



Western Hemisphere Payments and Securities Settlement Forum

Foro de Liquidación de Pagos y Valores del Hemisferio Occidental



Unlocking PAFI Principles in Jamaica

Natalie Haynes
Deputy Governor

Banking and Currency Operations and Financial Markets Infrastructure Divisions
Bank of Jamaica

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Focus Points

01 Jamaica's Economic Landscape

02 National Financial Inclusion Strategy (NFIS)

a) Retail Payments & Financial Infrastructure Working Group

03 PAFI Principles

a) Foundation Principles

b) Catalytic Pillars

04 Measures of Success

05 Road ahead

Jamaica's Economic Landscape

1. Population : Approx. 2.7 Mn.

Source: Statistical Institute of Jamaica as at 2018

2. GDP per Capita 4,841.65 USD

Source: World Bank as at 2018 *

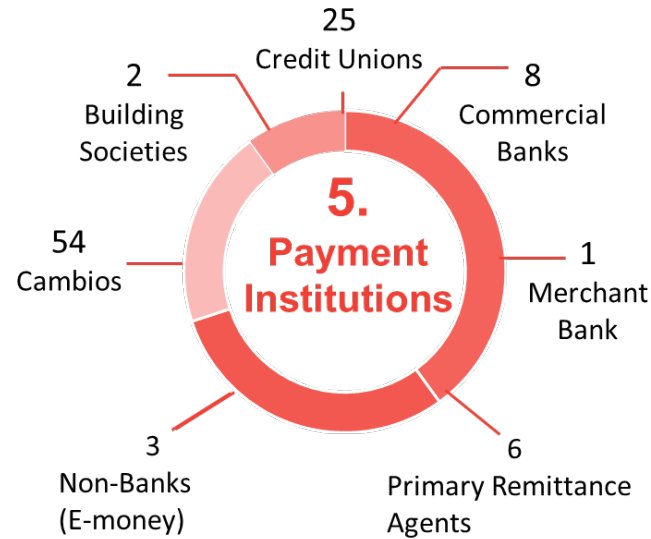
3. Remittance

- 2,345.80 Mn. USD in 2018.
- Increased average of 3% over the last 4 years.
- Contributed to 15 % of Jamaica's GDP in 2018

Source: Bank of Jamaica **

4. Main Industries

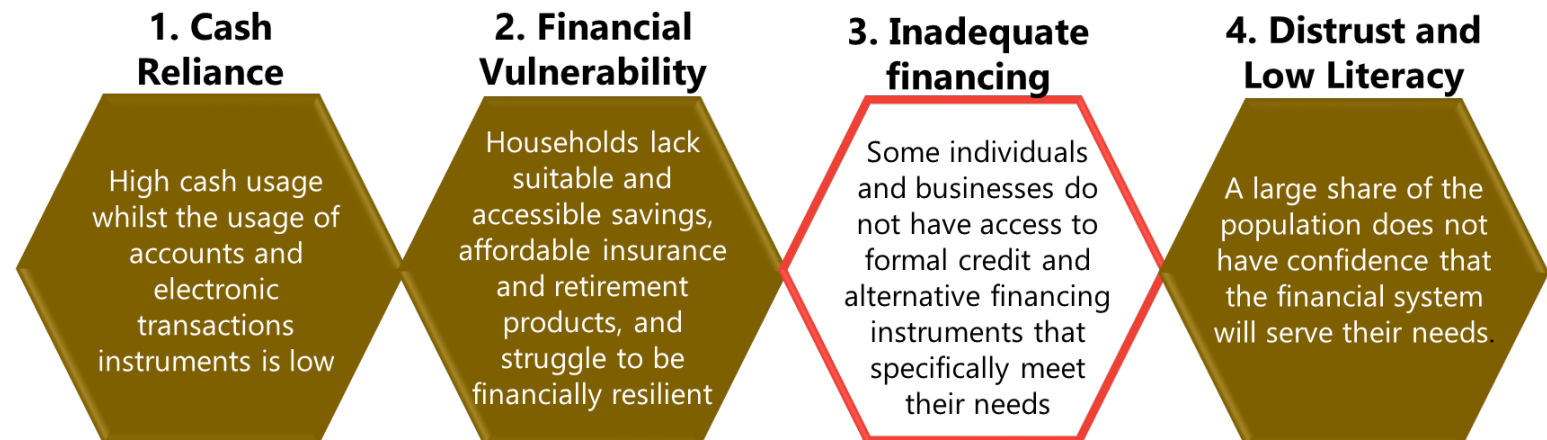
- Tourism
- Agriculture
- Mining: Alumina and Bauxite
- Manufacturing



6. Financial Inclusion (2017) Main Objectives

A. Financial Access and Usage	B. Financial Resilience
Electronic transaction instruments	Savings, insurance and retirement products
C. Financing for Growth	D. Responsible Finance
MSME Agriculture and Housing Finance	Consumer Protection and Financial Capability

7. Key Challenges regarding Financial Inclusion



* <https://tradingeconomics.com/jamaica/gdp-per-capita>
 ** http://boj.org.jm/uploads/pdf/rem_updates/rem_updates_dec2018.pdf

National Financial Inclusion Strategy

Retail Payments and Financial Infrastructure Working Group (RPFIWG)

1. One key pillar in National Financial Inclusion Strategy (NFIS): **Financial Access and Usage** - Promoting electronic retail payments as an entry point to the financial system
2. RPFIWG focuses on areas of improving access to the retail payments system; increasing digital payments; and strengthening the financial market infrastructure.
3. RPFIWG has **9 action items**

1 Frame an **access policy** to facilitate a fair and open payments infrastructure

2 Enhance the **regulatory framework for appointment of non-bank agents** to facilitate greater penetration

3 Promote **competitive practices in payment services** to increase access, market penetrations and competitive prices for consumers

4 Design a strategy to shift **government payments**, including direct benefit transfer schemes, wages and supplier payments, from cheques to retail electronic payments

5 Amending the **legislative framework** to facilitate graded KYC requirements

6 Review and revise the regulatory framework to facilitate the development of **financial products linked to remittances**, including remittance-based cards

7 Promoting the development and use of more **savings products**, inclusive of commitment savings products, to respond to the needs of the low-income population

8 Encourage increased participation of utility providers in the **credit reporting system** by reviewing legislation

9 Encouraging DTIs and other financial institutions to develop individual **financial inclusion plans**

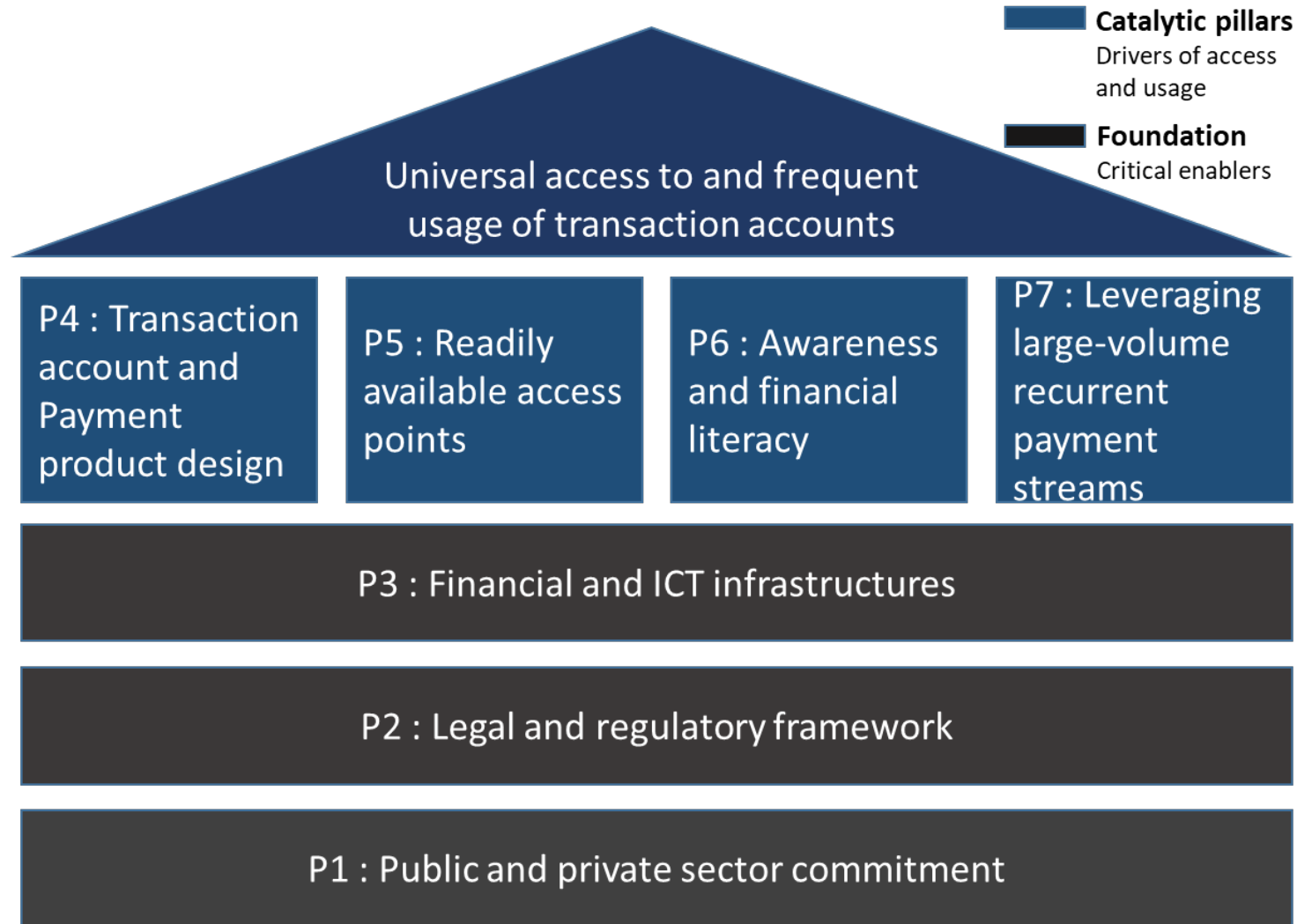
PAFI Principles

Vision - Access for all to at least one transaction account offered by a safe and efficient regulated financial service provider so that users can:

1. Store value;
2. Make and receive payments; and
3. Access broader financial services.

Question

How does Jamaica's enunciated Financial Inclusion Strategy conforms with PAFI's Principles?



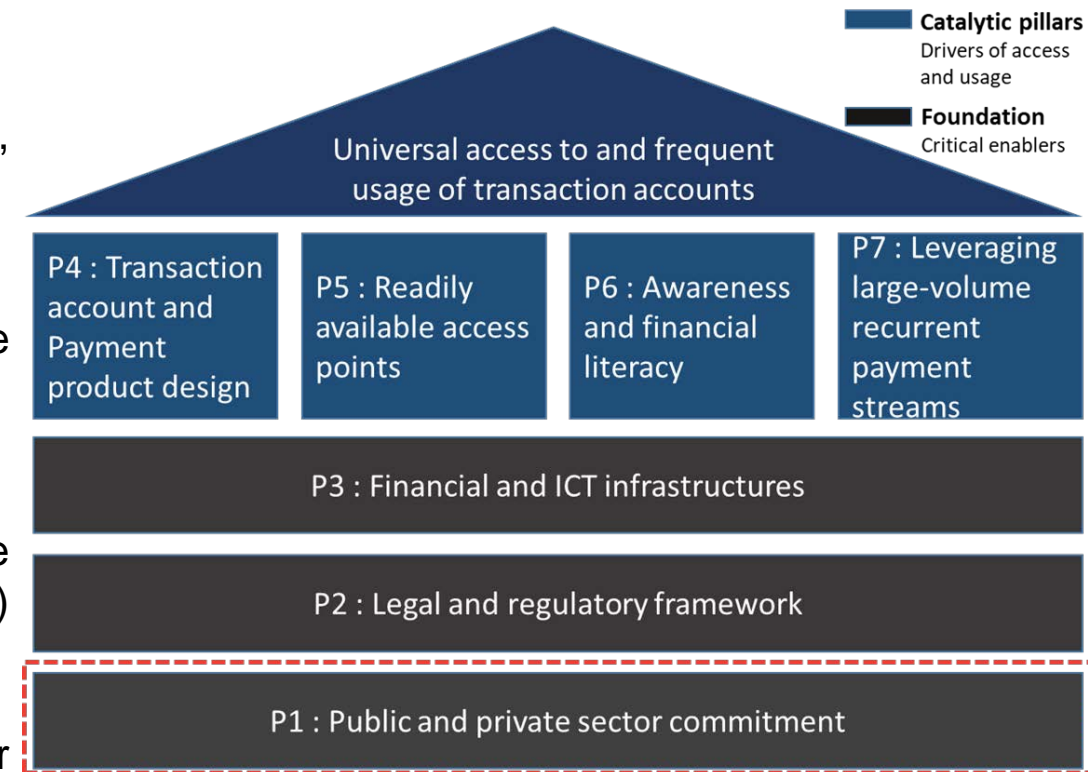
P1: Public and private sector commitment

1. National Payment Council (NPC)

- a) NPC is established in law (Payment Clearing and Settlement Act, 2010) as an advisory body to the Bank of Jamaica
- b) Fosters cooperation among:
 - I. National Payment System stakeholders; and
 - II. Public authorities involved in payment activities or in the clearing and settlement of securities.

2. National Financial Inclusion Strategy (NFIS)

- a) The Government of Jamaica launched the NFIS in 2017 with the aim of creating financial access for all (underserved or unserved) by 2024.
- b) 9 Action items led by the RPFII Working Group (RPFIIWG)
- c) RPFIIWG fosters partnerships with private and public sector, for example, Retail Payments Jamaica Ltd.
- d) NFI council RPFIIWG chaired by the Bank
- e) Technical secretariat is housed at Bank of Jamaica



Source : <https://www.worldbank.org/en/topic/financialinclusion/brief/pafi-task-force-and-report> **Diagram 1**

P2: Legal and regulatory framework

1. Payment Clearing and Settlements Act (PCSA, 2010)

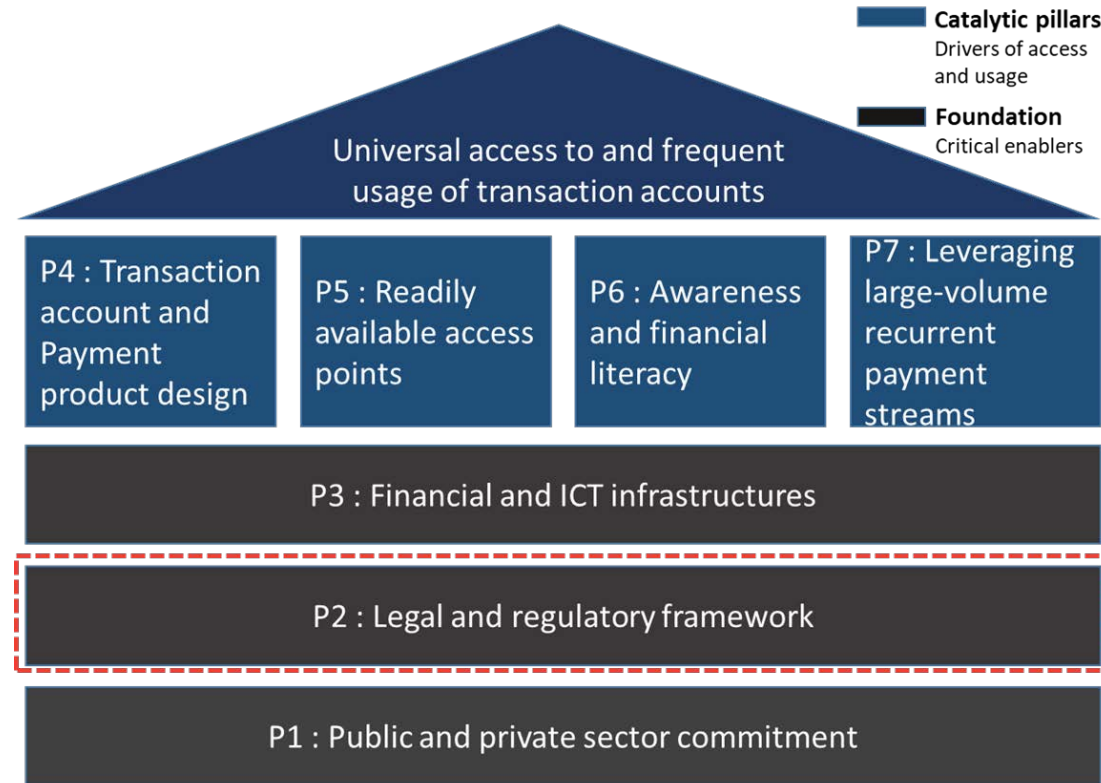
- Provides the overall legal basis for netting, finality and irrevocability of payments.
- Provides the Bank with statutory powers of oversight over the payment, clearing and settlement systems in Jamaica.

2. ERPS 2 Guidelines

- Promotes efficient payment services in a safe, secure and competitive environment using available technology.
- Facilitates the authorization of Payment Service Providers who partnered with technology firms to deliver new payment solutions.
- Currently reviewing PCSA and converting ERPS 2 to regulations.

3. Memorandum of Understanding (MOU) between the Office of Utilities Regulation (OUR) & the Bank of Jamaica (2019)

Sets out the obligations of the parties to develop and monitor the processes which facilitate the provision of electronic retail payment services to the public through the network of licensed public telecommunications carriers.



Source : <https://www.worldbank.org/en/topic/financialinclusion/brief/pafi-task-force-and-report> **Diagram 1**

4. Banking Service Act

Section 55: Outlines Permitted Activities to include new business and products, and new delivery channels and services offered by DTIs.

5. Proceeds of Crime Act

Amending Proceeds of Crime Act (POCA) to allow for graded KYC/CDD requirements.

P3: Financial and ICT infrastructures

1. National Payment Switch

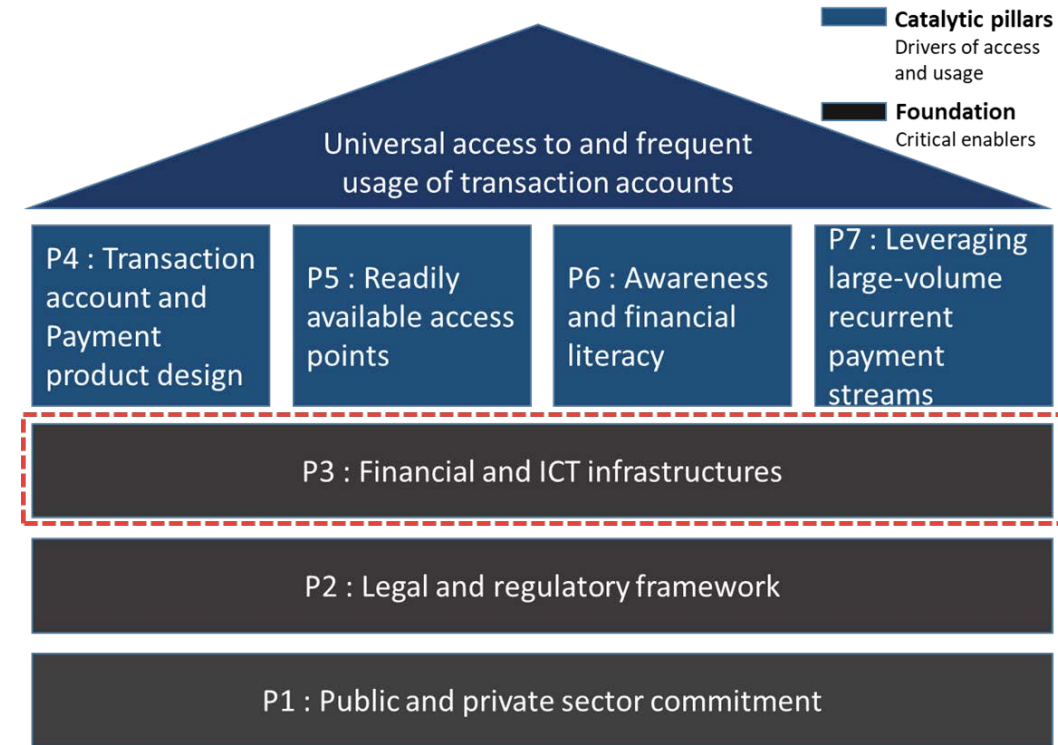
- a) Bank of Jamaica has begun work to develop and promote interoperability of the retail payment systems through the implementation of a national payment switch.

2. Ministry of Science Energy and Technology (MSET)

- Free Wi-Fi hotspots and push towards digital economy.

3. Fintech Regulatory Sandbox (FRS)

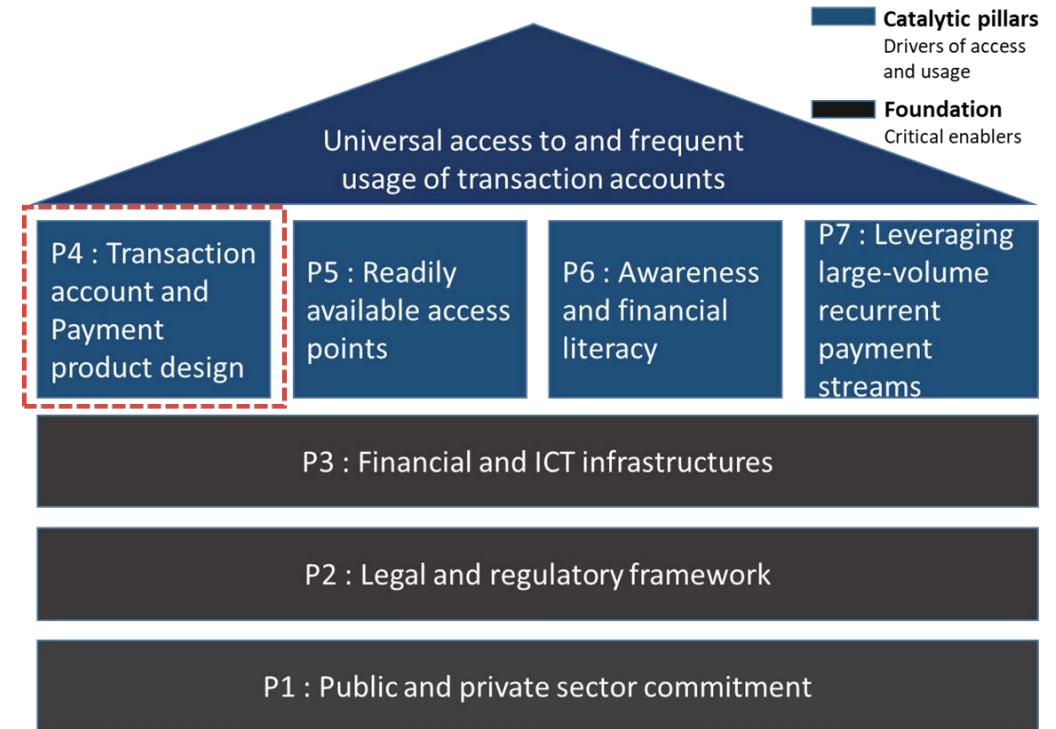
- a) FRS Guidelines drafted; and
- b) Finalizing an assessment methodology as part of operationalizing the sandbox.



Source : <https://www.worldbank.org/en/topic/financialinclusion/brief/pafi-task-force-and-report> **Diagram 1**

P4: Transaction account and Payment product design

1. **ERPS 2 Guidelines to promote transaction accounts through payment service providers.**
2. **Remittances**
 - a) Amendments to the Operating Directions in August 2016 for Remittance Companies to allow for prior approval to disburse inbound remittances via prepaid products



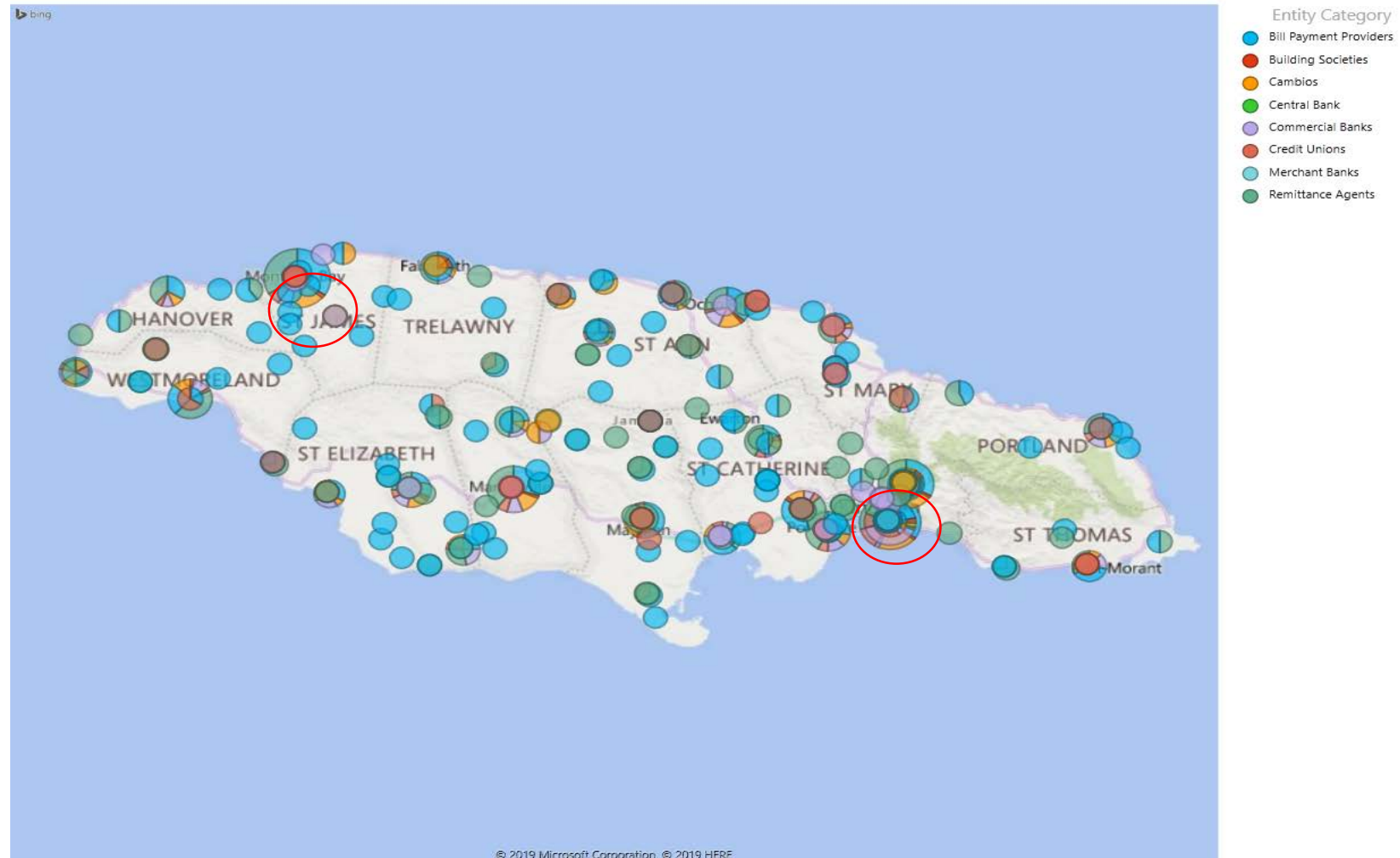
Source : <https://www.worldbank.org/en/topic/financialinclusion/brief/pafi-task-force-and-report> **Diagram 1**

P5: Readily available access points

Access points widely available across the island with concentration in two cities.

Payment Service Provider Locations as at July 2018

Count of Location by Location, and Entity Category



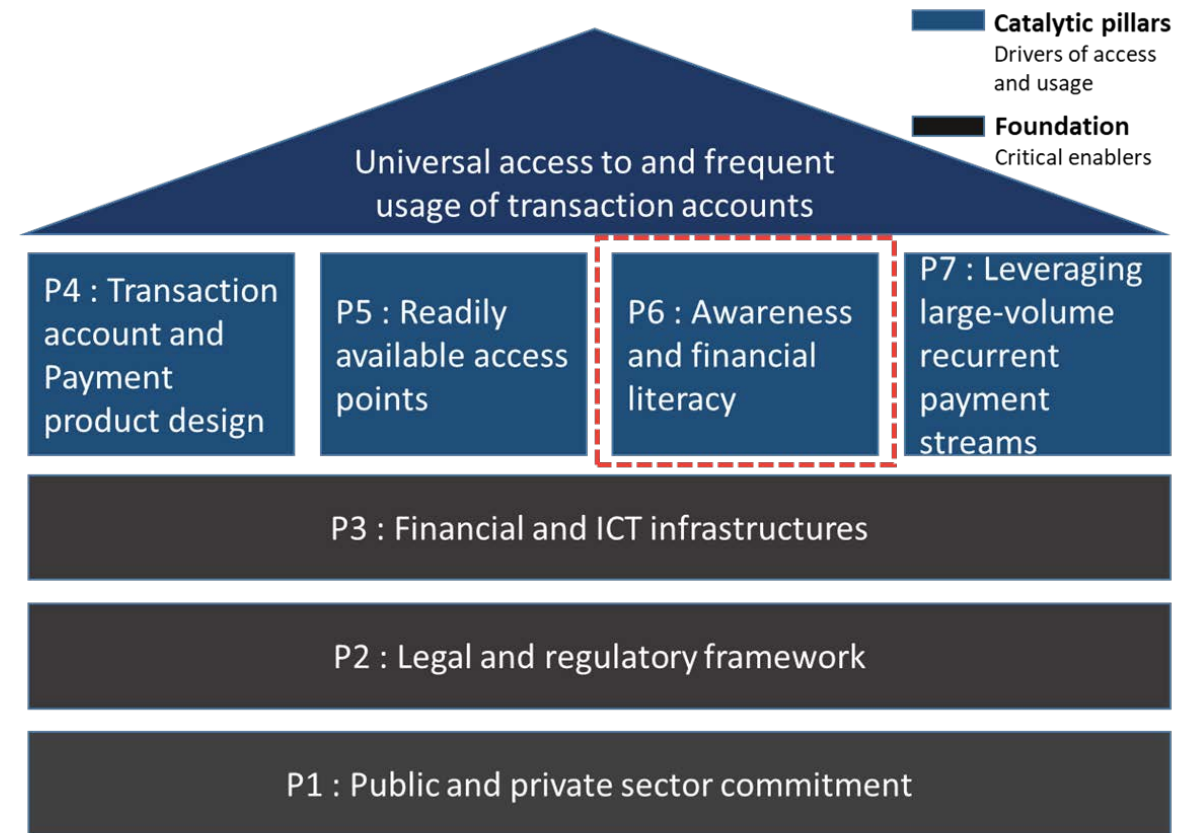
P6: Awareness and Financial literacy

1. ERPS 2 details the requirements for consumer protection.

1. Liquidity management;
2. Disclosures;
3. Risk Management;
4. Non-exclusivity;
5. Agents; and
6. Orderly market exit.

2. Bank of Jamaica committed to building financial literacy under the National Financial Inclusion Strategy

- a) National Financial Literacy Action Plan (emphasis on youth, i.e. 14 – 29 years old; app. 50% of population)
- b) Development Bank of Jamaica collaborated with the Bank on a mobile financial service/ERPS Conference
- c) Financial inclusion outreach
 - a) Road shows;
 - b) Radio interviews; and
 - c) Town hall meetings.



Source : <https://www.worldbank.org/en/topic/financialinclusion/brief/pafi-task-force-and-report> **Diagram 1**

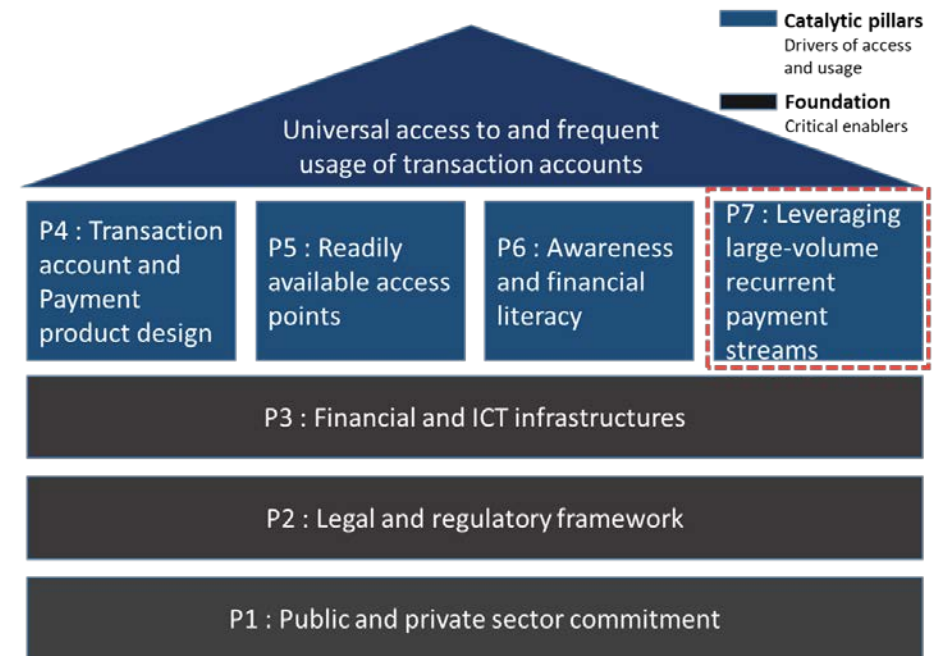
P7: Large-volume, recurrent payment streams

1. Modernized Treasury Management System

- Government modernized their treasury management system;
- Upgraded accounting system used by over thirty (30) Ministries Departments & Agencies(MDAs);*
- AGD started filtered payments through RTGS in 2012 and ACH in 2013.

2. Enhanced Remittance Framework

3. Digitalization of Government Payments



Source : <https://www.worldbank.org/en/topic/financialinclusion/brief/pafi-task-force-and-report> **Diagram 1**

* Source : <https://mof.gov.jm/ctms.html>

Measures of Success (1/2)

P1: Public and private sector commitment

- Increased MOUs/Collaborations and agreements.

P2: Legal and regulatory framework

- Enhanced legal framework on PsPs
- Increased utilization of PSPs services by the public.
- Implementation of the Fintech Sandbox regulatory guidelines.
- Consumer protection framework for all financial services, including payment services.

P3: Financial and ICT infrastructures

- Increased number of payment instructions exchanged across payment infrastructures.
- Improved interoperability (Anytime, anywhere payments).

P4: Transaction account and Payment product design

- Increased number of accounts opened and active use of retail payment services.
- Greater efficiency in bank operations through increase use of Fintech.
- Increased use cases for end-users to encourage them to use electronic payment services over cash.

P5: Readily available access points

- Increased number of electronic retail payment services (ERPS) in operation.
- Increased number of points of interaction (agent locations, merchants registered and online platforms).

Key

Current developments

Road ahead

Measures of Success (2/2)

P6: Awareness and Financial literacy

- Developing a consumer protection framework.

Key

Current developments

Road ahead

P7: Large-volume, recurrent payment streams

- Increased usage of payment systems.

Thank you

Any questions?

You can find me at:

Natalie.Haynes@boj.org.jm

Bank of Jamaica