



Connecting Payments and Accelerating
Intra-Africa trade Through The Pan-African
Payment and Settlement System

Introduction

As the world continues to change, world leaders are fighting to move away from the global currencies by embracing regional trade currencies, markets and payment infrastructure. The Pan-African Payment and Settlement System (PAPSS) is a cross-border, financial market infrastructure enabling payment transactions across Africa. PAPSS addresses the historic challenges of making payments across African and adds value through a common African market infrastructure for all stakeholders, from governments, banks and payment providers to corporates, small enterprises, and individuals.

On the 25th of July 2023, the Central Bank of Nigeria (CBN) issued a Circular titled “Re: Introduction of the Pan African Payments and Settlement System (PAPSS)” (Circular) to provide clarification on how the features of the PAPSS will be implemented in Nigeria.

This article examines the regulatory update by the CBN in the Circular and its impact on the settlement of PAPSS trade transactions.

Benefits of the PAPSS

Some of the key benefits of PAPSS to commercial banks, payment service providers and other financial intermediaries connected to PAPSS include:

- a. A simplified process that reduces costs and complexities of foreign exchange for cross-border transactions between African markets.
- b. An instant and secure cross-border payment capability to customers across Africa.
- c. A platform that enables innovation in cross-border trade and access to new African markets.

Moreso Governments and central banks partnering with PAPSS benefit from:

- a. A reduction in the pressure on current accounts and demand for foreign exchange liquidity.
- b. Increased transparency of cross-border trade activity, bringing greater oversight and increased potential to generate revenue.
- c. Enhanced financial inclusion opportunities and improved economic growth through intra-African trade.

Review of the Circular and Observation

Pursuant to the provisions of the Circular, the CBN stated that the following conditions shall apply to PAPPSS transactions which are to be settled using foreign exchange provided by the CBN:

- a. All eligible PAPPSS transactions shall remain trade backed. This means services cannot be settled through PAPPSS. The trade transactions are also to be goods of African origin.
- a. The eligible payment mode shall be Bills for Collection. It cannot be used for trade transactions backed by letters of credit.
- a. The limit for each customer shall be USD 20,000.00 (Twenty Thousand United States Dollars) per quarter. The limit per Authorized Dealer Bank (ADB) shall also be USD 200,000.00 (Twenty Thousand United States Dollars) per quarter.
- a. Multiple applications through different ADBs are not allowed.
- a. For the settlement of PAPPSS transactions by the CBN, authorized dealers shall obtain the approval of the CBN for USD cover before initiating payments on PAPPSS. The request for approval shall be submitted online on <https://svp.tradesystem.gov.ng>

It is important to note that ADBs are allowed to maintain a USD settlement account with the PAPPSS settlement bank, to settle PAPPSS transactions, for which CBN would not provide foreign exchange.

Importance of the Circular

The Circular provides much needed clarity for authorized dealers and entities engaged in intra-African trade and want to use PAPPSS for the settlement of such trade.

Conclusion

The clarifications provided by the CBN in the Circular are laudable as they are aimed at enhancing transparency, promoting the efficient use of PAPSS for intra-African trade transactions. PAPSS seeks to enhance instant payments by Africans in their local currencies, no matter where they are in Africa.

Do you require further advice on the PAPSS payment mechanism or intra-Africa trade, please [Contact Us.](#)

