-border mobile money transactions within the EAC, as well as representatives from regulatory authorities in the Partner States. Additional participants, such as vendors, aggregators, hubs and technology providers should be restricted but can be allowed as observers;
- d. The payments council shall meet according to a defined minimum schedule and submit formal documentation of association rules, standards and processes for oversight and approval to the MAC.

PART III – Approval of cross-border mobile money scheme rules

Principles for the approval of cross-border mobile money scheme rules

Partner States shall observe the following principles in the approval process of cross-border mobile money scheme rules that outline the rules for an EAC-wide cross-border mobile money scheme:

- a. The payments council shall lead and oversee the development of the scheme rules, which should be discussed and agreed upon between licensed cross-border mobile money issuers before being sent for approval by the Monetary Affairs Committee;
- b. At a minimum, the scheme rules shall entail the following components and their respective provisions:

1. Membership criteria

- i. Requirements for membership in the scheme, such as regulatory licenses (e.g., banking, money transmission) and registration with relevant authorities, Geographic location (e.g., country, region), Business type (e.g., financial institution, fintech);
 - a. Participants need to be licensed by their respective domestic regulators and accept licensing requirements from other EAC countries;
- ii. Minimum capital requirements;
- iii. Transaction use cases supported, including transaction limits per use case (taking domestic regulations into account where applicable);

2. Participation rules, entity governance, and shareholder structures

- i. Establishment of clear roles and responsibilities, including participant categories (e.g., issuer, acquirer, processor); decision-making processes (e.g., voting rights, consensus), governance committees (e.g., risk, compliance, technical), communication protocols;

- ii. Voting rules and shareholder structures shall not affect domestic regulators within the EAC;

3. Transaction formatting

- i. Definition of data formats and standards, such as ISO 8583 or ISO 20022 for payment messaging, JSON or XML for API integrations, data encryption methods (e.g., SSL/TLS), authentication protocols (e.g., OAuth);
- ii. These are technical requirements and do not involve regulation;

4. Transaction handling

- i. Establishment of settlement mechanisms; processing timelines, including real-time processing requirements, batch processing schedules, transaction prioritisation (e.g., urgent, normal), timeout and retry mechanisms;
- ii. These are technical and operational requirements and do not involve regulation;

5. Transaction dispute resolution

- i. Outline of procedures for resolving transaction disputes, including dispute notification and escalation, evidence requirements (e.g., transaction records), resolution timelines, arbitration procedures, including references to the EAC rulebook (refer to EAC Masterplan) and domestic regulations;
- ii. These fall under consumer protection and the scheme shall comply with the strictest domestic regulations to ensure trust in the system;

6. Intra-intermediary compensation

- i. Definition of fee structures for intermediaries, such as transaction-based fees, volume-based fees, flat fees, revenue-sharing models and interchange;
- ii. Business models are commercial agreements between participants, and no pricing shall be mandated by the regulators, further principles around the business model are outlined in Part IV;

7. Intra-party liability allocation

- i. Establishment of the framework for allocating liability, including dispute notification and escalation, evidence requirements (e.g., transaction records), resolution timelines, arbitration procedures;
- ii. These are risk and commercial in nature and no regulatory intervention is required;

8. Participant risk management

- i. Requirements around regular risk assessments, including self-assessments, third-party audits, risk monitoring and reporting (especially around AML/CFT/CPF and data protection), compliance with regulatory requirements;
- ii. These are risk and commercially related, no regulatory intervention is required;

9. Potential shared services (hardware/software)

- i. Definition of guidelines for sharing infrastructure, such as clearing switches, data centres, network infrastructure, cloud services, security measures;
- ii. No specific infrastructure model (e.g., usage of a regional switch) shall be mandated by regulators as long as domestic requirements are adhered to;

10. Cost sharing

- i. Definition of cost allocation models, including proportional allocation, flat fees, volume-based fees, revenue-sharing models;
- ii. These are commercial in nature and no regulatory intervention is required;

11. Common brand creation

- i. Establishment of brand identity guidelines, including logo usage, colour schemes, typography, brand messaging;
- ii. These are commercial in nature and no regulatory intervention is required;

PART IV – Business model principles for cross-border mobile money transactions

1) Principles for determining cross-border mobile money fees, tariffs, and foreign exchange spreads:

Partner States shall observe the following principles in determination of cross-border mobile money charges and tariffs:

- a) Intra-intermediary compensation models shall be objective, independently verifiable and fair;
- b) There shall be no surcharges for cross-border mobile money transactions within EAC Partner States;
- c) There shall be no direct or indirect excise taxes, tax tariffs, internal tariffs or other charges with the equivalent effect of a trade tariff, levied on cross-border mobile money transactions that arise and terminate within the community;
- d) Any national income, sales or value taxes or financial sector-wide taxes on financial transactions services fees, that will remain in force, not having the effect of a trade tariff, will fall outside of the scope and mandate of the regional payments council and therefore any deductions or recovery would need to proceed in the normal course and stipulated processes in each jurisdiction between the regulated financial institution and the local tax authorities.

Roadmap

The roadmap is made up of three phases: Phase 1 is the alignment and foundational phase that focuses on the establishment of the payment council and in-depth engagements with industry to socialise the regulatory framework. Phase 2 is centred around the development of the scheme rules, including the business model considerations. Phase 3 targets the roll-out and implementation of the scheme rules.

Phases	Activities	3 months	3 months	3 months	3 months	3 months	3 months	3 months	3 months	Detailed activities	Estimated resource requirements
Phase 1 - Alignment and Foundation	Creation of a Payments Council									Creation of Payments Council Constitution	EAC Secretariat, Central banks, Consultant
										Stakeholder alignment - bilateral meetings with potential participants explaining concept	Central banks, Consultant
										Multilateral meeting for all EA central banks and participants to adopt Constitution and launch Payments Council	MAC, Central banks, Industry participants, Consultant
	Executive education on interoperable payments systems and rules									In-country or EAC-wide meeting	Central banks, Industry participants, Consultant
	Executive education on the economics of payments									In-country or EAC-wide meeting: all participants on incentives driving interoperable payments	Central banks, Industry participants, Consultant
Phase 2 - Rules and Operating Model	Infrastructure, landscaping and analysis									Research on existing interoperable infrastructures and rules in place	Research company
	Creation of East Africa mobile money operating rules and procedures									Creation of scheme rules for cross-border payments, starting with one use case	Industry participants, Central bank approval

Phases	Activities	3 months	3 months	3 months	3 months	3 months	3 months	3 months	3 months	Detailed activities	Estimated resource requirements
	Business model agreement									Agreement on the interparty pricing model	Industry participants, Central bank approval
	Infrastructure agreement									Agreement on the cross-border infrastructure to be used	Industry participants, Central bank approval
	Design of technical operating model									Design of operating model based on agreed rules, business model and infrastructure	Industry participants, Central bank approval
Phase 3 - Planning	Mapping existing landscape (Phase 1) to EAC operating rules and principles (Phase 2)									Gap analysis to create pathway for implementation	Central banks, Consultant
Phase 4 - Implementation	Implementation plan									Creation of implementation plan	Central banks, Consultant

Table 4. Roadmap for cross-border mobile money regulatory framework implementation

Further considerations on the charging principles

Business model

A well-defined, interoperable business model is essential for driving volume across the entire system and should be approached holistically. The model needs to be based on a logical framework and a comprehensive understanding of the broader ecosystem. Without such a business model, interoperability risks becoming a mere compliance exercise, leading to underutilised infrastructure and suboptimal transaction volumes. As market conditions evolve — such as changes in cost efficiencies, regulation, and competition — the business model must be regularly reviewed and updated to stay aligned with these changes and ensure optimal functionality.

For optimal usage and transactions through the system each price and fee point cannot be looked at in isolation. Optimal usage will be a combination of all the different fee and price points which together will ultimately drive volume through the whole payment system. The cost structures that build up to the end-user pricing which in turn leads to end-user payment behavior should consider looking at a combination of the following elements (Figure 5):

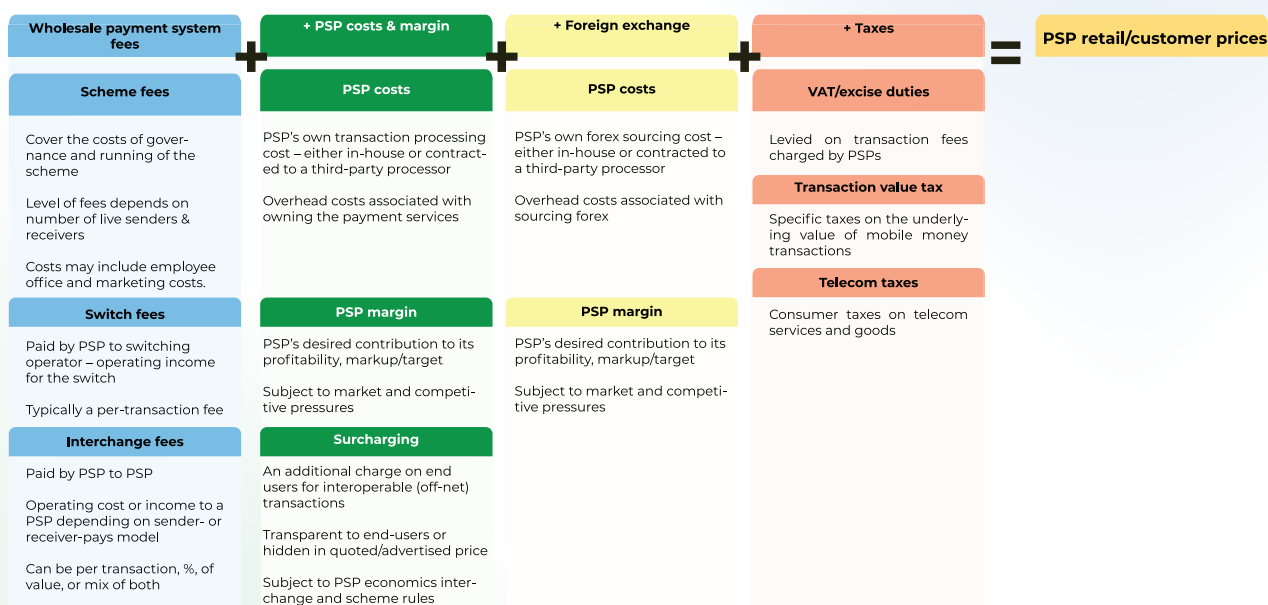


Figure 5. Cross-border mobile money transaction cost elements

The four elements that make up the payments service provider (PSP) retail/ customer price can be divided into payments system fee costs, PSP costs and margin, foreign exchange and taxes. In the EAC, each of the elements has some inefficiencies that drive up costs to end users.

- On the payments system fee side, mobile money operators pay for clearing and settlement services, either through open- or closed-loop payments systems. Closed-loop systems operate on a for-profit basis and charge providers accordingly,
- PSP costs and margin are made up of operational costs (including regulatory compliance, partner banking relationships, agent network costs, and other overheads) as well as its profit margin, and surcharges,

- Foreign exchange costs are charged for the sourcing of sending/receiving currency but also of PSP margin where the provider wants to attract end users through low fees but charges its margin through the foreign exchange component,
- Taxes in the EAC are imposed at the domestic level and span a variety of services in the Region (see Box 2 for further details). Taxes on fees are largely unseen by consumers and can disproportionately impact lower-income users as they are determined by provider fees which are significantly higher for low-value transactions (ICTD, 2024a).

Limited information on costs per element

While these four categories of costs are distinct, there is no data available that allows for a breakdown according to these elements. Providers are reluctant to share their pricing models and the best publicly available data differentiates between fees and foreign exchange only. As Figure 6 shows, current cross-border mobile money transaction costs in select EAC corridors are mostly made up of foreign exchange margins. In the case of sending USD 200 from Rwanda to Kenya via MTN Momo, the foreign exchange margin completely makes up the end-user cost (5.06%). In the case of Kenya to Uganda via M-Pesa, fees and the foreign exchange margin are almost at par. While the foreign exchange element dominates, it does not mean that it is the highest cost contributor. PSPs tend to lump their margins into the foreign exchange component as it is opaque for the end-user to disentangle, and the provider can advertise “low fees”. Passing end-user price caps on fees could simply lead to a higher foreign exchange margin.

Select cross-border mobile money transaction costs split by fees and FX margins (in % of USD 200) in 2024Q2

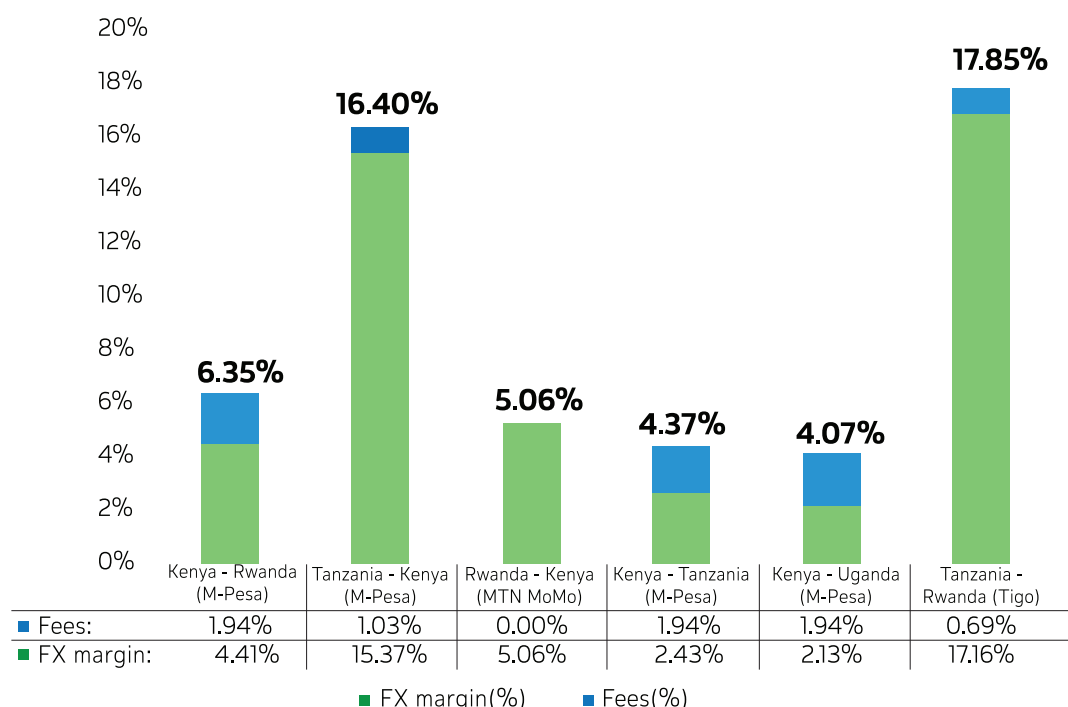


Figure 6. USD 200 remittance cost breakdown of select cross-border mobile money providers in EAC corridors (2024Q2)

Source: The World Bank, 2024

Determining the pricing model and prohibiting surcharges leads to cost reduction in the longer term

Passing caps on end-user pricing may put pressure on margins of providers, leading to sub-optimal service offerings. The immediate places where regulatory intervention is conducive is around the interparty pricing model (receiver pays) and surcharging (the practice of charging an extra fee for out-of-network transactions). Economic incentives must be in place for the private sector to provide goods and services. There are always costs in running systems which are ultimately borne by the users of that system. In interoperable payment systems much of this cost comes from the way the business model flows and whether there are surcharges in place. Passing mandates on specific price points for end-user pricing may discourage incentives and lead to sub-optimal usage of the system.

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Box 2. EAC tax overview

No specific cross-border mobile money tax regime across the EAC

EAC Partner States have various domestic tax regimes for mobile money or general financial transaction regimes which include mobile money as laid out in Table 5.

	VAT/Excise duties on transaction fees		Transaction value tax	Telecom tax	
	VAT	Excise duty		Sales/VAT	Excise duty
Burundi	22%	-	-	18%	0% (18% mobile telephone tax via megabits)
DRC	-	-	-	16%	10%
Kenya	-	15%	-	-	15%
Rwanda	18%	-	-	-	10%
Somalia	5%	-	-	15%	-
South Sudan	-	-	-	18%	20%
Tanzania	18%	10%	TZS 10- 2,000 (USD 0.004 – 0.76) ¹⁷ on withdrawals	18%	17%
Uganda	-	15%	0.5% (on withdrawals)	-	-

Table 5. Comparative overview of taxes on mobile money and telecommunication across the EAC

Sources: ICTD, 2024b; PWC, 2024a; ICTD, 2024c; PWC, 2024b; TRA, 2024; ICTD, 2024d; RRA, n.d.; RRA, 2019; NRA, 2023; Halqabsi News, 2024; Somalia Revenue Directorate, n.d.; ICTD, 2024a; ICTD, 2022; PWC, 2024c; GSMA, 2018

High and variable taxes across the Region

As seen in Table 1 above, tax rates across the Region are generally above 10% for transactions and telecommunication services, which is considered high by international research institutions (ICTD, 2022; GSMA, 2023). Moreover, the taxes applied have wide variability, ranging from 5% to 22% on mobile money fees and 10% to 20% on telecommunications taxes. To ensure the success of a regional mobile money scheme, it would be imperative that where there are any regional charges that do not have the effect of trade tariffs within the EAC, Partner States would need to agree on a regional minimum rate or a tax range through which each state can operate in (ICTD, 2022). Tax bases are typically composed of transaction values, provider fees, or provider turnover (ICTD, 2024a). Following this approach would allow states with varying degrees of development to achieve their targeted tax revenue goals (ICTD, 2022). Therefore, harmonising tax bases would likely entail setting a standardised level for fees, transaction values, and turnover at which Partner States can determine the appropriate tax rate that considers their respective contexts.

Tax rates across EAC Partner States have different meanings which makes harmonisation efforts unclear or cumbersome

Though Partner States have instituted taxes within a particular range for mobile money services, they have differing scopes. For example, Tanzania applies a 10% tax on charges or fees payable to banks or non-bank financial institutions, including for money transfer services, whereas Uganda only applies

¹⁷ Exchange rate as of 28 November 2024: TZS 1 = USD 0.000379 Source: XE Currency Converter, 2024

their 15% excise duty on fees for money transfer services offered by non-bank operators (ICTD, 2024c; ICTD, 2024d). There would be a need to ensure that each Member State agrees on the scope of each taxation they would apply to different services.

Taxation on fees are largely uncontroversial but there is a possible need to revisit to minimise impact on consumers

Majority of EAC Partner States have instituted either a value-added-tax (VAT) or excise duty on mobile money or money transfer fees, which generate government revenue. Somalia offers the lowest tax rate at 5% and Burundi the highest at 22%. Taxes on fees are largely unseen by consumers and can disproportionately impact lower-income users as they are determined by provider fees which are significantly higher for low-value transactions (ICTD, 2024a).

Possible double taxation in some Partner States tax laws

Several Partner States have VAT and excise duties for similar transactions. For example, Tanzania has a standard 18% VAT applied to fees and charges from banks, non-bank financial institutions, and telecommunication service providers, while also carrying a 10% excise duty for all charges and fees to the same institutions including money transfers (ICTD, 2024c). South Sudan imposes a standard 18% sales tax on telecommunication services in addition to a 20% excise duty on the same (Ministry of Finance and Planning, 2023). Double taxation within a nation can significantly impact low-income users and potentially limit mobile money usage.

Relatively broad consensus on no transaction value tax

From available literature, no EAC Partner States currently mandates a tax on mobile money transaction values, except for withdrawals in Tanzania and Uganda. The imposition of transaction value taxes has been shown to have short-term negative effects on mobile money usage. For example, when Uganda and Tanzania instituted transaction value taxes in 2018 and 2021 respectively, it led to an increase of 36% in volume and a 38% decrease in value in Uganda, and a 10% decrease in volume and an 11.5% decrease in value in Tanzania (ICTD, 2024e). However, both mobile money payments volumes and values have continued on a positive growth trajectory, particularly after the taxes were amended to apply to cash withdrawals only (ICTD, 2024e). Transaction value taxes would be appropriate on cash withdrawals which ultimately could disincentivise the use of cash and encourage deeper mobile money usage.

Recommendation: no cross-border tax tariffs

The recommended approach is to impose zero tariffs on cross-border activity within the EAC and only national taxes applying to the extent that they do not have the effect of cross-border tariffs, also applying any double taxation agreement principles to avoid the same funds subject to multiple national taxes. Harmonised VAT or sales tax on imported services would reduce complexity and avoid instances where VAT on imported payments services have the effect of tariffs within the EAC.

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E. CYBERSECURITY FRAMEWORK

As the EAC advances toward a centralised regional retail switch (Initiative 10), it is imperative to address cybersecurity not merely as a technical requirement but as a foundational pillar integral to the system's design, implementation and operation.

This annex provides a holistic approach to cybersecurity. It offers strategic guidance to ensure robust protection against cyber threats, thereby safeguarding financial stability and fostering trust among stakeholders.

In addition to the insights from the situational assessments, the following general observations are important to note:

- Continental curated data on cybercrime in Africa's financial sector is not readily available,
- Open-source intelligence¹⁸ on incidents shows that both the frequency and severity of cyber-attacks are steadily increasing across the financial sector, including banks, central banks, development banks, insurance companies, fintech, microfinance and SACCOs, telecom networks and electronic money,
- The African financial sector is exposed to the same cyber-threats as other continents but is more vulnerable due to limited human and financial resources, partly related to limited awareness at management level. Policy Makers often lack cybersecurity professionals to protect their own infrastructure and to effectively regulate and supervise the financial sector on cybersecurity issues,
- The overall complexity of a new highly interconnected cross-border payments system: (1) spanning over eight jurisdictions with different cybersecurity regulations, (2) based on several new technologies, e.g., APIs, cloud computing, mobile banking, big data, cryptocurrencies, quantum computing in the future, which leads to a wider attack surface, and (3) the development of supply chain attacks (from partner to partner) facilitated by the high number of third parties and advanced threats, makes systemic incidents foreseeable and likely to jeopardise customers' trust, financial and socio-economic stability and ultimately the development of financial inclusion,
- Traditional and widespread cyber security practices based on compliance with standards (ISO 27001, PCI DSS) and technology have shown their limits and inability to slow down the fast pace of cybercrime,
- The situational assessment clarifies that improvements are needed for all EAC countries for all the World Bank's Sectoral Cybersecurity Maturity Model (SCMM) dimensions,
- The financial sector needs to implement a new approach to cyber resilience and consistently manage cybersecurity as a strategic risk at the EAC level to prevent a weak link from creating vulnerabilities in the regional payments system,

¹⁸ Curated by the Africa Cybersecurity Resource Centre

- The International Monetary Fund (IMF) suggests four high level orientations¹⁹ could considerably reduce cyber risk and help safeguard global financial stability²⁰ :
 - **Regulation and supervision**—Enhanced consistency in regulatory and supervisory approaches would reduce costs of compliance and build a platform for stronger cross-border cooperation and information sharing,
 - **Information sharing**—Greater sharing of information on threats, cyberattacks and responses across the private and the public sectors would facilitate much of the necessary work²¹. Information Sharing and Analysis Centres (ISAC) are mostly sectoral in advanced economies and their missions are to gather and analyse threat intelligence from Africa and worldwide and to disseminate actionable information to the wider financial community,
 - **Capacity development**—Capacity building can strengthen financial stability and support financial and technological inclusion. Capacity development in developing economies must therefore be a priority for international financial institutions and other providers. Most cybersecurity capacity building in Africa remains focused on governance and technology. It is critical to develop more practical content on threats, resilience, crisis management, crisis simulation, attack simulation, red team/blue team, application security and cloud security,
 - **Response and recovery**—Cyberattacks are now a permanent feature of the financial landscape, and financial institutions should increasingly focus on response and recovery—the ability to repel or limit the attack and to quickly resume operations in the wake of a successful attack. Incident Response Teams (CSIRTs or CERTs) may be public or private and have the main role for supporting victim organisations. Most security operation centres (SOC) are privately owned and focus on detecting attacks due to an extensive understanding of threats gathered by ISAC and CSIRT teams. Most CSIRTs and SOCs are cross-sectoral.

To provide a practical and operational response to these orientations in the context of the forthcoming development of the regional switch, five enabling levers could optimise the use of human and financial resources at regional level:

- **Cybersecurity ecosystem-** Developing a robust cybersecurity ecosystem requires a multi-faceted approach that integrates technology, regulation, education, collaboration and awareness. A well-established cybersecurity ecosystem not only protects against cyber threats, but also fosters innovation, collaboration and resilience in the face of emerging risks. It will also ensure greater involvement of the private sector,

¹⁹ See [IMF](#).

²⁰ Synthesis and comments by ACRC. The IMF also listed two other dimensions “Preventing Cyberattacks” and “Financial Stability Analysis” which are less relevant for this analysis

²¹ Serious barriers to information sharing must be managed: National security concerns and data protection laws have sometimes undermined the ability to share critical information, and there must be efforts to develop information sharing protocols and practices that work within these constraints. Common taxonomy, increased use of common information sharing platforms, and expansion of trusted networks could all reduce barriers to sharing (IMF, 2020).

- **Fostering public and private cooperation-** Public sector cybersecurity resources are mobilised on numerous missions for all sectors. Cooperation should be facilitated with national or regional financial sector stakeholders, and with international organisations like Interpol or Afripol,
- **Mutualisation of critical human and technical resources** will limit resources consumption, accelerate deployment, guarantee quality, facilitate good practices sharing and knowledge transfer at a wider scale,
- **Leverage existing national, regional or continental resources-** Many initiatives exist, mostly national.²² These initiatives should be encouraged, supported and spread over a larger set of countries to maximise impact and avoid duplication.
- **Economic sustainability** - Subsidisation is needed to set up technical infrastructure and skills, but long-term business model should be sustainable due to reasonable fees paid by the financial institutions. The funding model may use government subsidies, membership fees or public-private financing. Scalability shall be encouraged with the design of frameworks that can adapt to the growth and evolution of cybersecurity needs.

Table 6 details the interventions required to bring these levers to fruition and provides an optimal future state and an interim fast start approach.

²² Partners may include the World Bank, IMF, the International Telecom Union (ITU), the African Development Bank (AfDB) especially the Africa Digital Financial Inclusion facility (ADFI), the Alliance for Financial Inclusion (AFI), the Global Forum on Cyber Expertise (GFCE), the Africa Cybersecurity Resource Centre for financial inclusion (ACRC).

Intervention area	Ideal future state	Interim fast start
Setup the EAC cybersecurity governance mechanism for the financial sector	This new strategic and coordination body could take the form of a workgroup in a first step, supported by a small group of high-level experts. The build-up of a dedicated organisation could take place when deemed relevant. It is coordinated by the EAC Secretariat and EAC central banks and other regulators and supervisors. Its primary focus would be the financial sector, one of the most critical sectors for development in the Region, other sectors could be considered later on. Its main missions would be to: -Ensure coordinated regional cybersecurity strategies are developed and are relevant for the financial sector, promote these strategies, and follow proper implementation by Partner States, - Advocacy for funding key initiatives, - Develop partnerships with relevant public, private organizations to support its missions, - Coordinate the harmonised development of national cybersecurity infrastructures for all EAC countries, specifically legislation, national cybersecurity agencies, a homogenous network of national or private CSIRT, and a homogenous network of national or private SOC, - Simulations and exercises - Conduct red team/blue team exercises and crisis management drills, - Establish and strengthen Inter-agency collaboration and coordination, Recommend common risk management standards, - Recommend unified standards for cybersecurity controls, - Ensure all EAC countries are developing appropriate cybersecurity work force and awareness programmes, - Encourage scalability - Design frameworks that can adapt to the growth and evolution of cybersecurity needs.	Consulting assignment for the high-level design
Foster the development of the regional cybersecurity ecosystem and public-private collaboration	Building on lessons learned in other continents, the EAC cannot rely primarily on the public sector to improve cyber resilience, both for economical and lack of specific skills. The EAC should encourage the development of a strong ecosystem of private security providers, public cyber-security agencies, academia, cybersecurity startups, and the financial sector, including central banks, banks, MFIs, Fintechs, telecom operators and insurances, as well as collaboration between public and private entities. - Innovation should be encouraged at the EAC level, fostering startups and research and development in cybersecurity through funding and collaboration - Collaboration platforms should be set up to develop dialogue between public and private sectors. - Joint initiatives will be a key component, through promotion of co-funded projects like information sharing organisations (eg. ACRC-ISAC), training centres, research programmes, and infrastructure development.	To initiate the process, the EAC Secretariat will identify stakeholders and existing initiatives, and organise regular workshops and dedicated conferences. Hire or consulting assignment for the high-level design.

Intervention area	Ideal future state	Interim fast start
Enhance cybersecurity strategic and advisory services for regulators and supervisors	The EAC's financial sector regulatory and supervisory entities will be fully equipped to oversee cybersecurity compliance and drive improvement across the sector. This will be accomplished through targeted capacity-building programmes and advisory services, ensuring that the regulatory frameworks align with international good practices, and are "smart". However, many policy makers lack qualified resources for cybersecurity regulations, and may have limited access to good practices and lessons learned from peers in other regions.	In the short term, the EAC Secretariat will conduct workshops and consultations with regulators to bridge existing gaps. The initial advisory efforts will concentrate on assessing existing policies and pinpointing key areas for improvement, establishing a solid foundation for sustained regulatory alignment. An East African strategic and regulatory services experts' hub could be constituted to promote synergies and build a sub-regional task force.
Promote advanced cyber resilience practices	The envisioned future involves the establishment of a regional mutualised incident response body to assist entities within the cross-border payment ecosystem recover rapidly from cyberattacks. This regional body will be supported by sector-specific cybersecurity policies aimed at reducing operational disruptions and building greater trust within the cross-border payment ecosystem.	As an initial measure, leading CIRT/CERT teams will offer their expertise to support EAC members with less advanced capabilities. A comprehensive framework for incident response will be developed and tested through simulation exercises, ensuring effective coordination during emergencies. These actions will provide the groundwork for the full implementation of the regional incident response entity. This intervention is designed to strengthen the Region's ability to withstand cyber incidents, combining the mutualised resources with coordinated incident response actions. The anticipated outcomes include reduced downtime during cyber incidents and significant cost savings for participating institutions. An East African capacity building experts' hub could be constituted to leverage experience acquired in threat analysis, incident response, crisis management, crisis simulation, attack simulation through cyber range.
Develop a specialised cybersecurity curriculum	In response to the growing need for cybersecurity professionals, EAC countries will develop standardised academic programmes, spanning from bachelor's degrees to PhDs. These programmes will be designed to address sector-specific needs, incorporating key areas such as threat management, crisis simulation and application security, ensuring that graduates possess strong theoretical foundations and practical, real-world experience.	In the interim, the EAC Secretariat will work closely with key universities to define programme requirements and develop specialised curricula. Early efforts will focus on leveraging shared resources, including pooled expertise and regional exchanges, to accelerate progress and avoid duplication of efforts. This intervention will lead to the creation of a harmonised regional curriculum and foster strong partnerships with educational institutions. Over time, this will contribute to a steady increase in the number of highly skilled cybersecurity professionals. Success will be measured by the reduction in the shortage of cybersecurity talent in the sector. The programme is expected to take one year for diagnosis and between two to five years for full implementation. • Hire or consulting assignment for the high-level design and identification of partner universities.

Intervention area	Ideal future state	Interim fast start
Develop a dedicated professional cybersecurity training programme	The envisioned ideal state for this intervention is the establishment of a comprehensive regional training programme tailored to the specific cybersecurity needs of the sector. This programme will reduce training costs through centralised coordination, while focusing on emerging issues such as cloud security and crisis management, thereby preparing the digital payment sector to confront present and future cyber threats.	As a starting point, the EAC Secretariat will set strategic training objectives and collaborate with professional training organisations to roll out pilot programmes. By developing a unified training catalogue and establishing a regional training centre under the leadership of the EAC Secretariat, the programme will ensure that capacity building is consistent and practical across the sector. The programme aims to certify cybersecurity professionals and create harmonised training materials that primarily address sector-specific challenges. Success will be tracked by the number of professionals certified and trained, with an initial diagnostic phase of one year, followed by continuous coordination at regional level throughout the programme implementation phase. • Hire or consulting assignment for the high-level design and identification of partner universities and training organisations • ACRC has a “Research, Development and Innovation Team” that has experience in the field of academic cooperation in Africa and in Europe
Promote sector-specific cybersecurity awareness initiatives	The overarching aim of this intervention is to cultivate a cybersecurity-conscious culture through continuous awareness campaigns aimed at payment system users and the wider public. These campaigns will focus on prevalent risks such as phishing and fraud, providing users with essential knowledge to protect themselves effectively.	In the initial phase, a baseline assessment will be conducted to evaluate existing awareness efforts and identify areas for improvement. Tailored content will be developed and distributed through various digital platforms, community workshops and collaborations with local influencers, ensuring that the messaging resonates with diverse cultural and linguistic contexts. The expected outcomes include increased public awareness of cybersecurity risks and the widespread adoption of good practices among end users. Success will be measured by tracking participation rates and monitoring reductions in fraud cases. The initial diagnostic phase is expected to take one year, with the campaigns continuing thereafter. • Hire or consulting assignment for the highlevel design and identification of partner organisations (professional association of banks, microfinance, insurance, national cybersecurity bodies). • ACRC has a “Capacity Building Team” that has experience in the field of awareness raising in Africa

Intervention area	Ideal future state	Interim fast start
Establish a regional cybersecurity information and good practices sharing platform	The envisioned future state involves the creation of a fully operational information sharing and analysis centre (ISAC) focused on the financial sector in East Africa and connecting the cybersecurity financial community to the rest of the world and other financial centres. This ISAC will collect, analyse and disseminate cybersecurity threat intelligence while building trust and fostering collaboration among financial institutions, regulators and law enforcement agencies. The ISAC's role will be to enhance regional cybersecurity intelligence and ensure coordinated action in response to threats. Success will be gauged by the number of institutions involved and the extent of shared incidents and intelligence among participants. While these missions may theoretically be covered by national CERTs, in practice sectoral ISAC organisations prove more efficient in gathering in trust highly sensitive information from financial institutions with appropriate processes, tools, code of conducts, operational rules.	The ACRC-ISAC has developed such teams, methodology and processes based on international good practices with international partners from its headquarters in Senegal with the support from the AfDB. To increase proximity with financial institutions and national and regional authorities, and facilitate stakeholders' engagement, the second ACRC Hub could be quickly deployed in EAC based on need.

Table 6. Proposed cybersecurity interventions

