



Central Bank of Egypt

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The Central Bank of Egypt celebrates its first anniversary using SWIFT's Y Copy service, settling over 2.5 trillion US Dollars during the first year.

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"The Egyptian RTGS now uses the SWIFT Y Copy service – the most secure and trustworthy medium of transferring funds."
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Tarek Raouf, Sub-Governor, the Central Bank of Egypt
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The Central Bank of Egypt (CBE) has introduced important payment system improvements in recent years. The CBE has assumed a leadership role to coordinate the necessary actions to achieve an overall upgrade of the Egyptian payment systems. The CBE is committed to the modernisation of the payments system in Egypt. These efforts crystallized with the introduction of an RTGS system, the introduction of direct credit and direct debit within the automated clearing house system, the vast increase in cards, the regulations related to payment systems, and electronic transfer of money. The CBE introduced its oversight framework, explaining objectives of the CBE in regards to payment systems and services.

Benefits

- > Security
- > Cost effectiveness
- > Focus on core business
- > Fast track implementation
- > No negative impact on banks

The Central Bank of Egypt (CBE) wanted to concentrate on its core business as a settlement agent, while outsourcing the networking and routing services to a trustworthy institution - SWIFT.

The CBE recognised the need to maintain the confidentiality of payment messages. It needed only the data required to settle payments on RTGS without exposing customer information exchanged between sender and receiver banks.

The CBE required the carrier to confirm delivery of each and every payment message, while confirming settlement finality and irrevocability.

The CBE wanted to apply the highest level of security possible among exchanged messages.

The CBE wanted the banks to use their existing infrastructure.

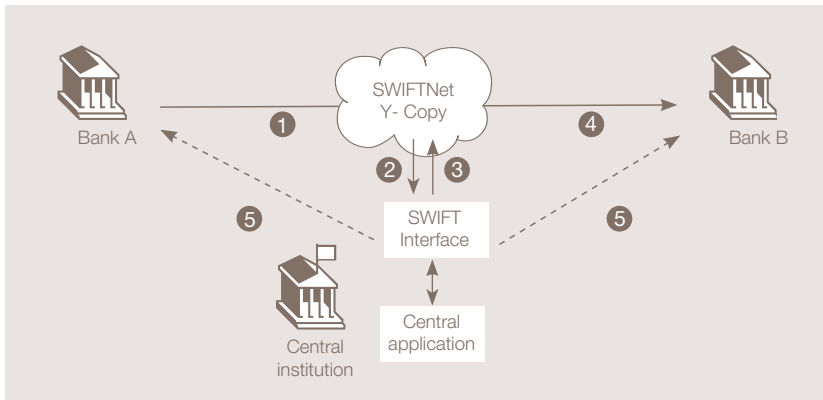
"The Egyptian RTGS uses SWIFT's Y Copy service – the most secure and trustworthy medium of transferring funds," says Tarek Raouf, Sub-Governor, the Central Bank of Egypt.

All messages sent through the RTGS system fully comply with SWIFT messaging formats – they are internationally recognised and conform with best market practice.

The RTGS has proven to be vital to the Egyptian banking sector as it evidenced that on average 54 billion Egyptian Pounds are settled and circulated within the system on a daily basis, with a daily average of 4,800 settlement requests on closing its first year.

During the first 12 months of operation, a total of 13 trillion Egyptian Pounds have settled in the system (over 2.5 trillion US Dollars). This means that Egypt's GDP circulates in the system in roughly 20 working days.





- 1 Payment instructions
- 2 Authorisation request
- 3 Authorisation response
- 4 Final payment instruction received
- 5 Sender notification and reporting (optional)

A FIN Y-copy for RTGS

The benefits of using Y Copy for the RTGS are manifold:

- Security - A secure channel to transfer funds
- Cost effectiveness - No extra cost for the banks, as they were already connected to SWIFT
- Focus on core business – the CBE concentrates on the settlement function while outsourcing non-core business like networking and routing to SWIFT
- Fast track implementation - implementation was rapid, as no major changes were required to the banks' connection or message format, and only minimal changes to internal procedures
- No negative impact on banks - The only significant change occurred at the CBE, which consisted of changing the SWIFT topology from 'T' to 'Y'

Solution overview

The Central Bank of Egypt is a major catalyst for change in the Egyptian financial market. The decision to launch an RTGS was made by the top management of the Central Bank. On 15 March 2009, it introduced the national RTGS system with SWIFT's Y Copy topology.

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“The RTGS has proven to be vital to the Egyptian banking sector”

“Introducing the system required the Central Bank to take tough decisions related to credit extension policies, liquidity management techniques and the carrier of the payment messages,” says Tarek Raouf.

Planning for the introduction of the RTGS was important to avoid impacting a sophisticated financial sector with a long history of banking traditions and experience. A detailed project plan was put in place to set clear expectations to the market, and policies related to the RTGS model were set in coordination with all stakeholders, aimed at a smooth introduction of the backbone of payment systems in Egypt.

Communications with SWIFT were very strong throughout the project. SWIFT assigned a project manager from its side to be a focal point with CBE. “We shifted the SWIFT test environment to Y topology one year and half before launch,” says Ahmed Faragallah, Head of Payments Systems Department, the Central Bank of Egypt. “We applied heavy tests on the environment. We tested the disaster recovery site connection with SWIFT in a couple of drills before launch. And finally, all final preparations before going live were communicated on an hourly basis with SWIFT. Everything went smoothly, and during first day of launch, all stakeholders noted that we are moving in the best expected scenario.”

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Features of the system

- The Egyptian RTGS system is owned and operated by the Central Bank of Egypt.
- The Egyptian RTGS is based on latest business concepts in large value payment systems and state of the art technology.
- Settlement in the RTGS is final and irrevocable.
- The RTGS system settles both single payment requests and netting results of clearing houses.
- The RTGS settles the cash leg of securities transactions, on a delivery versus payment model 1, once a day.
- The Central Bank of Egypt offers a free and collateralised intraday loan facility to banks based on a haircut.

Accepted collaterals within the system are treasury bills (through intra-day repos with the Central Bank) and deposits at the Central Bank - by blocking deposits.

Current situation

The RTGS – which is in its first phase - processes Egyptian pounds payments.

Clearing houses

Three clearing houses settle their netting results in the RTGS: CBE Cheque Clearing House, National Switch and ACH, and the Stock Exchange.

Participants

All banks holding accounts with the Central Bank of Egypt are direct participants in the RTGS, and participation is mandatory for all banks.

Compliance with international standards

Egypt's RTGS system fully complies with the Core Principles of BIS Systemically Important Payment Systems; an appropriate oversight is performed to ensure such compliance.

Conclusion

The RTGS system monitors individual banks, market trends and patterns in payment systems, including indications for shortage in liquidity, early versus late payment behaviour, and effects of high demand/supply of foreign currency.

Next Steps

- Multicurrency processing
- Integration with the new central securities depository

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