

THE IMPACT OF INNOVATIVE PAYMENT INSTRUMENTS: WHAT TO DO?

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THE IMPACT OF INNOVATIVE PAYMENT INSTRUMENTS

AGENDA

- **Introduction**
- **Main features of innovation**
- **The role of a central bank**
- **Final thoughts**

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Preliminary questions

Innovation is not a new phenomenon (in the financial industry).

Payment **systems** are the main target of oversight ...

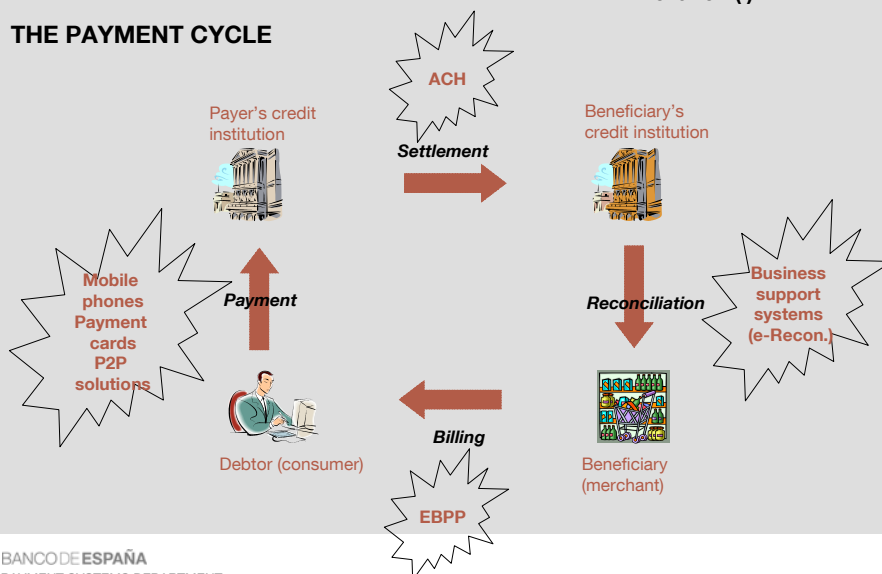


... but financial stability is, moreover, dependent upon the public **confidence** in the currency and, lastly, in the payment **instruments**.

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Main features of innovation (I)

THE PAYMENT CYCLE



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Main features of innovation (II)

Intensive use of **Information and Communication Technologies (ICT)**.

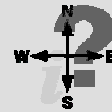
Growing **competition**.

- Multiple **heterogeneous solutions**.
- **New** payment services providers.

Convergence.

Re-composition of the value chain.

MARKET IN DEVELOPMENT



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The role of a central bank (I)



Prudence
(*technological neutrality*)

Catalyst for change vs.
overseers.



Examination of each payment instrument's **specific circumstances**.

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The role of a central bank (II)

EFFICIENCY ASPECTS

Overcome initial fragmentation (**Competition + Cooperation**).

- **Reluctance** to change by consumers and end-users.
- Full payment cycle **integration**.



Development of **common standards**.

Problems:

Co-ordination among a growing and heterogeneous number of economic agents.

Adequate **pricing** policy.

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Elements for discussion (I)



Should a central bank play a role as coordinator/arbitrator in discussions about standardisation?

Is regulation the best tool for a central bank to promote the implementation of specific standards?

How could it contribute to ensure the transparent formation of prices for banking services?

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The role of a central bank (III)

SECURITY ASPECTS

Ensure operational reliability and/or fraud prevention (**trust**).

- **Reputation** risk.
- **Reversion** to non-efficient payment instruments.

Potential courses of action

Moral suasion.

Intermediation.

Promotion of **transparency.**

Development of **compulsory technical and/or functional** requisites.

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Elements for discussion (II)



What approach should be taken to ensure a correct balance between security (public interest) and efficiency (entry barriers/innovation)?

How far should we go into allocating obligations and liabilities to end-users?

Should central banks impose a set of minimum conditions to service providers in payment systems (ITO & BPO)?

Is there a potential contribution for the legislator?

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Final thoughts

Control of access to data regarding the private sphere : **violation of privacy.**

Should we expect central banks to intervene in the field of data protection?

Induced transformations on inter-bank infrastructures for the processing of retail payments (**real-time**).

Are these new coordinates to assess the efficiency/practicality of payment systems?

Monetary policy transmission mechanism.

Is early regulation encourage?

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Concluding remark

“The world has not changed because of politics but because of technology.”

Friedrich Dürrenmatt



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THANK YOU

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