

Payment systems and its basic role

The Central Bank of Yemen (CBY) is working hard to bring about basic reforms that would establish a solid and important base for the transition to advanced, effective, safe and sound payment systems, which will, in turn, have an important role in implementing the monetary policy and monetary stability, developing the banking sector, and ensuring its efficiency. This step is very important and a high priority.

One of the most important objectives that the CBY seeks to achieve is the application of safe and sound payment systems that are in line with international standards and that meet the requirements of the local banking and financial sector and help it develop and comply with global requirements. So, in order to reach this stage, the CBY realizes that many reforms must be implemented and that achieving this goal requires a transitional phase.

During the previous period, with the support of the United States Agency for International Development, the CBY implemented a number of reforms and advances in the field of payment systems. In this regard, the CBY, namely the Board of Directors, issued a resolution to establish a general administration specialized in payment systems that worked in conjunction with a number of specialized experts through the executing company, "Pragma Corporation," on the accurate analysis and diagnosis of the necessary needs that could contribute to the improvement and development of payment mechanisms for large amounts of value and retail payments.

The General Department of Payment Systems is headed by an employee with the rank of a "general manager" and contains the following sections:

- **Checks Clearing Section, which includes: Aden Clearinghouse, Mukalla Clearinghouse, and Taiz Clearinghouse.**
- **Technical Support, Systems Development and Reporting Section.**
- **Banking Operations and Systems Management Section.**
- **Supervision and Instructions Section.**

The CBY has started to implement the actual outputs of the previous stage through the actual implementation of a number of reforms, such as the unification of bank accounts and the launch of the central check clearing system.

By converting check clearing into a central clearinghouse, the CBY seeks to start the second phase of automating check clearing work, increasing its efficiency, and improving the clearing and settlement cycle.

Following all the above-mentioned achievements, the CBY is also currently seeking to launch the project of internal payments between banks through the **SWIFT** system for the purpose of

automating payments work and improving the efficiency of payment systems and mechanisms. This is considered an important step that helps the CBY to exercise one of its most important functions, which is the function of settlements; in fact, not only does it enhance the safety and efficiency of the financial system, but it also increases confidence in the banking and financial system, which is a major hub for the financial sector and which is also an important step for preparing and introducing modern payment systems, such as the **RTGS** system.

During the previous period, the CBY conducted an in-depth study of the retail payments sector, and among the outputs that will be a major lever for the development of payment systems is the revival of the process of providing financial services via the mobile phone. The CBY had already assigned a team of experts to prepare the necessary regulatory rules for payment service providers and electronic wallets, which the bank has been working hard to publish in the near future.