

Uganda

National Payment Systems Act, 2020

Act 15 of 2020

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Act 15 of 2020

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An Act to regulate payment systems; to provide for the safety and efficiency of payment systems; to provide for the functions of the central bank in relation to payment systems; to prescribe the rules governing the oversight and protection of payment systems; to provide for financial collateral arrangements; to regulate payment service providers; to regulate issuance of electronic money; to provide for the oversight of payment instruments and for other related matters.

BE IT ENACTED by Parliament as follows:—

Part I – Preliminary

1. Interpretation

In this Act, unless the context otherwise requires—

"**aggregator**" means a payment service provider who facilitates electronic receipt and payment for goods and services;

"**book entry**" means a transaction which is effected by credit and debit entries;

"**book entry securities collateral**" means a financial instrument provided under a financial collateral arrangement and for which proof of title is an entry in a register or account maintained by or on behalf of an intermediary;

"**cash**" means money credited to an account in any currency or a similar claim for the repayment of money market deposits;

"**central bank**" means the Bank of Uganda established under section 2 of the Bank of Uganda Act, [Cap. 51](#);

"**clearing**" means the process of transmitting, reconciling and confirming transfer orders prior to settlement and establishment of final positions for settlement;

"**clearing system**" means a set of rules and procedures that participants must comply with in presenting and exchanging data or documents relating to transfer of funds or securities to other participants at a single location and includes a mechanism for calculating participants mutual positions, potentially on a net basis, with a view to facilitating the settlement of their obligations in a settlement system;

"**close-out netting provision**" means a provision of a financial collateral arrangement or of an arrangement of which a financial collateral arrangement forms part, by which, on the occurrence of an enforcement event, whether through the operation of netting or set-off or otherwise—

- (a) the obligations of the parties are accelerated so as to be immediately due, and expressed as an obligation to pay an amount representing their estimated current value, or are terminated and replaced by an obligation to pay such an amount; or
- (b) an account is taken of what is due from each party to the other in respect of obligations to pay an amount representing their estimated current value, and a net sum equal to the balance of the amount is payable by the party from whom the larger amount is due to the other party;

"**collateral provider**" means a person providing financial collateral under a title transfer arrangement or a security interest;

"**collateral taker**" means a person provided with financial collateral under a title transfer arrangement or a security interest;

"**controlling interest**" means any person who has the power to, directly or indirectly, influence the direction of the management of the licensee, whether through the ownership of shares or securities, voting, partnership or other ownership interests, agreement or otherwise;

"**currency point**" has the meaning assigned to it in the Schedule;

"**delivery versus payment**" means a security settlement mechanism which links a securities transfer and funds transfer in such a way to ensure delivery occurs only if the corresponding payment occurs;

"**electronic device**" includes computer, card, mobile handset;

"**electronic money**" means a monetary value represented by a claim on the issuer, which is—

- (a) stored on an electronic device;
- (b) issued upon receipt of funds in an amount not less in value than the monetary value received;
- (c) accepted as a means of payment by undertakings other than the issuer; and
- (d) prepaid or redeemable in cash.

"**electronic money issuer**" means a payment service provider who is licensed to issue electronic money under [section 47](#) of this Act;

"**enforcement event**" means an event of default or any similar event agreed upon by the parties, the occurrence of which entitles the collateral taker to realise a financial collateral arrangement or the occurrence of which bring into effect a close-out netting provision;

"**financial collateral**" includes cash or a financial instrument;

"**financial collateral arrangement**" means an arrangement of transfer of title or a security interest as financial collateral, whether or not the transfer of title or security of interest is covered by an agreement or general terms and conditions, applicable to a financial collateral;

"**financial institution**" means a company licensed by the central bank to carry on or conduct financial institutions business in Uganda and includes a commercial bank, merchant bank, mortgage bank, post office savings bank, credit institution, a building society, an acceptance house, a discount house, a finance house, an islamic financial institution or any institution which is classified as a financial institution by the central bank;

"**financial instrument**" includes domestic or foreign shares in companies, securities equivalent to shares in companies, bonds and other forms of debt instruments, including units in collective investment undertakings, money market instruments and related claims or rights which are negotiable on the capital market, and any other securities which are ordinarily dealt in and which give the right to acquire any such shares, bonds or other securities by subscription, purchase or exchange or which give rise to a cash settlement other than payment instruments;

"**insolvency proceedings**" means any measure to wind up or reorganise an entity, or declare a person bankrupt where such measure involves suspending of, or imposing of limitations on transfers or payments in accordance with the Insolvency Act, 2011, Part XI of the Financial Institutions Act, 2004 or the law of insolvency of another country where the entity was incorporated;

"**interoperability**" means a set of procedures or arrangements that allow participants in different payment systems to conduct and settle payments or securities transactions across those payment systems while continuing to operate only in their own payment systems;

"**licensee**" means a person issued a licence under this Act;

"**Minister**" means the minister responsible for finance;

"**netting**" means offsetting of obligations between or among the participants in the netting arrangement to reduce the number and value of payments or deliverables needed to settle a number of transactions;

"**participant**" means a member of a payment system as defined in the rules of that payment system;

"**payment instrument**" means any device or set of procedures by which a payment instruction is issued for purposes of making payments or transferring money and includes cheques, bills of exchange, promissory notes, electronic money, credit transfers, direct debits, credit cards and debit cards or any other instrument through which a person may make payments, with the exception of banknotes and coins;

"**payment order**" means an instruction sent by a payer or payee directing the execution of a payment transaction;

"**payment service provider**" means a person who is licensed under [section 9](#) of this Act to provide a payment service;

"**payment service**" means—

- (a) services enabling cash deposits or withdrawals;
- (b) execution of payment transactions;
- (c) issuance and acquisition of payment instruments; or
- (d) any other service incidental to the transfer of funds;

"**payment system**" means a system used to effect a transaction through the transfer of monetary value, and includes the institutions, payment instruments, person, rules, procedures, standards, and technologies that make such a transfer possible;

"**payment system operator**" means an entity, alone or with other entities which is in charge of the operation of a payment system and may include a participant to the system, a settlement agent, a central counterparty or a clearing house;

"**portfolio**" means an investment held by a person or an entity;

"**sandbox**" means a temporary experiment of innovative financial products, services, business models or delivery mechanisms in the payment systems ecosystem;

"**security interest**" means a legal or equitable interest or a right in security, other than a title transfer arrangement arising by way of security including a pledge, a mortgage, a fixed charge, a floating charge, a lien or any other similar security;

"**securities settlement system**" means a formal arrangement amongst three or more participants, with common rules and standardised arrangements for the execution of securities transfer orders between the participants;

"**settlement account**" means an account in the books of a settlement agent used to hold funds and financial instruments and to settle transfer orders between participants in a system;

"**settlement agent**" means an entity providing to participants of a payment system, settlement accounts through which transfer orders within that payment system are settled and extend credit to those participants for settlement purposes;

"**systemic risk**" means the risk that the inability of one or more participants to perform as expected shall cause other participants to be unable to meet their obligations when they become due;

"**title transfer arrangement**" means an arrangement, under which a collateral provider transfers legal or beneficial ownership of financial collateral to a collateral taker for the purpose of securing or otherwise covering the performance of guaranteed obligations;

"**transfer order**" means—

- (a) an instruction by a participant to place at the disposal of a recipient an amount of money by means of a book entry or electronic transfer on the accounts of a participant;
- (b) an instruction which results in the assumption or discharge of a payment obligation as defined by the rules of that payment system; or
- (c) an instruction by a participant to transfer the title to, or interest in a financial instrument by means of a book entry on a register, or otherwise.

2. **Application of the Act**

- (1) This Act applies to—
 - (a) an operator of a payment system;
 - (b) a payment service provider; and
 - (c) an issuer of a payment instrument.
- (2) This Act shall not apply to securities deposited or held in the Securities Central Depository established under the Securities Central Depository Act, 2009 and traded at the Uganda Securities Exchange.

3. **Objects of the Act**

The objects of this Act are—

- (a) to provide for the safety and efficiency of payment systems;
- (b) to prescribe the framework to govern the oversight and protection of payment systems;
- (c) to provide for financial collateral arrangements;
- (d) to regulate operators of payment systems;
- (e) to regulate payment service providers;
- (f) to regulate the issuance of electronic money; and
- (g) to provide for the oversight of payment instruments.

Part II – Regulation of payment systems

Functions of the central bank

4. **Functions of the central bank**

- (1) The central bank shall regulate, supervise and oversee the operations of payment systems in order to ensure their safety and efficiency.
- (2) Without prejudice to the generality of subsection (1), the central bank shall—
 - (a) regulate and supervise payment service providers and operators of payment systems;
 - (b) consider applications for licences in accordance with this Act;
 - (c) monitor and oversee cross border payments;
 - (d) provide settlement services to payment systems and settlement of monetary value of securities;

- (e) co-ordinate payment systems activities with relevant stakeholders;
 - (f) issue directives, standards, guidelines, orders and circulars regulating the manner in which the objectives of this Act may be achieved;
 - (g) approve rules and arrangements relating to the operation of payment systems including—
 - (i) netting agreements;
 - (ii) risk sharing and risk control mechanisms;
 - (iii) finality of settlement and finality of payment;
 - (iv) such other matters relating to systemic risk; and
 - (h) be responsible for the administration of this Act.
- (3) For the avoidance of doubt, the functions of the central bank in relation to the securities settlement system shall be limited to—
- (a) issuance, redemption and settlement of debentures, stocks, treasury bills and bonds issued or proposed to be issued by Government; and
 - (b) transfer of monetary value for debentures, stocks, shares, bonds or notes issued or proposed to be issued by a body corporate.
- (4) The central bank may, in the performance of its functions under this section consult with such stakeholders as the central bank shall consider appropriate.

Licensing

5. Payment systems

The payment systems in Uganda are categorised as—

- (a) payment systems operated by the central bank which include—
 - (i) the Real Time Gross Settlement System;
 - (ii) the Automated Clearing House;
 - (iii) the Central Securities Depository for Government debt securities;
 - (iv) cross border payment systems; and
 - (v) any other payment system established by the central bank.
- (b) payment systems operated by another government entity or in partnership with a government entity in public interest;
- (c) payment systems operated by private entities, including—
 - (i) switches;
 - (ii) electronic money systems;
 - (iii) aggregators or integrators; and
- (d) any other payment system approved or licensed by the central bank under this Act.

6. Prohibition to operate a payment system, issue a payment instrument and offer payment services

- (1) A person shall not offer a payment service, operate a payment system or issue a payment instrument without a licence issued by the central bank in accordance with this Act.
- (2) Subsection (1), shall not apply to—
 - (a) a payment instrument issued by the central bank;
 - (b) a payment service offered by the central bank; or
 - (c) a payment system operated by the central bank.
- (3) A person who contravenes subsection (1), commits an offence and if that person is—
 - (a) an individual, is liable on conviction to a fine not exceeding two thousand currency points or a term of imprisonment not exceeding four years or both;
 - (b) a body corporate, is liable on conviction to a fine not exceeding seven thousand currency points.
- (4) A person convicted of an offence under subsection (3), shall immediately cease to offer payment services and shall be disqualified from acquiring a licence under this Act.

7. Application for a licence

- (1) A person who wishes to offer payment services, establish or operate a payment system, or issue payment instruments, shall apply to the central bank for a licence.
- (2) An application referred to in subsection (1), shall be made in accordance with regulations made by the central bank and shall be accompanied by the prescribed fees.
- (3) A person who knowingly or recklessly furnishes a document or information which is false or misleading in a material particular, in connection with an application for a licence, commits an offence and is liable on conviction to a fine not exceeding two hundred and fifty currency points or imprisonment not exceeding five years, or both.

8. Eligibility for licensing payment system

- (1) A payment system is eligible to be licenced by the central bank if that payment system has any of the following objects—
 - (a) clearing of payment instructions between financial and non-bank;
 - (b) settling of obligations arising from the clearing of payment instructions;
 - (c) transfer of funds from one account to another using an electronic device;
 - (d) transfer of electronic money from one electronic device to another;
 - (e) provision of technological services to facilitate switching, routing, clearing or data management for or on behalf of a payment system provider;
 - (f) provision of electronic payment services to the unbanked and under-banked population;
 - (g) provision of financial communications networks;
 - (h) ordering or transmitting payment instructions;
 - (i) storing of information on a device for purposes of effecting payments;
 - (j) fulfilling payment obligations at points of sale, merchant outlets or over the internet; or

- (k) any other objects as may be prescribed by the central bank by regulations.
- (2) Subject to subsection (1), a payment system shall be eligible to be licenced by the central bank if that payment system is interoperable with other payment systems in the country and internationally.

9. Grant of licence

- (1) The central bank shall, upon receiving an application under [section 7](#) consider the application and may if satisfied that the applicant meets the requirements, grant a licence to the applicant.
- (2) The central bank may grant a licence subject to such conditions as the central bank may consider necessary and may, from time to time, add, vary or substitute the conditions as it deems appropriate.
- (3) The central bank may, by regulations, prescribe different classes of a licence in respect of each category of a licence under this Act.
- (4) A licensee shall not conduct activities that are not specified in its licence.
- (5) The central bank shall grant the license within sixty days from the date of the application for a licence.
- (6) The central Bank shall publish in a newspaper of wide circulation in Uganda, a list of all licenses under this Act at least once every year.
- (7) Where the central bank declines to grant a license to an applicant, the central bank shall, within thirty days, notify the applicant of its decision and specify the reasons for the refusal in writing.
- (8) An applicant who is aggrieved by the decision of the central bank under subsection (7) may appeal to the High Court within thirty days from the date of the decision.
- (9) A licence granted under this Act shall be valid until revoked under this Act.

10. Modification of license

- (1) The central bank may, upon reasonable ground modify the conditions of any license if the central bank considers it necessary to achieve the object of this Act, or is in the public interest, taking into account the justified interests of Payment service providers, Payment System Operators and the principles of fair competition and equality of treatment.
- (2) Before modifying any condition under sub section (1), the central bank shall give the payment service provider or operator notice of not less than sixty days, stating the reasons for the intended modification and giving the payment service provider or Payment System Operator an opportunity to make any representation.
- (3) The central bank shall give a payment service provider or Payment System Operator reasonable time within which to comply with the modifications of the licence.

11. Payment systems rules

- (1) An operator of a payment system shall, with the approval of the central bank, develop payment system rules to govern the payment system.
- (2) The payment system rules developed under subsection (1), shall provide for—
 - (a) access criteria;
 - (b) conditions for suspension or exclusion of participants;
 - (c) rights and obligations of participants deriving from participating in a payment system;

- (d) the moment from which the transfer order becomes irrevocable;
 - (e) common rules and standardised arrangements for the execution and settlement of transfer orders, in normal circumstances and in crisis situations;
 - (f) risk management and business continuity procedures;
 - (g) jurisdiction or mechanisms for dispute resolution in case of dispute;
 - (h) the time within which to transfer funds to customer accounts;
 - (i) fees, charges and penalties payable by participants; and
 - (j) persons acting as a point of contact between a payment system and the central bank.
- (3) The central bank may, by regulations, prescribe other matters that may be specified in the rules of a payment system.
- (4) The operator of a payment system shall submit to the central bank the proposed amendments to the rules of a payment system, for approval, prior to the amendment coming into force.
- (5) A copy of the rules of a payment system shall be kept at the offices of the licensee.
- (6) A payment system operator shall furnish all participants of that system with a copy of the rules of that payment system electronically or otherwise, and publish the payment system rules on the website of that payment system operator within fourteen days after the approval by the central bank.

12. Corrective actions

- (1) Where the central bank is satisfied that the affairs of a payment service provider are conducted in a manner detrimental to the operations of the payment system, but is of the opinion that grounds are not grave enough to warrant a revocation or suspension of the license under [section 13](#), the central bank may conduct a special investigation of the payment service provider and issue directives in accordance with [section 20](#) of this Act.
- (2) Notwithstanding subsection (1), the central bank may—
- (a) direct that the senior management and directors of the payment service provider be removed;
 - (b) direct a payment service provider to provide services to the customers of a payment service provider to whom subsection (1) applies until such a time as the central bank may declare that the payment service provider in issue is capable of providing the essential services on its own; and
 - (c) appoint a person to be known as a statutory manager to manage, control and direct the affairs of the payment service provider on such terms and conditions as may be specified in the instrument of appointment.

13. Revocation or suspension of licence

- (1) The central bank may, by notice in writing, revoke or suspend a licence if it is satisfied that the licensee—
- (a) has failed to comply with any provision of this Act or regulations made under this Act;
 - (b) has failed to adhere to directive or guidelines issued by the central bank;
 - (c) has failed to commence the operations of a payment system within six months after the licence was granted;
 - (d) has ceased to operate the payment system for a period exceeding thirty days;

- (e) obtained the licence through false or misleading statement or other unlawful means;
 - (f) is operating a payment system which, in the opinion of the central bank, endangers the stability of the financial system in Uganda;
 - (g) is conducting business in a manner detrimental to the best interest of the public; or
 - (h) has entered into insolvency proceedings.
- (2) A licensee aggrieved by the revocation or suspension of its licence may appeal to the High Court within thirty days from the date of receipt of the decision to revoke or suspend the licence.
 - (3) Where the central bank revokes a licence, the central bank shall direct the licensee to furnish the central bank with information on the customers.
 - (4) The central bank shall publish a notice of revocation or suspension.
 - (5) The central bank shall give the licensee at least thirty days notice in writing specifying the reason for the intended revocation of the licence.
 - (6) The central bank shall before revoking a license consider any representations made in writing by the licensee opposing the revocation.
 - (7) The central bank shall revoke the licence if within thirty days after issuing the notice, the operator does not oppose the revocation or the central bank is not satisfied by the representations made.

14. Effect of revocation or suspension of the licence

- (1) A licensee whose licence is revoked or suspended under [section 13](#), shall be taken not to be licensed from the date that the central bank revoked or suspended the licence.
- (2) A revocation or suspension of a licence shall not operate so as to—
 - (a) avoid or affect any agreement, transaction or arrangement relating to operating a payment system entered into by a licensee where the agreement, transaction or arrangement was entered into before the revocation or suspension; or
 - (b) affect any right, obligation or liability arising under that agreement, transaction or arrangement relating to operating a payment system.

15. Annual fees

- (1) A licensee shall pay an annual fee prescribed by the central bank on or before the 31st day of January of every year.
- (2) Where a licensee fails to pay a prescribed annual fee before or on the date specified in subsection (1)—
 - (a) the licensee shall pay to the central bank a civil penalty of one hundred currency points for each day on which the contravention continues; and
 - (b) the unpaid annual licence fee and any civil penalty payable under paragraph (a), shall be a debt due to the central bank by the licensee.

Regulatory sandbox

16. Establishment of a regulatory sandbox framework

- (1) The central bank shall establish a regulatory sandbox framework for purposes of governing the manner in which a person may obtain limited access to the payment system ecosystem to test innovative financial products or services without obtaining a license under this Act.

- (2) The regulatory sand box framework shall prescribe the criteria and minimum requirements for operating a sand box and the manner in which to conduct the sand box.

17. Application for approval to operate a sandbox

- (1) A person who wishes to operate a sandbox shall apply to the central bank for approval to operate a sandbox within a regulatory sandbox framework established under [section 16](#).
- (2) The application under subsection (1), shall specify the location, whether physical or virtual, that is adequately accessible to the central bank, from which experiments will be developed and performed and where all required records, documents and data will be maintained.
- (3) Subsection (1), applies to a licensee under this Act who wishes to test a sandbox.
- (4) The central bank may by regulations, prescribe the procedure for application for approval to operate a sandbox.

18. Approval to operate a sand box

- (1) If the central bank is satisfied that an application referred to in [section 17](#) of this Act meets the criteria and minimum requirements for operating a sandbox as prescribed under [section 16](#) of this Act, the central bank may grant an approval to that applicant to operate a sandbox.
- (2) A person or a licensee who is granted an approval to operate a sandbox shall conduct the sand box in a manner prescribed in [section 16](#) of this Act.
- (3) The central bank shall, from time to time, inspect the manner in which the sandbox is to be conducted and if the central bank has reasonable grounds to believe that the sandbox is detrimental to the payment system industry or is not conducted in accordance with [section 16](#) of this Act, the central bank may revoke the approval.

Oversight of payment systems

19. Oversight of the payment system

- (1) The central bank shall oversee the operations of payment systems in order to ensure the safety and efficiency of payment systems.
- (2) Without prejudice to the generality of subsection (1), the central bank shall—
 - (a) regulate entry and conduct of participants to payment systems;
 - (b) give directives to participants as may be necessary to ensure the safety and efficiency of payment systems;
 - (c) issue guidelines with respect to payment orders;
 - (d) issue written warnings to operators, service providers or participants in payment systems;
 - (e) cause payment system operators to change any rules or operational manuals of the payment system; or
 - (f) cease or suspend payment systems or part of an operation of a payment system.

20. Powers of central bank

- (1) The central bank may, from time to time, issue directives to licensees in respect of payment systems or payment instruments.

- (2) In considering whether or not to issue directives under subsection (1), the central bank may have regard to the following—
 - (a) belief that owing to the prevailing circumstances any person is engaging in, or is about to engage in, any act, omission or course of conduct that compromises or is likely to compromise the safety and efficiency of a payment system or payment instrument;
 - (b) the public interest; or
 - (c) any other matter that the central bank may consider appropriate.
- (3) The directive referred to in subsection (1), may require a person to—
 - (a) cease or refrain from engaging in the act, omission or course of conduct or perform such other acts as are necessary to remedy the situation;
 - (b) perform such acts as are necessary to comply with the directive or to effect the changes; or
 - (c) provide the central bank with such information and documents relating to the matter as specified in the directive.
- (4) The central bank may cancel, in writing, any directive issued under this Act.
- (5) A directive issued by the central bank shall not have any retrospective effect.
- (6) A person who receives a directive under this section shall comply with the directive within such period as may be specified in the directive.
- (7) Any person who neglects, refuses or fails to comply with a directive issued under this section, shall —
 - (a) pay a civil penalty to the central bank of one hundred currency points for each day on which the contravention continues; and
 - (b) if the contravention continues for more than thirty days, show cause why the licence should not be revoked.

21. Audits

The central bank may appoint an external auditor to examine a service provider, participant or operator of a payment system in respect of such matters as may be specified by the central bank.

22. Inspection of operators of payment systems

- (1) An officer of the central bank or any other person appointed by the central bank may, at any time, inspect the operations of a payment service provider or an operator of a payment system to ensure the safety and efficiency of the payment system and shall furnish that payment service provider or operator of a payment system with a copy of the report on the inspection.
- (2) A payment systems operator or a payment service provider shall furnish to the officer making an inspection information relating to the affairs of that operator or payment service provider as the officer may require within such reasonable time as the officer may specify.
- (3) A director of a payment system operator or a payment service provider who fails or refuses to furnish any document or information in his or her custody or power as required under subsection (2) shall cease to be a fit and proper person and shall cease to be a director of that operator or service provider.

23. Information to be provided to the central bank

- (1) A person licensed under this Act, shall furnish to the central bank, at such times and in such form as the central bank may prescribe, information and data of its operations which the central bank may require for the proper discharge of its functions under this Act.
- (2) A person licensed under this Act who without reasonable cause, fails or refuses to comply with subsection (1) shall pay to the central bank a civil penalty of fifty currency points for each day of default.
- (3) The central bank may impose restrictions on the operations of a person licensed under this Act, who fails or refuses to provide information required under this section.

24. Payment systems operated by the central bank

The central bank shall, in operating its payment systems, comply with the same oversight norms and standards as are imposed on other payment service providers or payment system operators under this Act.

Part III – Protection of payment systems

25. Finality and irrevocability of payments

- (1) A payment instruction or settlement shall be valid and enforceable by and against a payment system operator or participant, and shall be final and irrevocable from the time the payment instruction or settlement is determined under the rules of that payment system to be final.
- (2) Notwithstanding any other law to the contrary, an order shall not be made by any court for the rectification or stay of a payment instruction or settlement that is determined by the rules of the payment system to be final and irrevocable.
- (3) Notwithstanding subsection (1) and (2), a payment system operator or payment service provider shall with the approval of the central bank, prescribe the manner of recovering an equivalent amount of transfer arising from a payment instruction or settlement made in the case of fraud, mistake, error or similar vitiating factors.

26. Settlement

- (1) Every participant in a payment system shall open and maintain settlement accounts in the books of the central bank or an authorised settlement agent, including the maintenance of minimum balances, on such terms and conditions as the central bank or payment system operator may specify.
- (2) Where a participant is unable to maintain a settlement account in accordance with subsection (1), the participant shall appoint another participant who has opened a settlement account as a settlement agent to—
 - (a) settle all obligations due from the first participant to any other participant; or
 - (b) receive all claims from the first participant from the other participant.
- (3) Where a participant appoints another participant under subsection (2) (a), the participant shall, before any obligation is settled on its behalf, give the payment system operator notice in writing of the appointment, accompanied by a written confirmation from the participant that is appointed.
- (4) An electronic money issuer that holds a trust account with more than one financial institution or Microfinance deposit taking institution, shall ensure that all settlement transactions between the accounts of the respective financial institutions are done through the interbank payment and settlement system or any other means that the central bank may determine.

- (5) A settlement effected in accordance with subsection (1) and (2) is final and irrevocable.
- (6) The final discharge of any indebtedness between participants in a clearing and settlement system shall take place through the central bank or a financial institution.
- (7) Where it is established that any amount, right or property already paid or transferred was not in fact due, it shall constitute a fresh debt owed by the payee or transferee, as the case may be, to the person who made the payment or transfer.

27. Protection of settlement accounts

The balances on settlement accounts with a payment system shall not be attached, assigned or transferred for the purposes of satisfying any debt or claim.

28. Effect of commencement of insolvency proceedings

- (1) Insolvency proceedings commenced against a licensee or participant shall not have retrospective effect on the rights and obligations of a licensee or participant arising from, or in connection with the participation of that licensee or participant in the payment system before the commencement of the insolvency proceedings.
- (2) For the purpose of this Act, insolvency proceedings against a licensee or participant shall be deemed to commence when the licensee or participant is informed of the insolvency proceedings.
- (3) Notwithstanding the commencement of insolvency proceedings, the following transactions are valid, enforceable and binding against third parties, including the central bank or insolvency practitioner—
 - (a) cash or securities transfer orders, when entered into a payment system in accordance with the rules of that payment system prior to the commencement of the insolvency proceedings, even if the payment or securities transfer took place after the commencement of the insolvency proceedings; and
 - (b) the netting of cash or securities transfer orders, and of the debts and obligations resulting from a transfer order where the cash or securities transfer orders were entered into a payment system in accordance with the rules of that payment system prior to the commencement of the insolvency proceedings, even if the netting took place after the commencement of the insolvency proceedings.
- (4) Where a participant is wound up, placed under statutory management, or an insolvency practitioner or similar official is appointed, any provision contained in a written netting agreement and the payment system rules shall be binding upon the central bank or insolvency practitioner or statutory manager, as the case may be, in respect of any payment order or settlement obligation—
 - (a) which was determined through netting under subsection (3) (b), before the commencement of the insolvency proceedings; and
 - (b) which is to be discharged on or after the date of the winding up order, statutory management order or the appointment of an insolvency practitioner, as the case may be or the discharge of which was overdue on the date of the winding-up order, receivership order or appointment of the statutory manager, as the case may be.
- (5) A transfer order entered into a payment system shall not be revoked by a participant or by a third party, including the central bank or insolvency practitioner, from the moment of irrevocability defined by the rules of that payment system.

29. Credit or debit of settlement account

- (1) Notwithstanding the commencement of insolvency proceedings against a licensee or participant in a payment system, a payment system operator or a settlement agent may, if authorised under a contract—
 - (a) use the money and financial instruments available on the settlement account of the participant to settle outstanding transfer orders; and
 - (b) make use of any net debit balance the participant may owe after netting, to allow for final settlement of the obligation.
- (2) Notwithstanding the commencement of insolvency proceedings against a licensee or participant in a payment system, a payment system operator or a settlement agent may, if authorised under a contract, make use of credit lines granted to the participant and realise any collateral provided with the aim of securing those credit lines.

30. Notification of insolvency proceeding to central bank

- (1) Where insolvency proceedings are commenced against a participant, the participant shall immediately and in any case not more than two hours after service of the petition for insolvency proceedings, notify a payment system operator and the central bank, of the commencement of the insolvency proceedings.
- (2) A participant against whom insolvency proceedings are commenced shall not participate in any payment system, other than for purposes of discharging payment obligations in accordance with the rules of that payment system.

Securities settlement systems

31. Principles for securities settlement

- (1) Any Securities that are settled in the central bank shall be operated in accordance with the delivery versus payment principle.
- (2) The securities settlement system shall segregate between the assets of the operator of the securities settlement system and the securities held by the participants of that settlement system for themselves, and for the clients of the participant.
- (3) The balance of a settlement account held with a central securities depository system shall not be attached or seized, except by a payment system operator or a settlement agent.

32. Fungible book-entry securities

- (1) The central securities depository system shall exclusively hold dematerialised and immobilised securities only in book-entry form.
- (2) The book-entry securities do not have an order number and are fungible by nature.
- (3) For purposes of immobilised securities, the central securities depository system may return the securities to its participants, similar bearer or registered securities without taking into consideration their order numbers.

33. Co-ownership rights

- (1) All investors in a security shall have a right of co-ownership of an interest of an intangible nature with other investors in the same security arising from the credit to a securities account in respect to all issued, dematerialised or immobilised securities.

- (2) The securities held subject to dematerialisation or immobilisation shall be confirmed by crediting the securities account, which shall be proved by account statements delivered by the central securities depository or a participant.
- (3) Upon the request of securities holders, the central securities depository and participant may issue certificates in respect of book-entry securities.
- (4) All book-entry securities shall be transferred by debiting and crediting the securities account.

34. Rights over book-entry securities against the central securities depository

- (1) A participant holding a book-entry security in its account with the central securities depository may only exercise its rights over that security against the central securities depository.
- (2) A participant shall—
 - (a) directly assert the corporate rights attached to or incorporated in the security against the issuer; or
 - (b) in the event of insolvency proceedings commenced against the issuer, exercise its right of recourse directly against the issuer.
- (3) A deposit of securities with the central securities depository shall have the same effect as using those securities.

35. Rights over book-entry securities against a financial intermediary

- (1) A security holder may only exercise his or her right in respect to book-entry securities against a financial intermediary with whom the securities are held on account.
- (2) A security holder shall—
 - (a) exercise the right to recovery in accordance with subsection (3);
 - (b) directly exercise the corporate rights attached to or incorporated in the security against the issuer; and
 - (c) in the event of insolvency proceedings commenced against the issuer, exercise their rights of recourse directly against the issuer.
- (3) Where insolvency proceedings are commenced against a financial intermediary, the action for recovery of the number of book-entry securities which a financial intermediary is liable to return shall be brought collectively against the pool of securities of the same category registered under the name of the financial intermediary with the central securities depository, in the name of the financial intermediary but on behalf of its clients.
- (4) For purposes of subsection (3), if the portfolio is insufficient to allow complete restitution of all securities held on account on behalf of the clients, the number of book entry securities shall be recovered from the pool of securities of the same category registered in the name of the financial intermediary and on its own behalf.
- (5) The securities referred to in subsection (3), shall be allocated among the co-owners in proportion to their rights.
- (6) Where a financial intermediary is the owner of a number of securities of the same issuance, the financial intermediary shall have the ownership rights of the securities remaining after the total number of securities of the same issuance held in custody on behalf of the holder of securities are returned to those securities holders.

36. Right to reuse by collateral taker

- (1) A collateral taker may reuse the collateral under a security collateral arrangement where a collateral taker—
 - (a) informs the collateral provider in writing of the risks and consequences of granting its consent to reuse collateral; and
 - (b) obtains prior written consent to the right of reuse in a security collateral arrangement from the collateral provider.
- (2) For purposes of subsection (1), security collateral arrangement means an arrangement under which a collateral provider provides financial collateral as security in favour of the collateral taker, and where full ownership of the financial collateral remains with the collateral taker.
- (3) The failure of the collateral taker to comply with this section shall not invalidate the reuse of the financial collateral but a collateral provider who has not consented to the reuse of the financial collateral by the collateral taker shall receive the restitution of the financial collateral in priority over the collateral provider who has consented for the reuse of the financial collateral.

37. Conflict of laws

- (1) The rights and obligations arising from, or in connection with, the participation of a foreign participant shall be governed exclusively by the laws of Uganda.
- (2) The rights and obligations arising from, or in connection with, the participation of a Ugandan participant in a foreign system shall be governed exclusively by the law governing that foreign system.

Collateral arrangements

38. Application of sections 38 to 46 of this Act

Sections 38 to 46 of this Act applies to all forms of financial collateral arrangements which secure all types of obligations whether present, future, actual, contingent or prospective owed to the collateral taker, or his or her principal, by the collateral provider or by any other person.

39. Financial collateral arrangement

- (1) The payment systems operator shall, with the approval of the central bank, prescribe the manner in which a participant in a payment system shall reserve adequate liquid assets as collateral for securing or the obtaining funds to facilitate settlement of their payment obligations in that payment system.
- (2) The collateral referred to in subsection (1) shall be—
 - (a) used for fulfilling an obligation of a collateral provider as a result of failure to settle its obligation; and
 - (b) protected against insolvency proceedings.

40. Validity and enforceability of financial collateral arrangements

- (1) A financial collateral arrangement shall be valid and enforceable against third parties including the liquidator and shall take effect in accordance with the terms of the arrangement if the possession of the financial instruments is granted to the collateral taker.

- (2) For purpose of subsection (1) the possession of the financial instrument shall be granted to the collateral taker if—
 - (a) the financial instruments are—
 - (i) physically delivered to the collateral taker or to a person acting on behalf of the collateral taker; or
 - (ii) held, granted, or subject to any measure in such a manner that the collateral taker or person acting on behalf of the collateral taker has possession or control of the financial instruments; or
 - (b) a special book entry account opened for the purposes of holding collateral in the name of the collateral provider, the collateral taker or a third party, acting as depository, is credited.
- (3) The possession of cash referred to in subsection (1) shall be granted to the collateral taker—
 - (a) the cash is—
 - (i) granted to a separate account held on behalf of the collateral taker; or
 - (ii) held, granted, or subject to any measure in such a manner that the collateral taker or person acting on behalf of collateral taker has possession or the control of the cash;
 - (b) a notification is given by the collateral taker to the collateral provider of the claim giving rise to the cash; or
 - (c) there is an express acknowledgement of the existence of the financial collateral arrangement as provided by the collateral provider.
- (4) A financial arrangement referred to in subsection (1), shall be in writing.

41. Enforcement of close-out netting provision

A close-out netting provision is valid, enforceable and binding on a third party, including the liquidator, and without prior notice or order of court, in accordance with the terms of that close-out netting provision notwithstanding—

- (a) the commencement of insolvency proceedings in respect of the collateral provider, the collateral taker; and
- (b) any assignment, encumbrance, attachment or other disposition, whether arising from a court order or not in respect of the rights which are subject to the close-out netting provision.

42. Addition or substitution of collateral

- (1) A financial collateral arrangement may contain an obligation to provide financial collateral or additional financial collateral in order to take account of changes in the value of the financial collateral or in the amount of the guaranteed obligations.
- (2) A financial collateral arrangement may contain a right to withdraw the financial collateral, by substitution with a financial collateral of substantially the same value.
- (3) An additional or substituted financial collateral referred to in subsection (1) and (2) respectively are valid and enforceable against third parties, including the liquidator, and may not be challenged on any ground despite those additional or substituted financial collateral having been made on the day of the commencement of insolvency proceedings and at the time of commencement of the insolvency proceedings, the collateral taker was legitimately unaware of the commencement of such insolvency proceedings.

43. Realisation of security interest on a financial collateral

- (1) On the occurrence of an enforcement event, and notwithstanding the commencement of insolvency proceedings in respect of a collateral giver, the beneficiary of the security interest shall be entitled to realise the security interest on a financial collateral—
 - (a) in case of financial instruments, by sale and by setting off their value against, or applying their value in discharge or the guaranteed obligations; and
 - (b) in case of cash, by setting off the amount against or applying it in discharge of the guaranteed obligations.
- (2) A beneficiary shall be entitled to realise the security interest without prior approval of court, the central bank or any other person.

44. Priority of rights

The rights of the collateral taker over the financial collateral shall prevail over the rights of any other creditor of the collateral provider.

45. Non-retrospective effect of insolvency proceedings

The provision of financial collateral may not be declared void or reversed on account of the commencement of insolvency proceedings, if the financial collateral was provided at the latest, on the day of the commencement of insolvency proceedings and at a time when the collateral taker was unaware of the commencement of insolvency proceedings.

46. Conflict of laws in regard to book entry collateral

- (1) Any question with respect to any of the matters described under this Act in relation to book entry securities collateral shall be governed by the laws of the country in which the securities account is maintained.
- (2) The matters referred to in subsection (1) include—
 - (a) the legal effect and proprietary effects of book entry securities collateral;
 - (b) the requirements for perfecting a financial collateral arrangement relating to book entry securities collateral;
 - (c) the provision of book entry securities collateral under such an arrangement;
 - (d) statement as to whether a person's title or interest in such book entry securities collateral is overridden by or subordinated to a competing title or interest, or a good faith acquisition has occurred; and
 - (e) the steps required for the realisation of book entry securities collateral following the occurrence of an enforcement event.

Part IV – Electronic money and electronic transfer

47. Electronic money issuance and circulation

- (1) A payment service provider licensed as an electronic money issuer shall—
 - (a) issue electronic money only after an equivalent amount of cash is deposited in the trust account or a special account opened in accordance with section [49](#) and [51](#) of this Act respectively;

- (b) submit in electronic form to the financial institution holding the trust account, the customer information indicating—
 - (i) the names of the customer whose funds are in the trust account;
 - (ii) balances of the electronic money account;
 - (iii) any other information as the central bank may prescribe; and
- (c) comply with such requirements, as the central bank shall prescribe by regulations.

[Please note: numbering as in original.]

- (4) A customer may redeem electronic money value or purchase electronic money through an agent of an electronic money issuer.
- (5) The central bank shall make regulations to govern the issuance of electronic money and in particular, the regulations shall provide for—
 - (a) liquidity requirements;
 - (b) fair competition;
 - (c) customer due diligence and handling of consumers;
 - (d) the transaction limits; and
 - (e) compliance with the Anti-Money Laundering Act, 2013 or any other law.

48. Establishment of a subsidiary legal entity

- (1) A payment service provider, other than an entity solely established to issue electronic money, a financial institution or microfinance deposit taking institution, that intends to issue electronic money shall establish a subsidiary legal entity for that purpose.
- (2) A subsidiary legal entity or an entity solely established to issue electronic money referred to in subsection (1), shall apply to the central bank for a licence to issue electronic money and the central bank shall if satisfied with the application grant a licence to issue electronic money.

49. Trust accounts

- (1) An electronic money issuer licensed under [section 48](#) (2), shall submit an application to the central bank in the prescribed form to open a trust account in a financial institution or a microfinance deposit taking institution to facilitate issuance of electronic money.
- (2) An application referred to in subsection (1), shall be accompanied with the list of the proposed names of trustees that the electronic money issuer intends to appoint to manage the trust account and the corporate and management structure of the electronic money issuer.
- (3) Where the central bank is satisfied with the list of the proposed names of the trustees, the corporate and management structure referred to in subsection (2), the central bank shall issue in writing, the approval of the trustees and the corporate and management structure.
- (4) An electronic money issuer approved under subsection (3), shall open a trust account with a financial institution or microfinance deposit taking institution for the purpose of maintaining funds of a customer.
- (5) For purposes of this section, trustees appointed by a subsidiary legal entity or an entity solely established to issue electronic money and approved by the central bank is a body corporate.
- (6) Interest earned on a trust account or special account referred to in [section 49](#) and [51](#) of this Act respectively shall be credited to an interest account opened for that purpose in the financial

institution or microfinance deposit taking institution in which the trust account or special account is held and shall be distributed for the benefit of the customers as determined by the central bank.

50. Duties of the trustees

The trustees referred to under [section 49\(5\)](#), shall—

- (a) manage the trust account and the interest account on behalf of the customer;
- (b) establish safeguard measures to protect the funds deposited on a trust account from risks that may occasion loss to beneficiaries of the funds;
- (c) monitor the trust accounts to ensure that the funds in the trust account are equal in value to the electronic money issued;
- (d) ensure that interest earned on the trust account is distributed for the benefit of the customer in accordance with [section 49\(6\)](#); and
- (e) perform any other duty as the issuer of electronic money may prescribe.

51. Special accounts

- (1) A payment service provider who is a financial institution or microfinance deposit taking institution and who intends to issue electronic money shall with the approval of the central bank, open and maintain a special account in its books of account.
- (2) A payment service provider referred to in subsection (1) shall submit an application for approval to open and maintain a special account to hold deposits received from a customer who purchases electronic money and to facilitate issuance of electronic money.

52. Protection of trust and special account

The balances of the trust account and the special account shall not be attached, assigned or transferred for the purposes of satisfying any debt or claim.

53. Duties of electronic money issuer

An electronic money issuer shall—

- (a) mitigate concentration risk on holding a trust account by placing the funds in different financial institutions or microfinance deposit taking institution, as may be prescribed by the central bank;
- (b) ensure that any interest accrued in the trust account or special account is effected directly to benefit the customer or used for other purpose relevant to the payment system ecosystem as may be prescribed by the central bank;
- (c) not commingle the funds deposited on a trust account or special account with any other funds;
- (d) publish audited financial statements of the electronic money issuer;
- (e) submit a report on the operations of the trust account or special account to the central bank, on a monthly basis or such other intervals as the central bank may prescribe;
- (f) honour withdrawals of cash or transfer of funds from the trust account or special account on demand;
- (g) monitor the creation of electronic money in order to verify that the electronic money created is backed up by funds deposited in the trust account or special account;
- (h) reconcile the electronic money value in the trust account or special account with the electronic money issued; and
- (i) perform any other duty as the central bank may prescribe.

54. Permissible transactions

Electronic money may be used for—

- (a) domestic payments;
- (b) domestic money transfers;
- (c) bulk transactions; including payments of salaries, benefits and pensions;
- (d) cash-in and cash-out transactions;
- (e) merchants or utilities payments;
- (f) cross border payments or transfers;
- (g) savings products, in partnership with an institution licensed to offer savings products or services with the approval of the central bank;
- (h) credit products in partnership with an institution licensed to offer credit products or services, with the approval of the central bank;
- (i) insurance products in partnership with a licensed insurer; or
- (j) any other transaction approved by the central bank.

55. Prohibited activities

- (1) An electronic money issuer which is not a financial institution or microfinance deposit taking institution shall not engage in—
 - (a) receiving and taking deposits within the meaning of the Financial Institutions Act, 2004 and the Micro Finance Deposit-Taking Institutions Act, 2003;
 - (b) over the counter transactions unless full identification of the depositor is obtained, recorded and transmitted to the receiver; or
 - (c) any other activity, other than an activity which it is licensed to undertake.
- (2) An electronic money issuer shall not—
 - (a) count or issue airtime as electronic money; or
 - (b) use airtime for permissible transactions referred to in [section 54](#).
- (3) An electronic money issuer who contravenes this section commits an offence and is liable on conviction, to a fine not exceeding one thousand currency points.

56. Account types and transaction limits

The central bank shall, by regulations prescribe different categories of electronic money accounts and the permissible transaction limits on each category of account.

57. Dormant account

- (1) An electronic money account that does not have a registered transaction for nine consecutive months shall be considered dormant.
- (2) An electronic money issuer shall, in relation to an account referred to in subsection (1), give notice to the customer of at least one month before the period specified in subsection (1), that the electronic money account shall be suspended unless there is a transaction on the account.

- (3) At the expiry of the notice referred to in subsection (2), the electronic money issuer shall block the electronic money account and shall not permit further transactions until the account is reactivated by the customer.
- (4) The electronic money issuer shall within five working days after blocking of the electronic money account, give notice to the customer that the electronic money account is blocked and provide instructions on the process of reactivation of the account.
- (5) Where the account is not reactivated within six months after it has been blocked, the electronic money issuer shall close the electronic money account.
- (6) Upon closure of the electronic money account under subsection (5), the trustees shall transfer the balance of an electronic money account and identifying information to the central bank.
- (7) The central bank shall refund any unclaimed balances to the account holder of an electronic money account or, if the account holder is dead, his or her legal representative, upon a request made within seven years after the dormant account is transferred to the central bank.
- (8) The central bank shall after the expiration of the period prescribed under subsection (7), transfer the unclaimed balances to the Consolidated Fund.

58. Audit trail

An electronic money issuer shall install a system comprising inbuilt control mechanisms, as may be prescribed by the central bank for a complete audit trail.

59. Customer due diligence requirements

- (1) An electronic money issuer who seeks to open an account for a customer shall comply with the minimum customer due diligence requirements.
- (2) The minimum customer due diligence requirements under subsection (1), shall be prescribed by regulations.

60. Liquid assets requirements

- (1) An electronic money issuer shall keep one hundred per cent of the electronic money held in a trust account or a special account in liquid assets.
- (2) The liquid assets shall remain unencumbered and shall be in form of—
 - (a) cash balances held on a trust account or special account maintained with a financial institution or a micro finance deposit-taking institution on accreditation basis and withdrawable on demand;
 - (b) treasury bills and bonds; or
 - (c) any other liquid asset as may be determined by the central bank.
- (3) For purposes of subsection (2), the central bank may place a lien over the liquid assets.

61. Prohibitions under this part

- (1) An electronic money issuer shall not terminate or transfer their licence to another person or entity without the written approval of the central bank.
- (2) An electronic money issuer shall not terminate the business of issuing electronic money without prior approval of the central bank.
- (3) An electronic money issuer shall not change its name, controlling interest or ownership without the approval of the central bank.

- (4) A person who contravenes this section commits an offence and is liable on conviction, to a fine not exceeding one thousand currency points.

Part V – General

62. Submission of returns

- (1) A licensee shall submit returns relating to the operations of the payment system or electronic payment service as may be prescribed by the central bank.
- (2) A person may access the information obtained under subsection (1) in accordance with the Access to Information Act, 2005.

63. Retention of payment system records

- (1) A payment service provider shall maintain a record of all payment transactions and information obtained or generated in the operation or administration or management of the payment system for at least ten years.
- (2) The records kept under subsection (1) shall be in the format in which it was originally generated, sent or received or in a format which can be demonstrated to accurately represent the information originally generated, sent or received.
- (3) Subject to subsection (1), a person who intends to destroy payment transaction records shall apply to the central bank for approval.

64. Protection of customer information

A licensee or the central bank shall protect the privacy of a participant and customer information and not disclose information of a participant or customer unless the disclosure is made in compliance with the law, an order of a court or with the express consent of the system participant or customer.

65. Consumer protection in payment system

- (1) A payment service provider shall comply with the requirements of consumer protection as may be prescribed by the central bank.
- (2) The central bank shall, in prescribing the requirements of consumer protection under subsection (1), be guided by the following principles—
 - (a) transparency;
 - (b) accountability;
 - (c) data protection;
 - (d) protection against unfair trade practice that disenfranchises the consumer;
 - (e) full disclosure of the information relating to the services offered;
 - (f) confidentiality; and
 - (g) dispute resolution mechanism.
- (3) A payment service provider shall not mislead a consumer in any advertisement or purport to offer a service that is not approved in accordance with this Act.
- (4) A person who contravenes the provisions of subsection (3) commits an offence and is liable on conviction to a fine not exceeding three hundred and fifty currency points or imprisonment not exceeding two years or both.

66. Minimum capital requirements

- (1) The central bank may by regulations, prescribe minimum capital requirements for a licensee under this Act.
- (2) The minimum capital requirements referred to under subsection (1), shall be maintained unimpaired by losses or other adjustments.

67. Availability of payment system services

A payment system operator shall ensure that services are available to the users of that payment system throughout the prescribed operational period.

68. Data centre

An electronic money issuer, shall establish and maintain its primary data center in relation to payment system services in Uganda.

69. Protection from liability

An officer of the central bank shall not be held personally liable in respect of any act done in good faith, and without negligence in the performance of the functions in this Act.

70. Cessation of business

- (1) A licensee that intends to cease to carry on the business for which it was licensed shall give notice of cessation of business to the central bank and shall publish the notice in a newspaper of wide circulation for at least thirty days before the date of cessation.
- (2) The notice under subsection (1) shall be accompanied by a cessation plan indicating—
 - (a) that the cessation has been approved by the controlling interest;
 - (b) the procedure for paying all the customers;
 - (c) the mitigation plan for any adverse effects of the cessation of business on the payment system ecosystem; and
 - (d) any other matter as the central bank may prescribe.

71. Cooperation between regulators

- (1) The central bank shall cooperate with Government agencies whose functions are relevant to payment systems.
- (2) For the avoidance of doubt, the central bank shall cooperate with the Capital Markets Authority on—
 - (a) the integration of payments and securities settlement systems; and
 - (b) the establishment of cross-border securities settlement systems.

72. Power to make regulations

- (1) The Minister shall, in consultation with the central bank, by statutory instrument, make regulations for the better carrying into effect of this Act.

- (2) Without prejudice to the general effect of subsection (1), regulations made under this section may—
 - (a) prescribe the forms, licensing requirements, fees payable or other matters required to be prescribed under this Act;
 - (b) relate to participating in payment systems;
 - (c) regulate agents of payment systems providers;
 - (d) specific time of effecting transfer of the funds on customers account;
 - (e) regulate trust accounts and special accounts management;
 - (f) prescribe consumer protection requirements; and
 - (g) prescribe anti-competitive practices.
- (3) Regulations made under this section may in respect of any contravention of any of the regulations—
 - (a) prescribe a penalty of a fine not exceeding two hundred and fifty currency points or imprisonment not exceeding two years or both;
 - (b) in the case of a continuing contravention, prescribe an additional penalty not exceeding fifty currency points, in respect of each day on which the offence continues;
 - (c) prescribe a higher penalty in respect of a second or subsequent contravention; or
 - (d) provide that a court which convicts an offender may forfeit to the state any document or other item involved in the commission of the offence.
- (4) The regulations made under this section shall be laid before Parliament for information.

73. Amendment of Schedule

The Minister may, with the approval of Cabinet, by statutory instrument amend the Schedule to this Act.

74. Transitional provision

- (1) A person who, before the commencement of this Act, obtained a written approval of the central bank to operate a payment system or issue a payment instrument or carry out any activity for which a license is required under this Act, shall within six months of commencement of this Act apply for a licence in accordance with this Act.
- (2) A person referred to in subsection (1), who continues to—
 - (a) operate a payment system;
 - (b) issue a payment instrument;
 - (c) issue electronic money; or
 - (d) issue any other payment system services.

after the expiry of six months following the date of commencement of this Act commits an offence and is liable on conviction to a fine not exceeding one thousand currency points or to imprisonment for a term not exceeding five years, or both.

Schedule (Section 2 and 73 of the Act)

One currency point is equivalent to twenty thousand shillings.