

Payment and market infrastructures developments Curaçao & Sint Maarten



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DISCLAIMER

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They do not necessarily reflect the views of the Centrale Bank van Curaçao en Sint Maarten.

CONTENT

- Central Bank governance, regulation and oversight developments
- Payment Modernization Objectives
- Survey on payments landscape
- Upgrade of the National Payment System
- Introduction of Instant Payments CSM
- Future of payments in Curaçao and Sint Maarten
- Smart nation approach of the Country of Curaçao

CENTRAL BANK GOVERNANCE, REGULATION & OVERSIGHT DEVELOPMENTS

- 2017: Established Payments Oversight Department (Independent to Payments Operations)
- 2018: Non -Banks allowed as Participant to the National Payment System
- 2019: Draft amendment Central Bank Charter
- 2019: Draft Payments system legal framework & regulations
- 2020: Self-assessment PFMI on National Payment System
- 2020: Catalyst role: Introduction National Payment Council

PAYMENT MODERNIZATION OBJECTIVES

- Modernize the National Payment System
- Introduce Instant Payments (P2P, C2B, B2B, P2G)
- Expand participants to National payment system to non -banks
- Reduce retail transaction costs for merchants & customers
- Harmonize and reduce POS and ATM
- Enhance interoperability between retail payment systems
- Reduce the use of cheques

SURVEY ON PAYMENTS LANDSCAPE

- Insight in the perceived safety, speed, cost and reliability of the current retail payment systems
- Insight in the experienced bottlenecks and desired improvements
- Introduction of CBCS modernization plans and acquire views on these plans
- Insight in the actual technological development of commercial banks and their innovation plans

SURVEY ON PAYMENTS LANDSCAPE

- Safety, speed, cost and reliability of current retail payment systems

	Banks	Other Sector
Safety	Satisfied to Very satisfied	Satisfied
Speed	Satisfied to Very satisfied	Satisfied
Reliability	Satisfied to Very satisfied	Satisfied
Costs	Satisfied	Dissatisfied

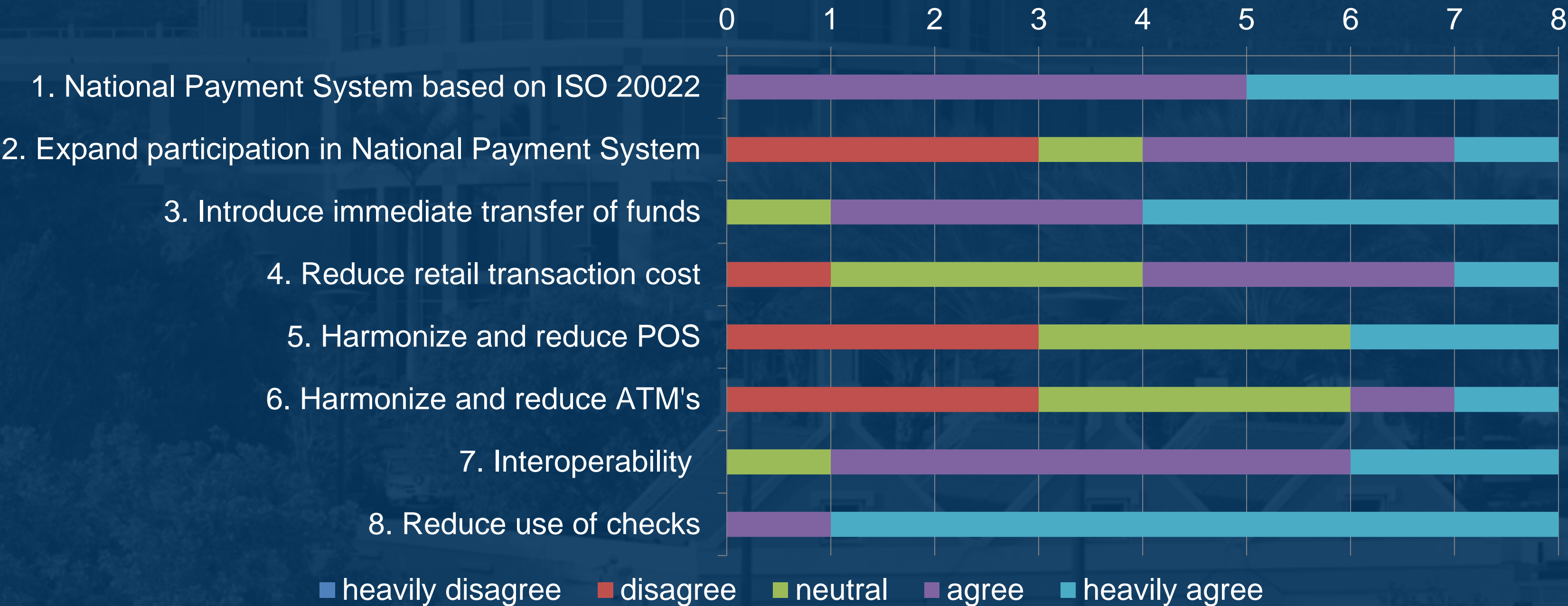
SURVEY ON PAYMENTS LANDSCAPE

Bottlenecks and desired improvements banks & other sectors

- High cost to process local bank transactions
- Limited local e-commerce because of impossibility of web payments
- Duration of transaction between local banks
- Standardization needed for payment platforms applications of local banks
- Senders' information or transaction description is missing on bank statements
- One POS machine should be able to work for all banks
- Slow internet, link between banks and systems (Sint Maarten)

SURVEY ON PAYMENTS LANDSCAPE

Modernization objectives rating by banks Curaçao



UPGRADE NATIONAL PAYMENT SYSTEM

RTGS

- Multicurrency system (ANG & USD)
- Final and irrevocable settlement of funds continuously & in real -time
- Centrally located queuing of payments
- Automatic gridlock resolution
- Complete monitoring of account balances (central bank and participants)
- Credit and intra -day liquidity management facilities
- Maintenance of statistical database with query and reporting facilities
- Support of ISO 20022 message standards - Migration: 2021 – 2025
- Secure transmission using SWIFTNet FIN and VPN connection

UPGRADE NATIONAL PAYMENT SYSTEM

ACH

- ACH payment entry and processing (formats: ISO 20022, X9, NACHA)
- Credit Transfers, Direct Debits submitted individually or in batch
- Clearing of cheques (No image exchange)
- Set of Bilateral limits for debit payments
- Flexible timetable mechanisms (one or many clearing sessions during the day)
- Continuous settlement during the day through the RTGS
- Maintenance of statistical database with query and reporting facilities
- Interface with banks' back office systems via Straight -through -Processing Gateway
- Secure transmission using VPN connection

INTRODUCTION INSTANT PAYMENTS CSM

Definition – European Payment Council

- 24/7/365 Availability – Multichannel initiation
- Real-time processing (within 10 seconds)
- Immediate confirmation to payer and payee
- Payment is final and irrevocable (for end user)
- Payee has immediate access to funds
- Money transfer between Participants

INTRODUCTION INSTANT PAYMENTS CSM

- Q4 2020 : Project IP CSM Phase 1

Phase 1 encompasses the instant payments rail for domestic inter -bank transactions within 10 seconds

- Q2 2021: Project IP CSM Phase 2 *(in collaboration with Centrale Bank Aruba)*

Phase 2 encompasses enabling instant payments means for consumers, businesses and government

(make use of mobile bank apps -white label -, web-store and QR code end - user solutions)

Use Cases

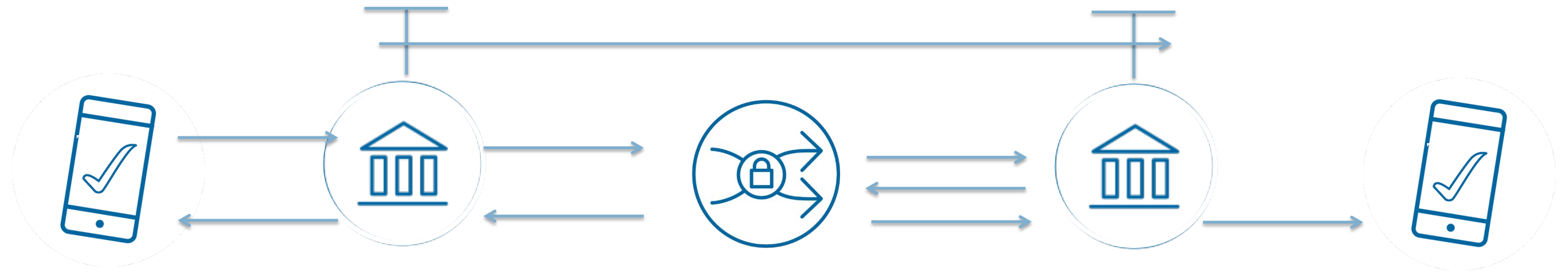
P2P, Online, In Store, Credit Transfer, Batch Payments and Direct Debit



- ▶ Central Infrastructure supporting multiple use cases on a single Clearing and Settlement solution using Instant Payments

Use Cases

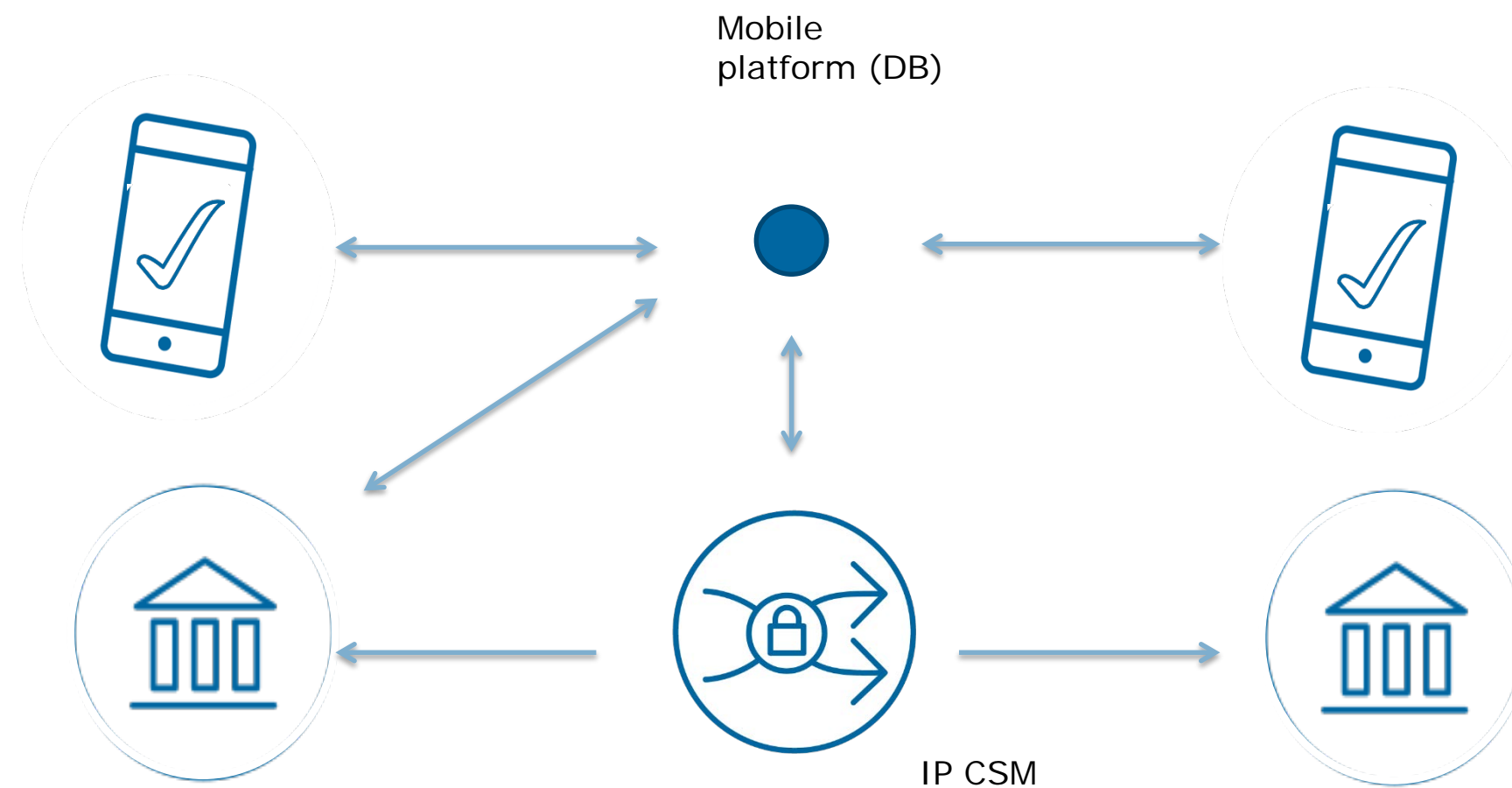
Regular Credit Transfer



1. Originator fills in payment details and sends payment to his/her Bank.
2. Bank debits customer and sends payment to CSM
3. CSM validates Beneficiary via Creditor Bank
4. CSM settles
5. CSM notifies Originator and Beneficiary Bank, Banks notify end-customer

Use Cases

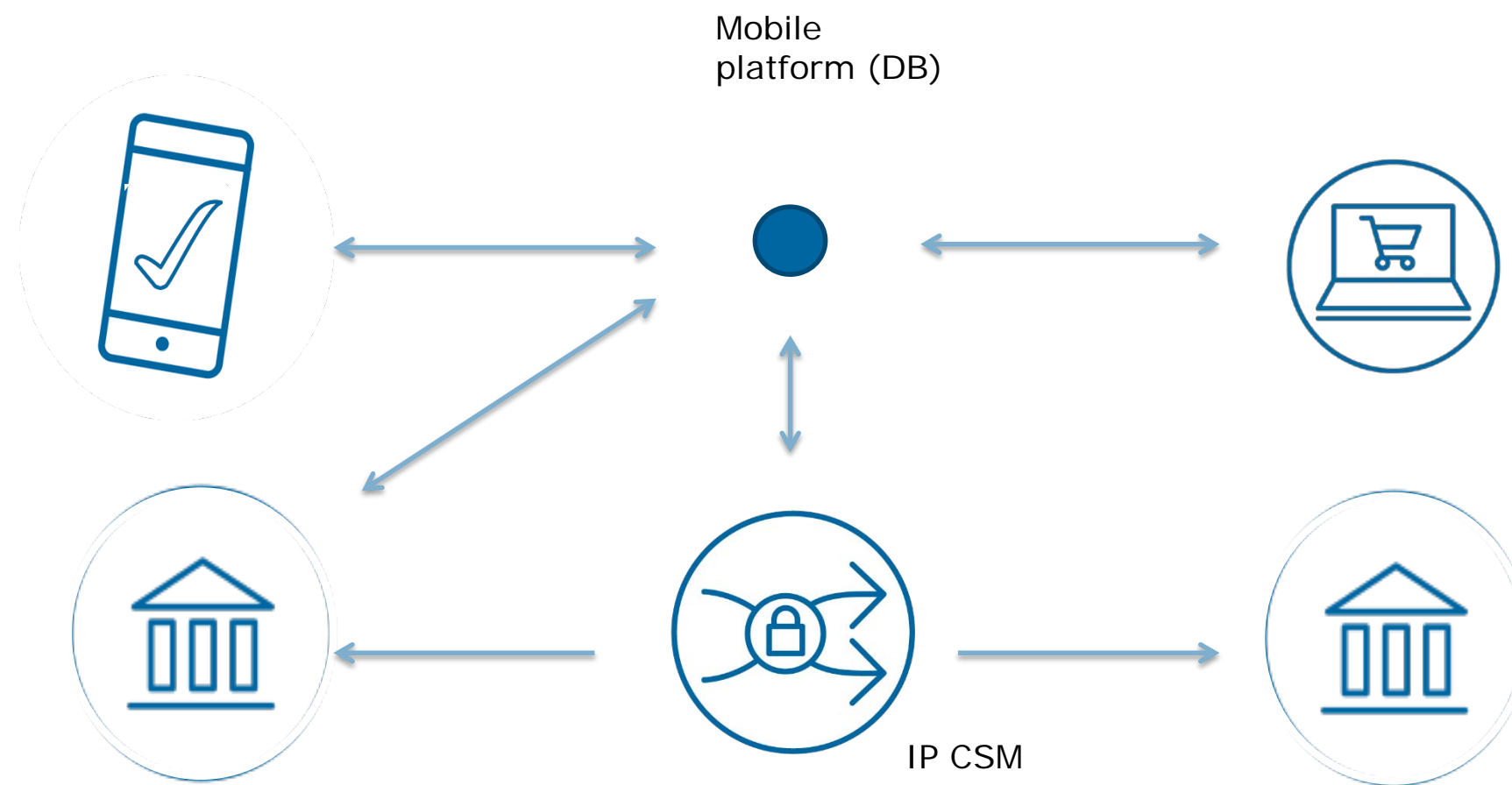
P2P



1. Beneficiary fills in payment details (Bank Account, Amount) and shares them with Originator via QR Code or NFC
2. Originator approves, payment gets send to Originator Bank
3. Debit authorization by Originator Bank (potentially reusing existing card authorization interfaces)
4. Settlement in CSM and OK to Debit Bank, Credit Bank, Originator and Beneficiary

Use Cases

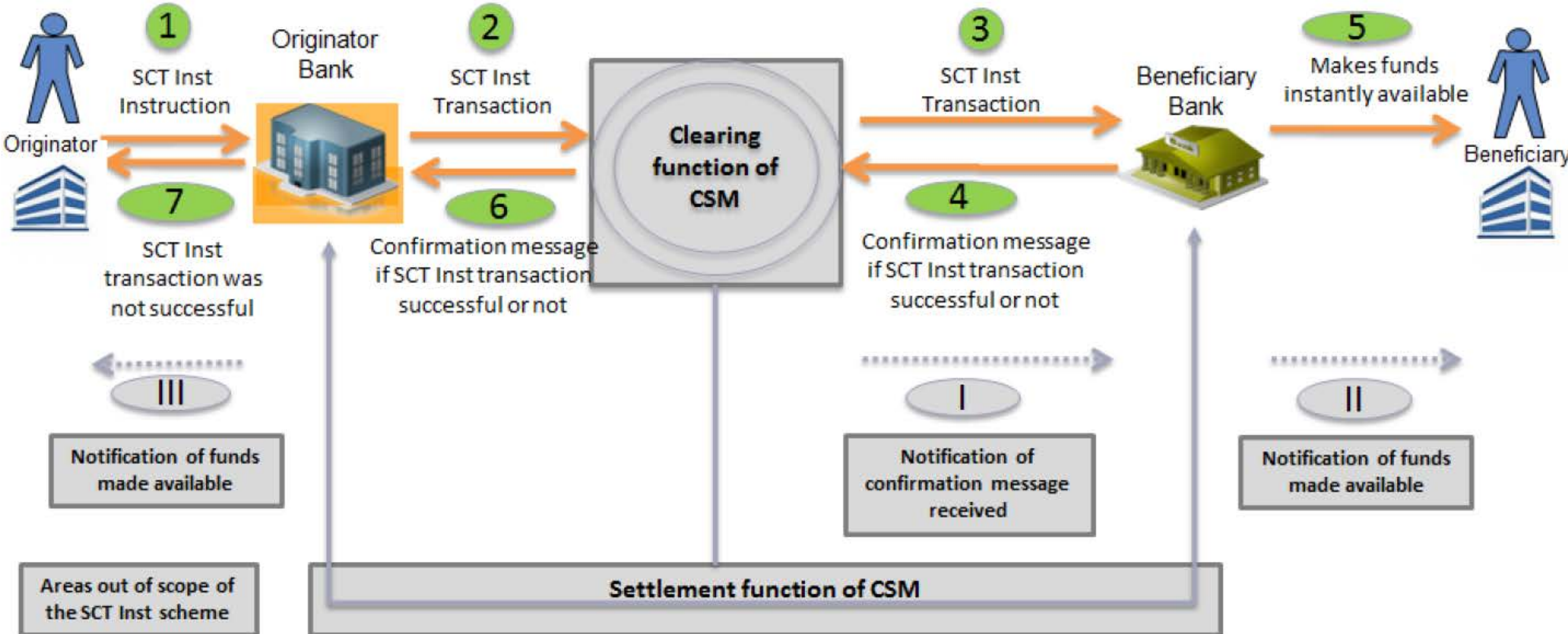
P2B & P2G



1. Beneficiary fills in payment details (Bank Account, Amount) and shares them with Originator via QR Code or NFC
2. Originator approves, payment gets send to Originator Bank
3. Debit authorization by Originator Bank (potentially reusing existing card authorization interfaces)
4. Settlement in CSM and OK to Debit Bank, Credit Bank, Originator and Beneficiary

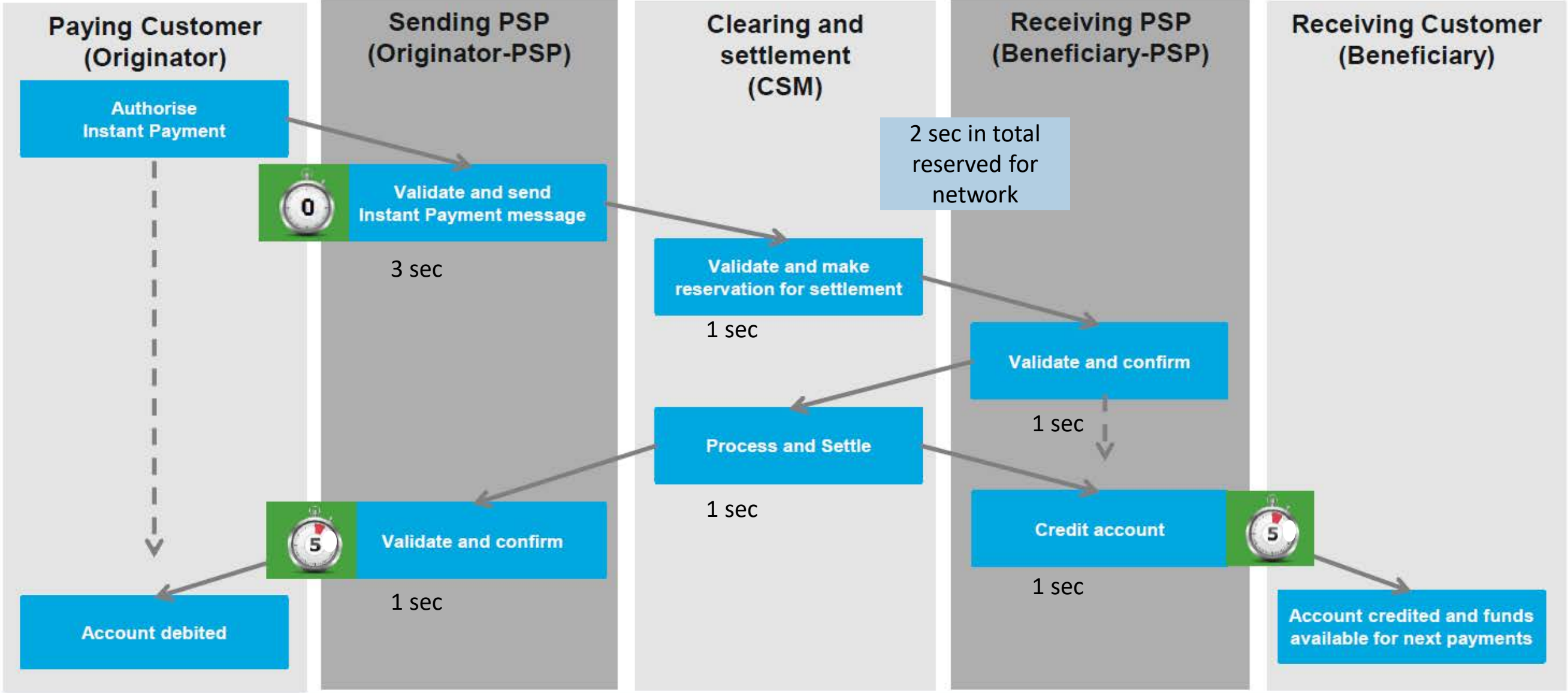
Instant Payments

Clearing



Instant Payments

Clearing – timelines



- scheme parameters:
- max end2end timeline: 10sec
 - max amount: t.b.d
 - ANG and USD

Instant Payments

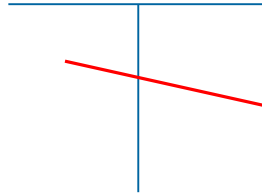
IP Settlement: Funding of the account



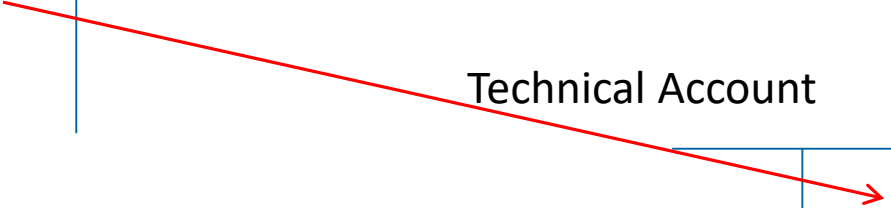
CBCS RTGS

RTGS Participant A

RTGS Participant B



Technical Account



IP CSM

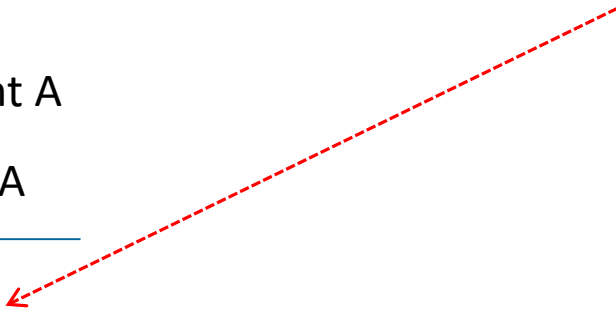
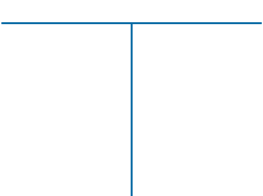
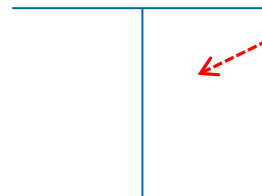
Mirror Account

Participant A

Participant B

Position Participant A

Position Participant B



FUTURE OF PAYMENTS CURAÇAO AND SINT MAARTEN

- After 2020: Phase out Batch processing of retail payments
- Instant Payments will be the new normal
- Non-Bank Payments Service providers allowed to participate
- Instant Payments between the Dutch Countries of the Kingdom of the Netherlands
 - Curaçao (ANG, USD)
 - Sint Maarten (ANG, USD)
 - BES Islands (USD)
 - Aruba (AWG)
 - Netherlands (EUR)

SMART NATION APPROACH OF THE COUNTRY OF CURACAO

PILLARS

- Education & Science development
- Infrastructure, transportation, data and services
- Urban planning, energy and environment
- Public safety and security
- Smart destination
- Health and living



END