



The international agenda for payments and market infrastructures

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1 October 2020

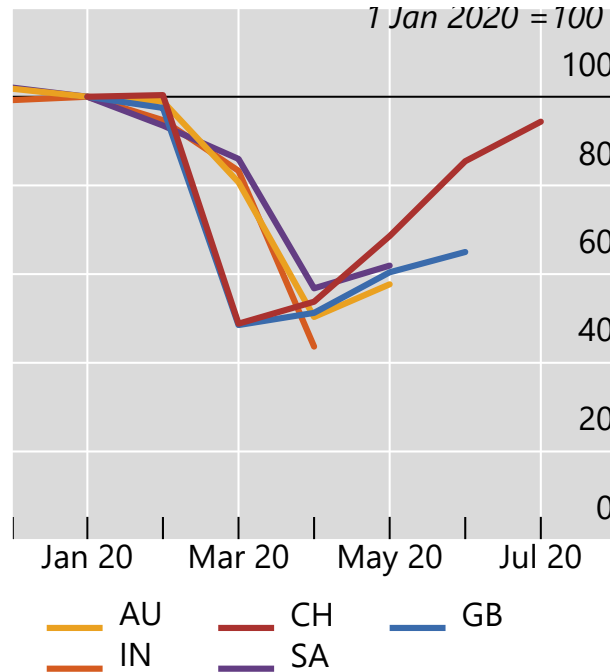
CEMLA Meeting of Heads of Financial Market Infrastructures



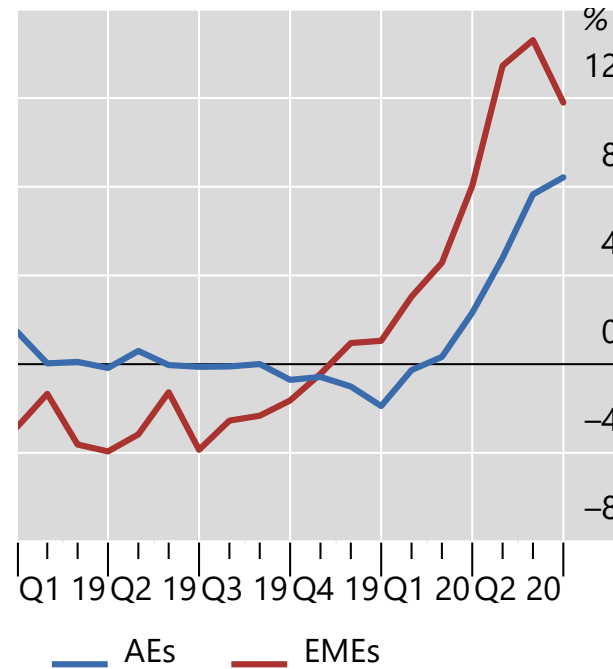
Payments amid the pandemic

Payments behavior is changing in the pandemic

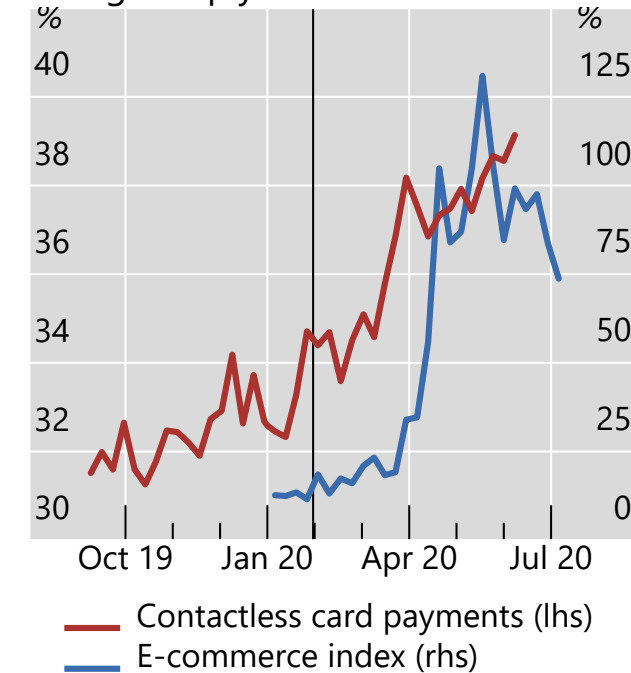
Even as ATM withdrawals fall...



There is evidence of cash hoarding...



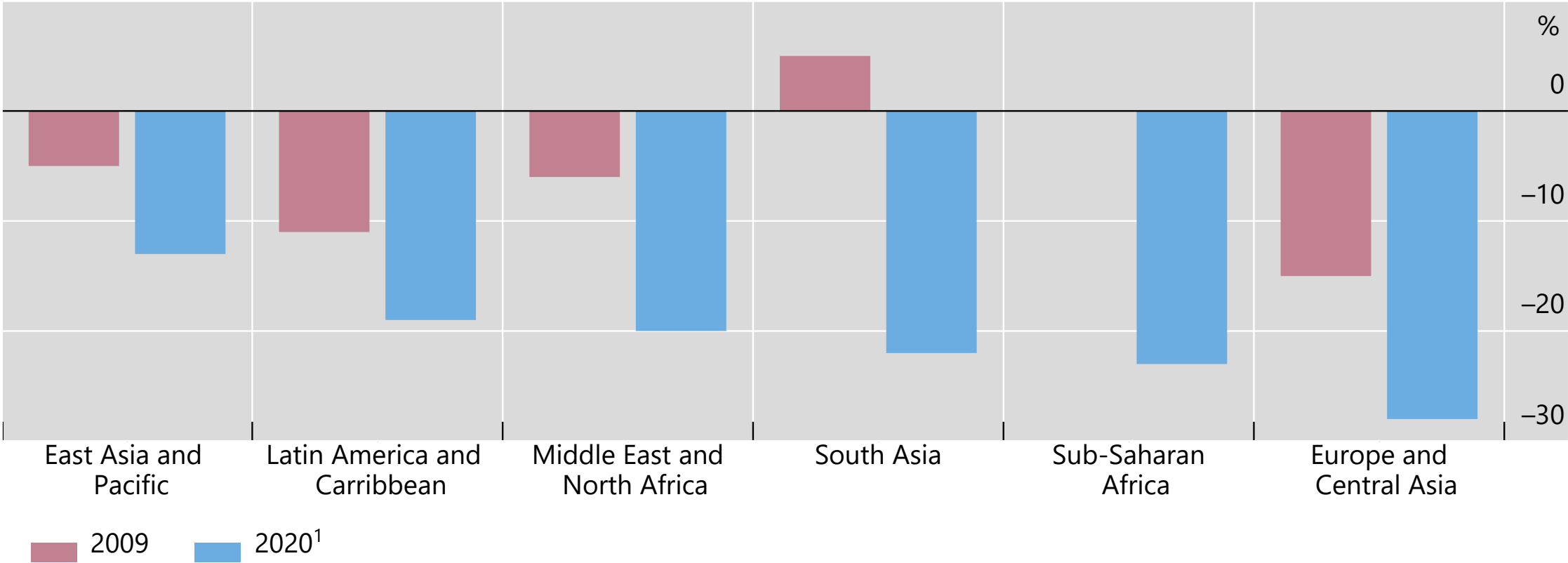
...and of contactless and remote payments rising sharply



The black vertical line in the right-hand panel indicates 30 January 2020 (World Health Organization declares the Covid-19 outbreak a “public health emergency of international concern”).

Sources: Auer, R, J Frost, T Lammer, T Rice and A Wadsworth, “Inclusive payments for the post pandemic world”, SUERF Policy Note, September 2020.

Global remittances decline

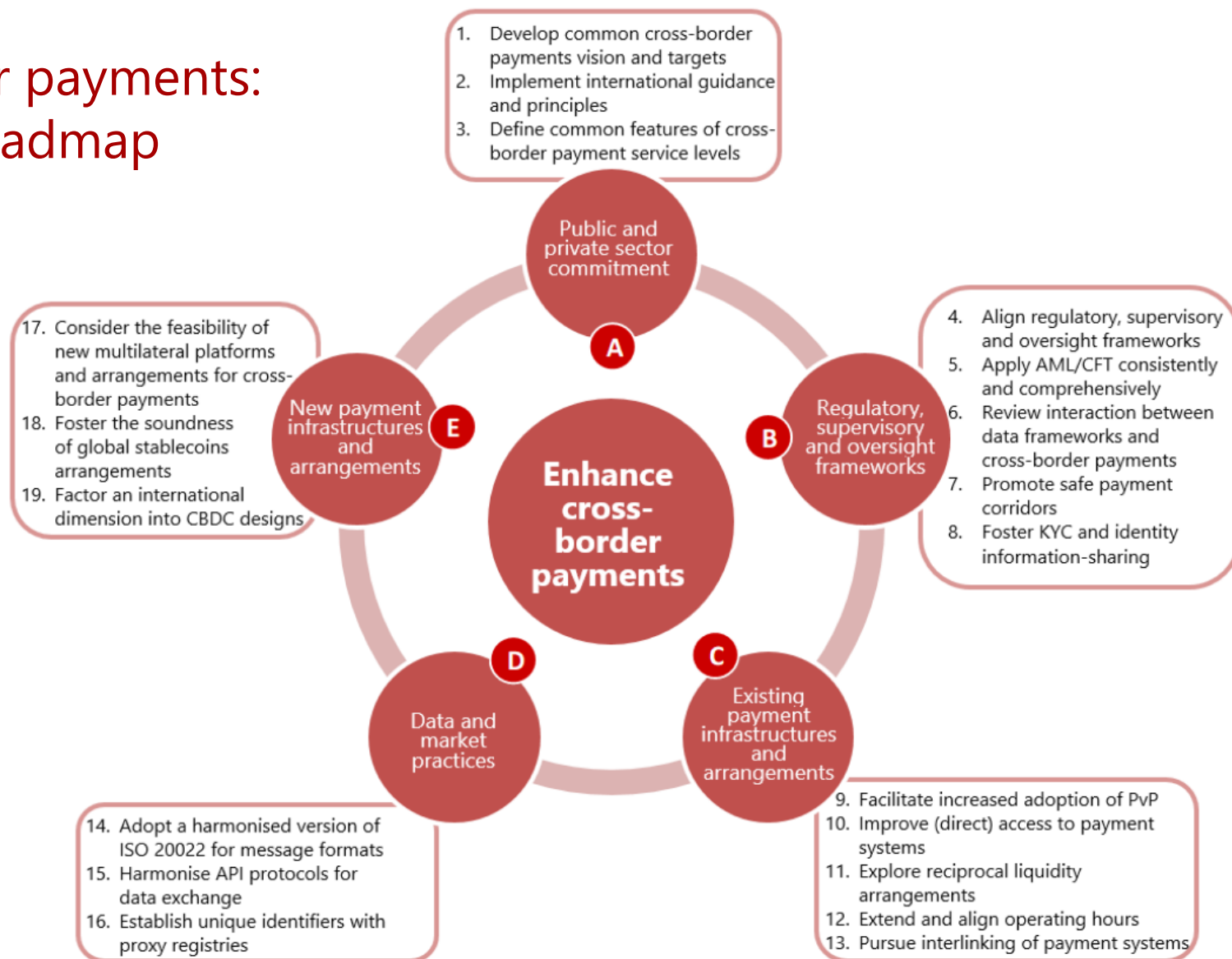


¹ 2020 data are projected figures.

Source: Pew Research Center, World Bank.

CPMI enhancing cross-border payments: building blocks of a global roadmap

- **19 building blocks** have been taken forwards into the technical report.
- These building blocks have then been grouped into **5 focus areas** that can counter the cross-border payment frictions.

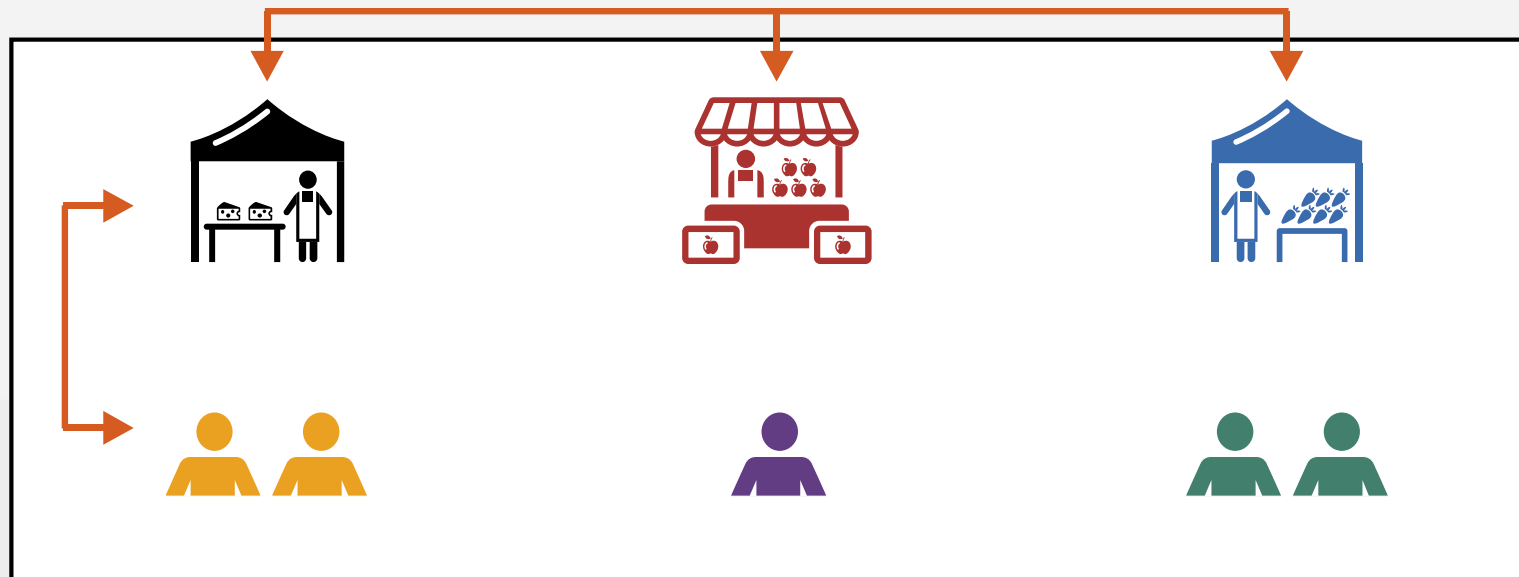


Source: CPMI (2020), *Enhancing cross-border payments: building blocks of a global roadmap*, Stage 2 report to the G20, July.

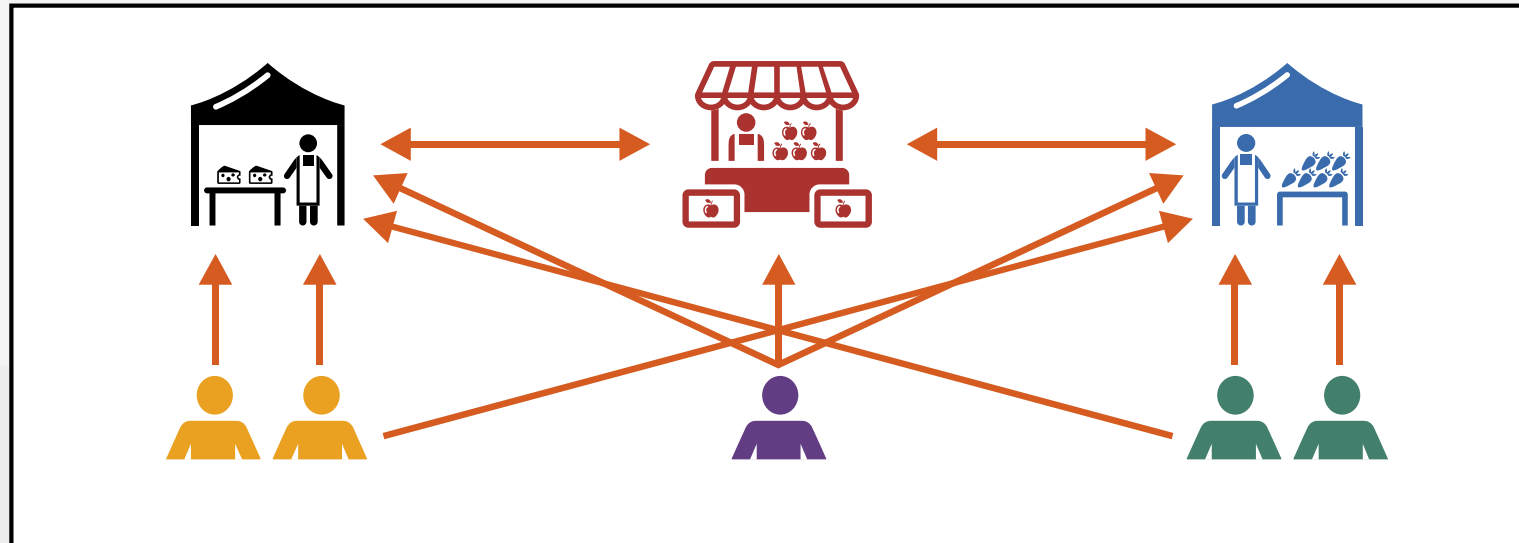


Central banks and payments in the digital era

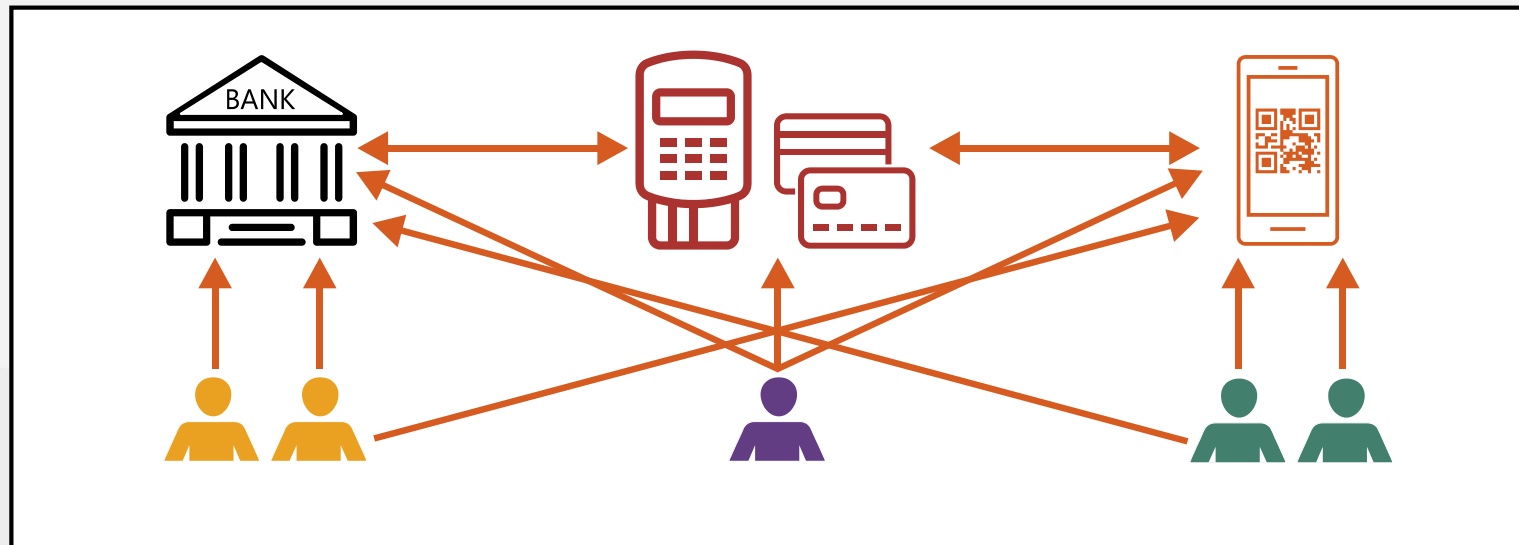
An open marketplace



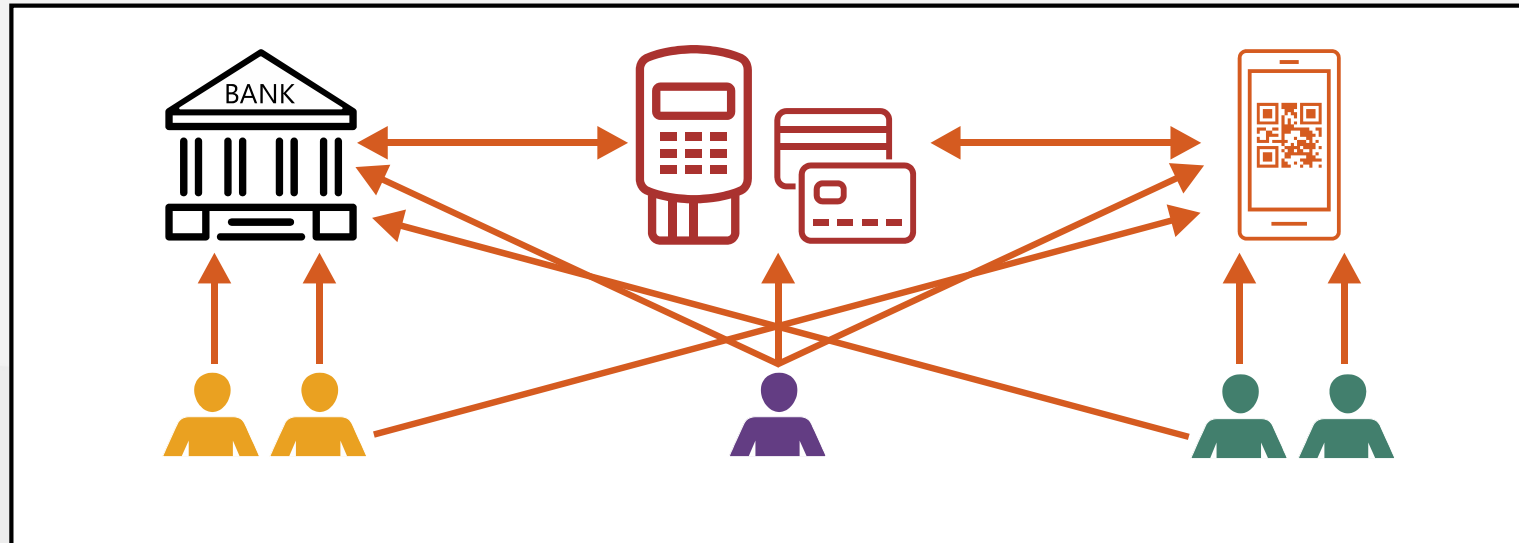
An open marketplace



The payments marketplace

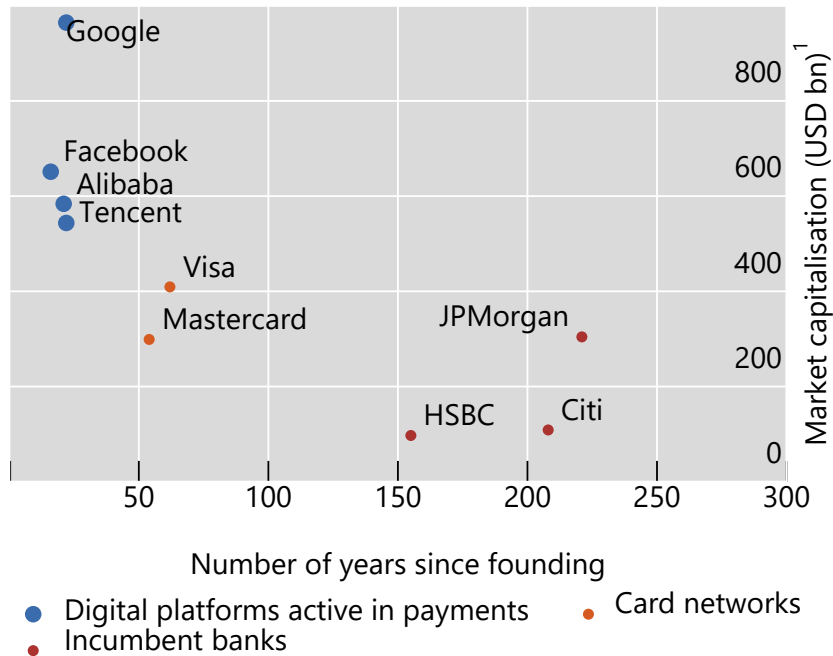


The payments marketplace



Digital platforms differ from traditional networks

Digital platforms scale quickly...



...due in part to their characteristics

| Traditional network | Today's digital platform |
|------------------------------|--------------------------|
| Network externalities | ✓ |
| Economies of scale and scope | ✓ |
| High fixed cost | X |
| Low marginal cost | ✓ May be even lower |
| X | Fully digital |
| X | Aggregator of data |
| X | Broad user base |

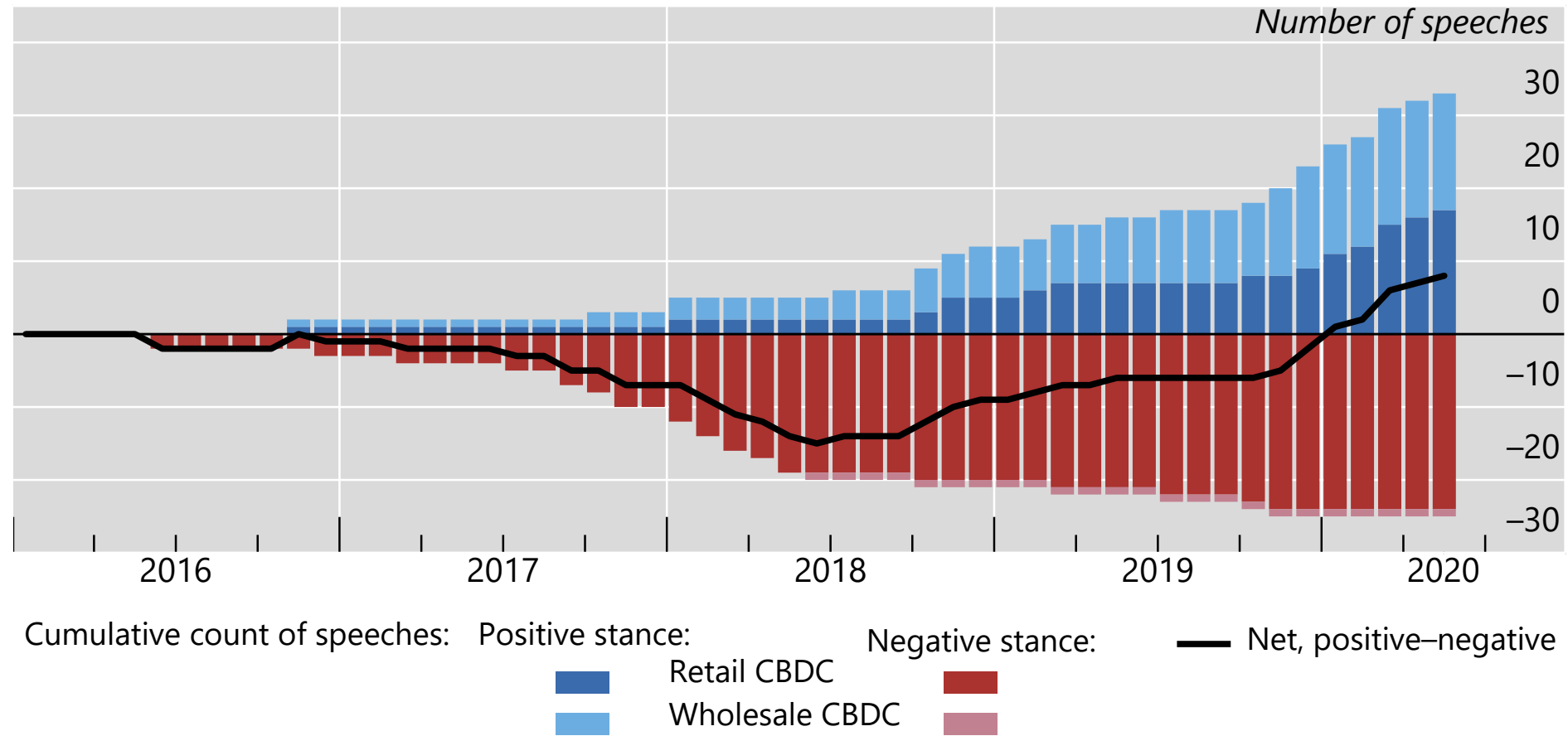
¹ As of 12 June 2020.

Source: BIS: "Central banks and payments in the digital era", Annual Economic Report 2020, Chapter III, June.

Central bank policies to improve efficiency

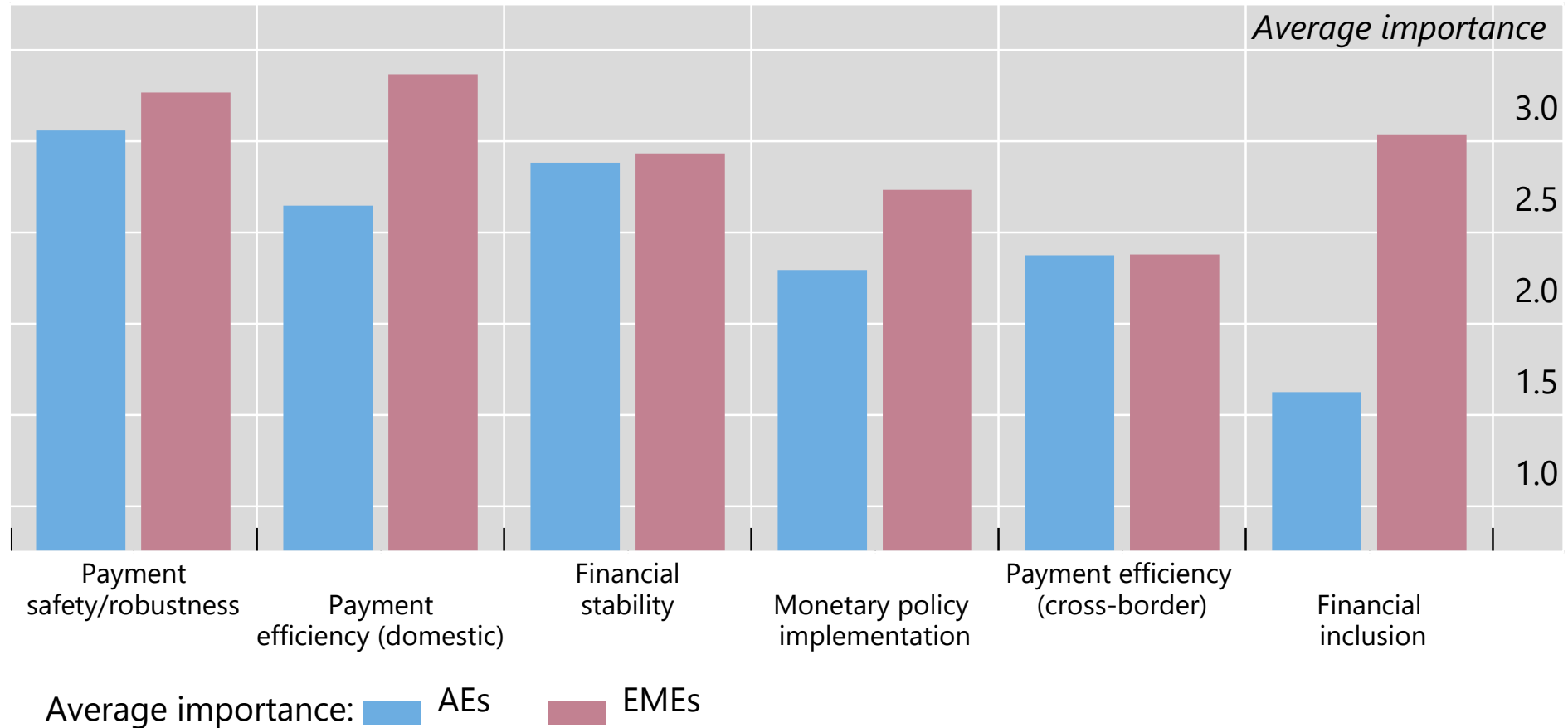
- As:
 - **operator:** providing public infrastructures
 - **catalyst:** promoting interoperability
 - **overseer:** guiding and regulating
- Ensuring safety and integrity
- CBDC: designing safe and open payments for the digital economy

Central bank speeches on CBDCs are turning more positive



Source: Auer, R, G Cornelli and J Frost (2020), "Rise of the central bank digital currencies: drivers, approaches and technologies", BIS working paper, No 880, August.

Motivations for issuing a general purpose (retail) CBDC



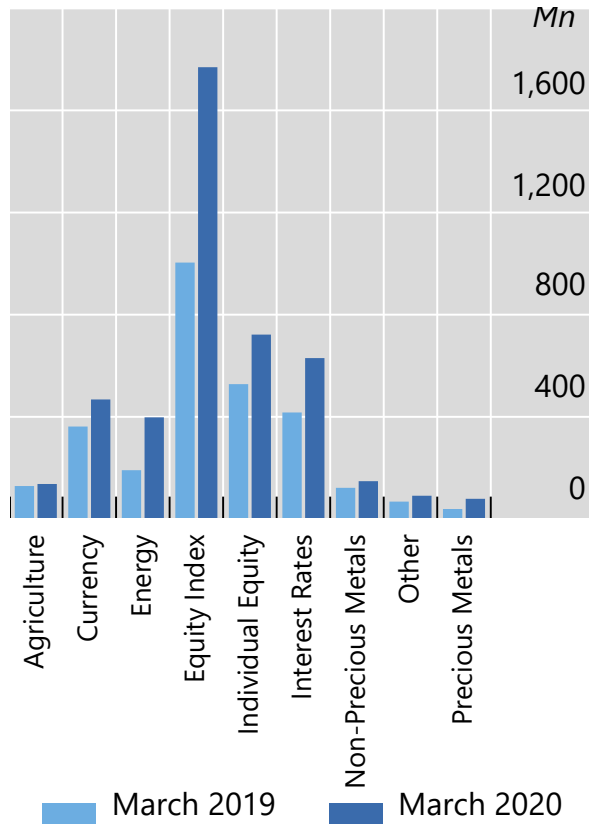
Source: C Boar, H Holden and A Wadsworth, "Impending arrival – a sequel to the survey on central bank digital currency", BIS Working Papers, no 107, January 2020.



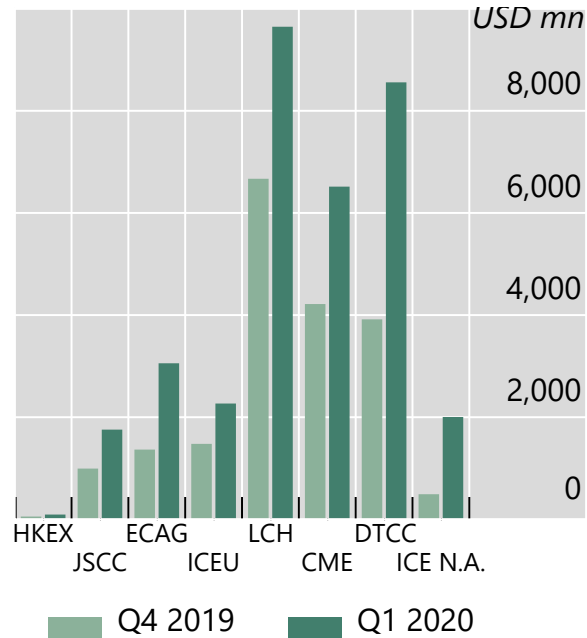
Financial Market Infrastructures amid the pandemic

Price volatility and large moves in asset prices led to significant increases in clearing volumes and margin calls at CCPs

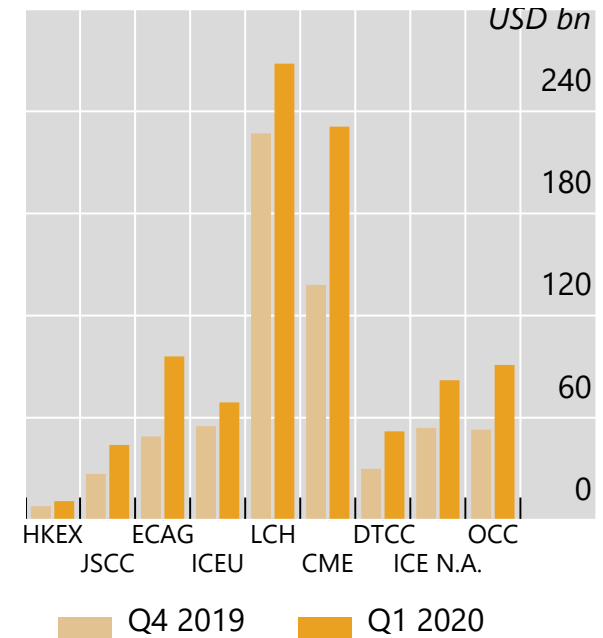
Clearing volumes by asset class¹



Variation margin



Initial margin



¹ Figures comprise futures and options.

Source: CCP12, CCPs again demonstrate strong resilience in times of crisis, *CCP12 Paper*, July 2020.

Strategies used by FMIs to deal with the issues caused by the pandemic

- **Ensure staff availability:** FMIs have determined the minimum number of staff necessary to conduct their critical functions and have identified staff who can perform those functions.
 - protect staff's physical health;
 - support staff's ability to work remotely;
 - assist with staff's personal challenges.
- **Effective communication and incident management**
 - assessed and, as necessary, updated communication arrangements with internal and external stakeholders;
 - FMIs re-evaluated their incident management procedures and tools.

Responding to additional stress events

- **Operational incidents**

- Bring additional staff onsite in case of physical infrastructure incidents;
- Apply / review the information security arrangements while working-from-home;
- Longer time to recovery from operational glitches. Potential need to extend operating hours to deal with payment and settlement delays.

- **Financial stresses**

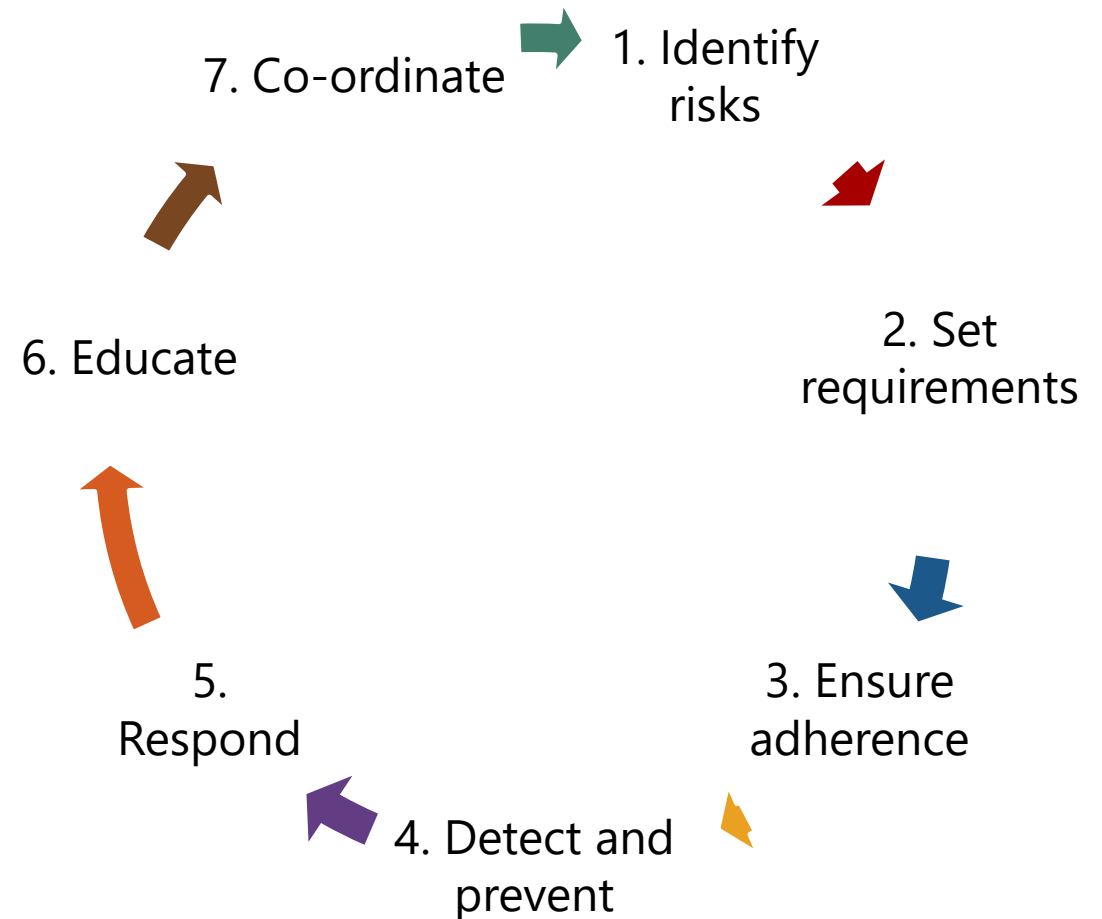
- Consider whether default management arrangements would still work in a largely WFH operating environment.

- **Interdependencies and collective preparedness**

- An FMI's timely response to a stress event is dependent not only on its own operational preparedness, but also potentially on the preparedness of a wide range of entities in the ecosystem, including:

Securing endpoints in wholesale payments

- The CPMI is promoting, supporting, and monitoring progress in operationalising the strategy to reduce the risk of wholesale payments fraud related to end point security.
- Securing endpoints is more important than ever in the Covid-19 pandemic with a heightened level of cyber/phishing attack and weaker connectivity/protection due to WFH.

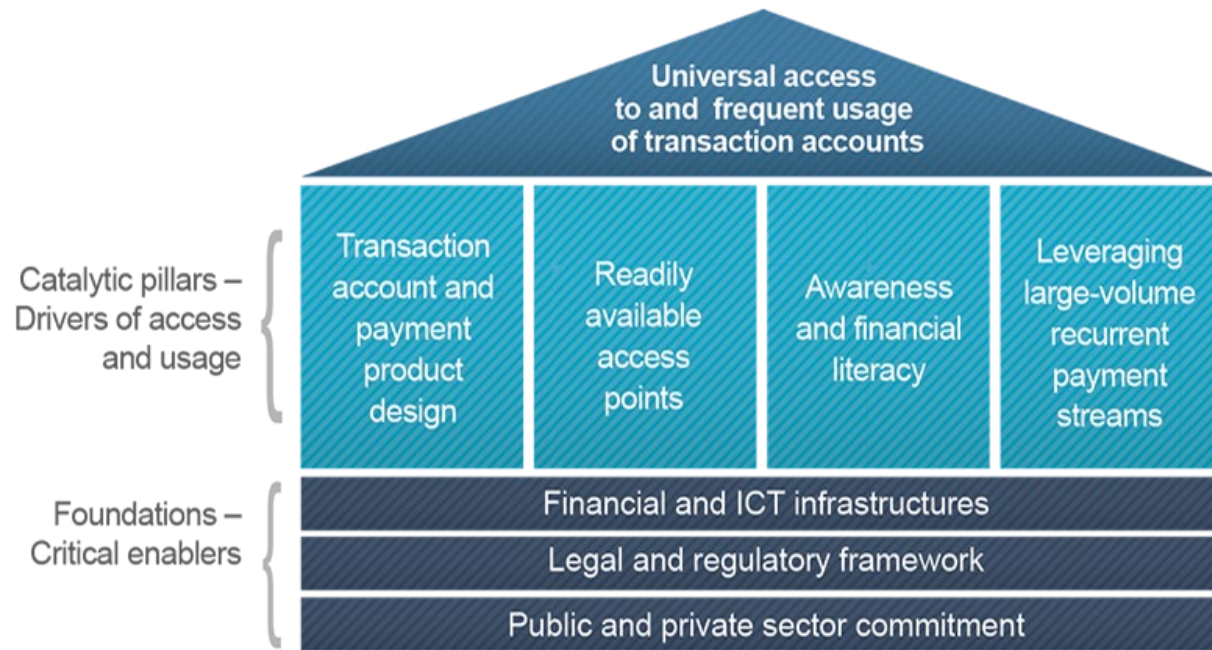




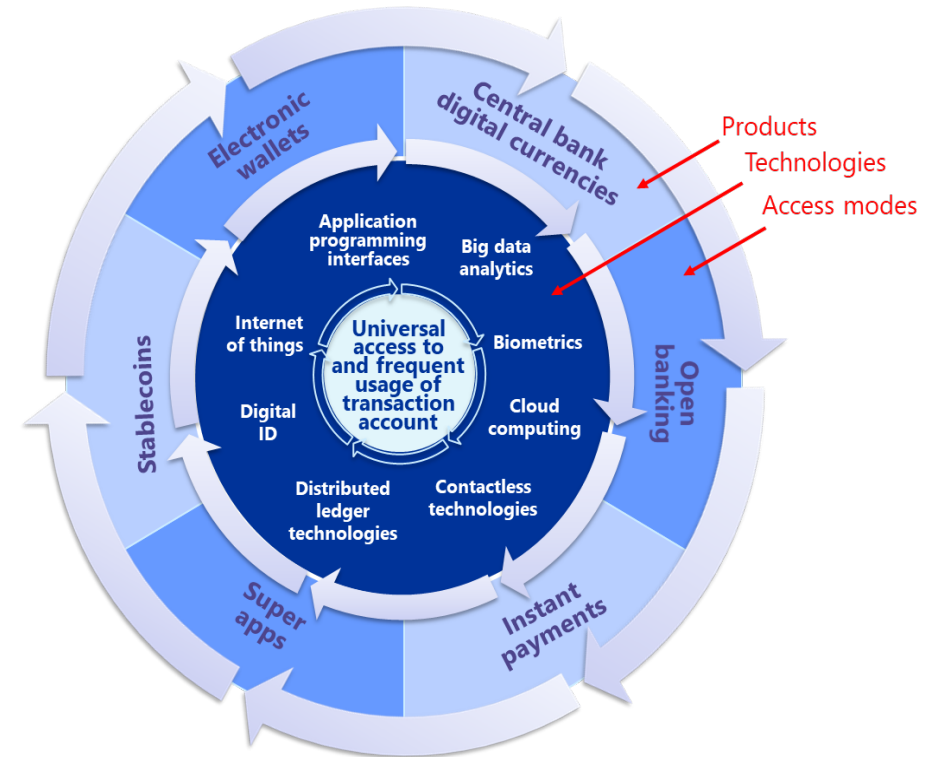
Payments Aspects of Financial Inclusion in the Fintech Era

Fintech can help to make the PAFI house a smart home & provide more people (financial) shelter

The PAFI "house", 2016

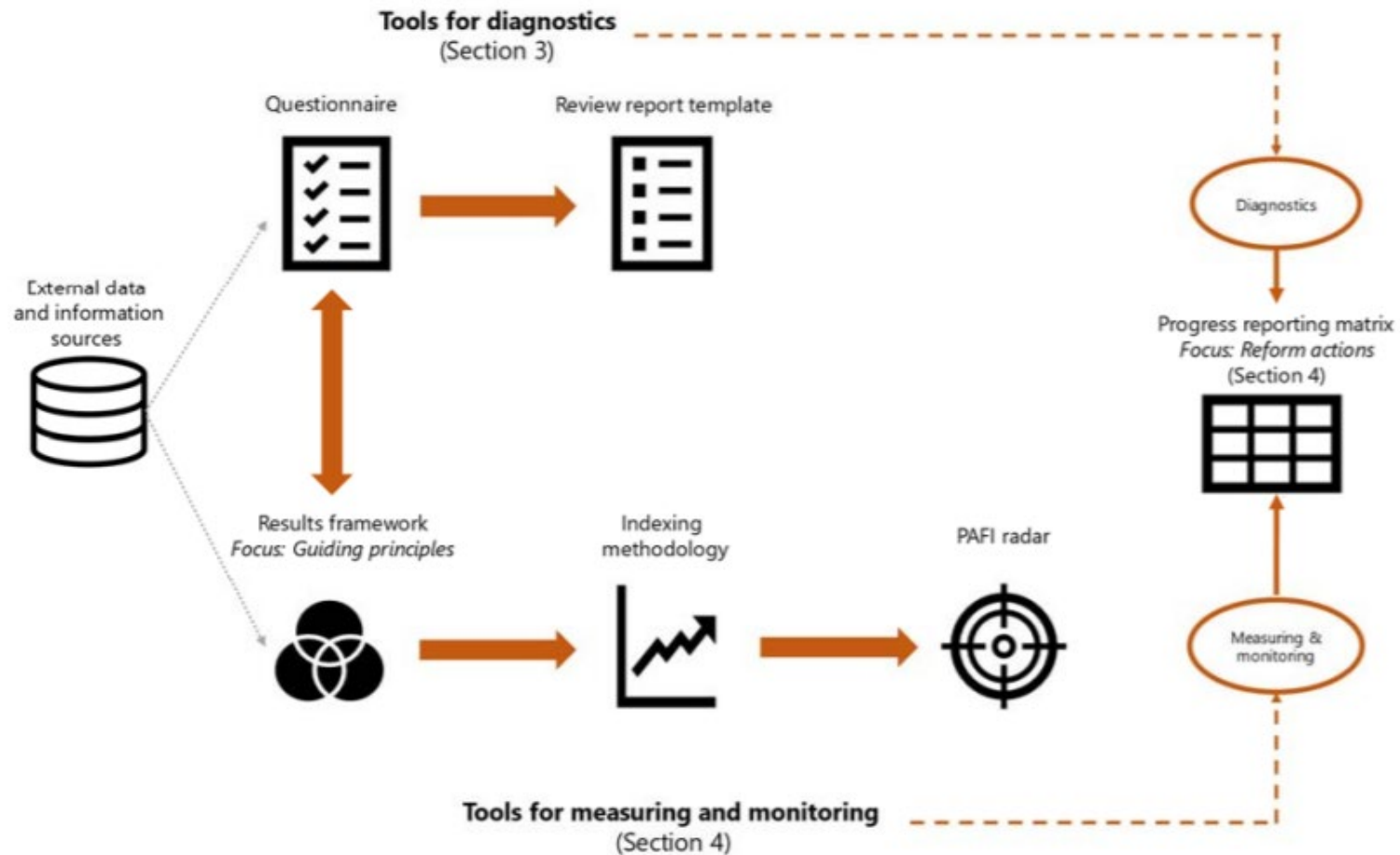


The PAFI "fintech wheel", 2020



Source: CPMI and WBG (2016), *Payment aspects of financial inclusion*, April; CPMI and WBG (2020), *Payment aspects of financial inclusion in the fintech era*, April.

Relationships between the PAFI application tools



Source: CPMI and WBG (2020), *Payment aspects of financial inclusion: application tools*, September.



Thank you