



New Challenges for Payment System Overseers

Western Hemisphere Payments Week, 2009

Punta del Este, November 17, 2009

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Head



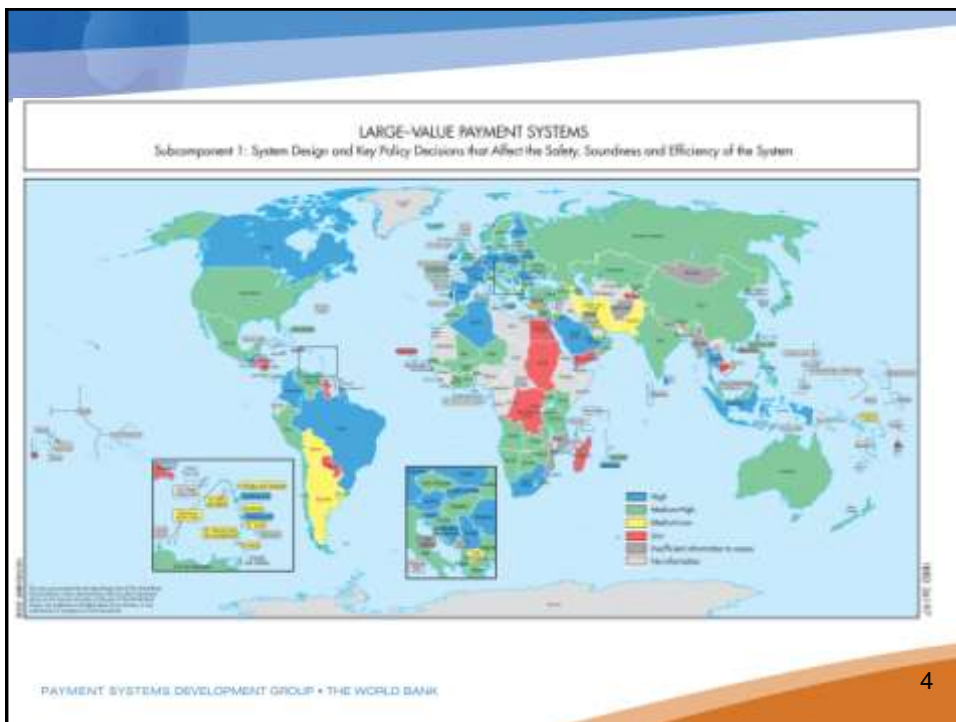
**Reforming Payment,
Remittance and Securities
Settlement Systems:
Challenges 2009**

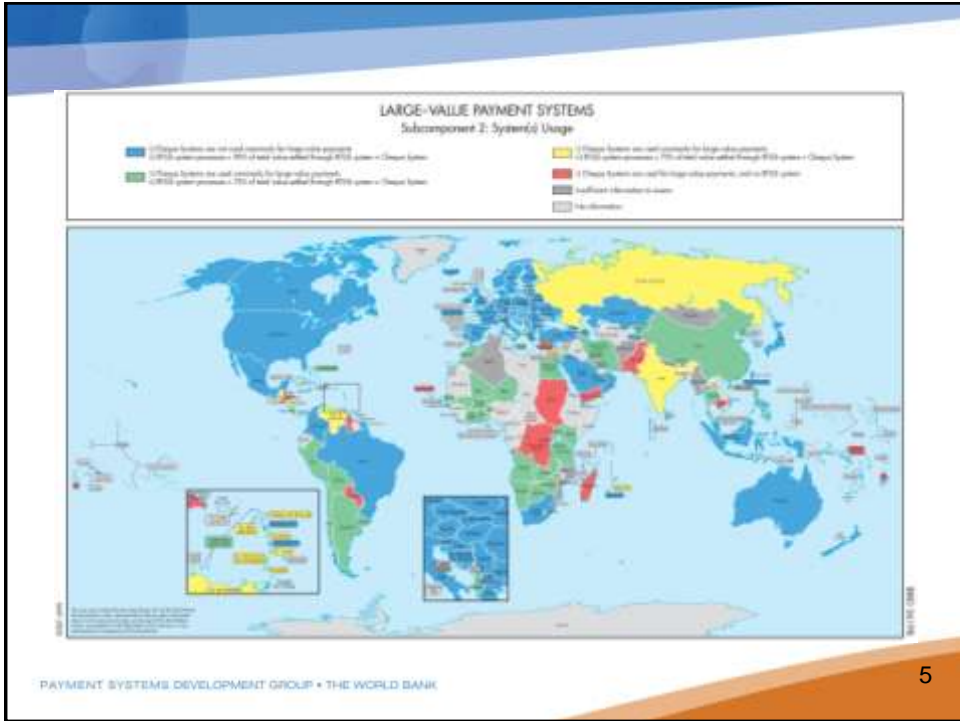
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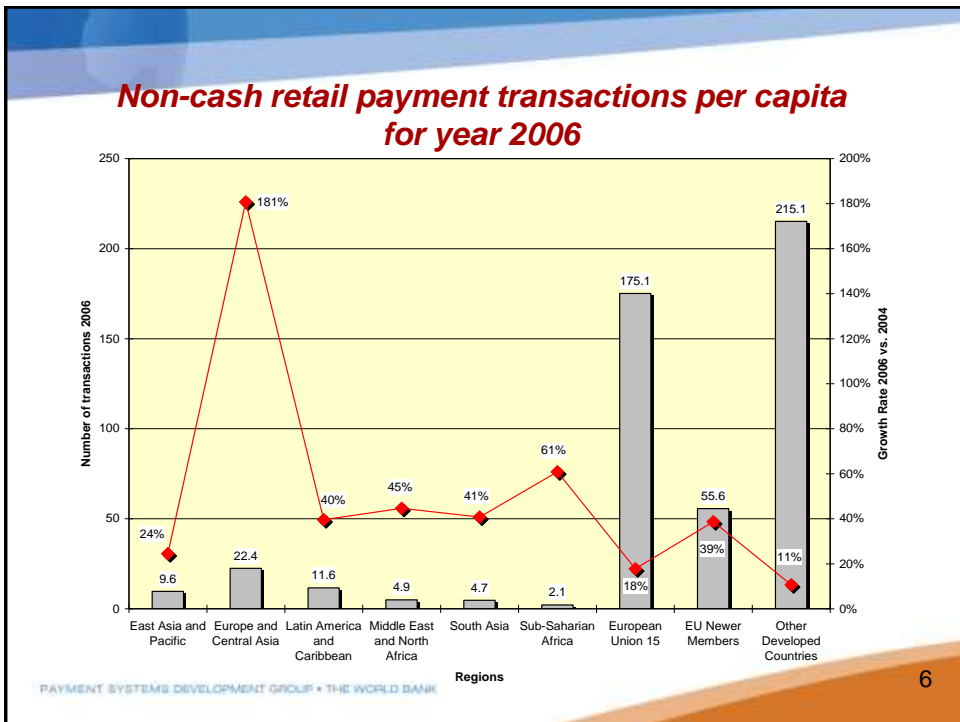
15+ years of discussion and reforms have led to important progress worldwide with regard to Legal Framework and High-Value Payment Systems

...but retail payment systems in developing countries still lag behind significantly when compared to those of developed countries...

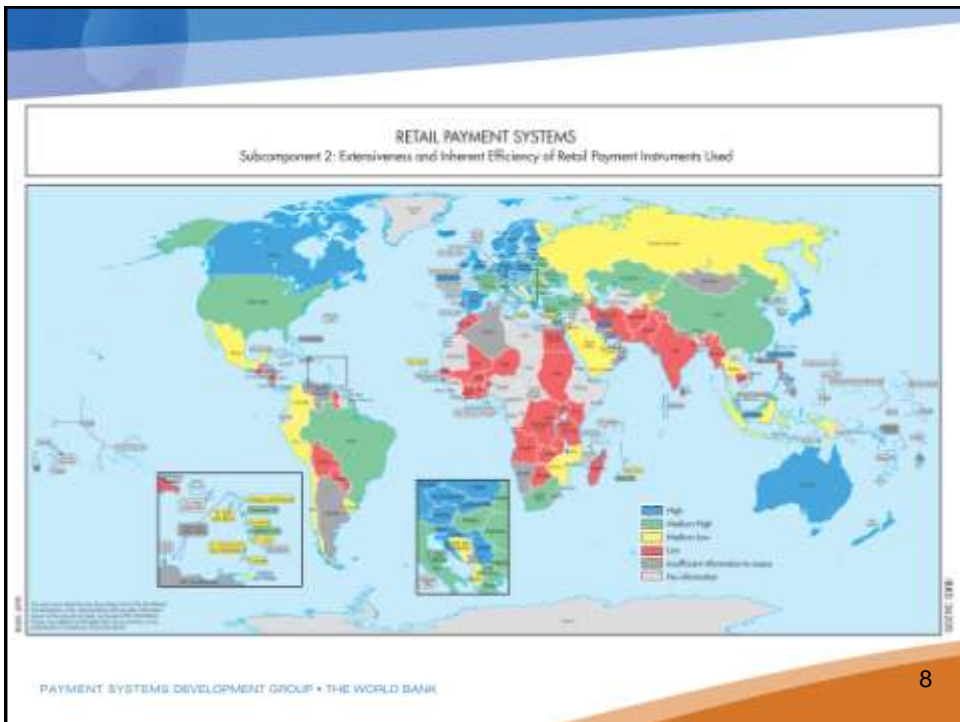
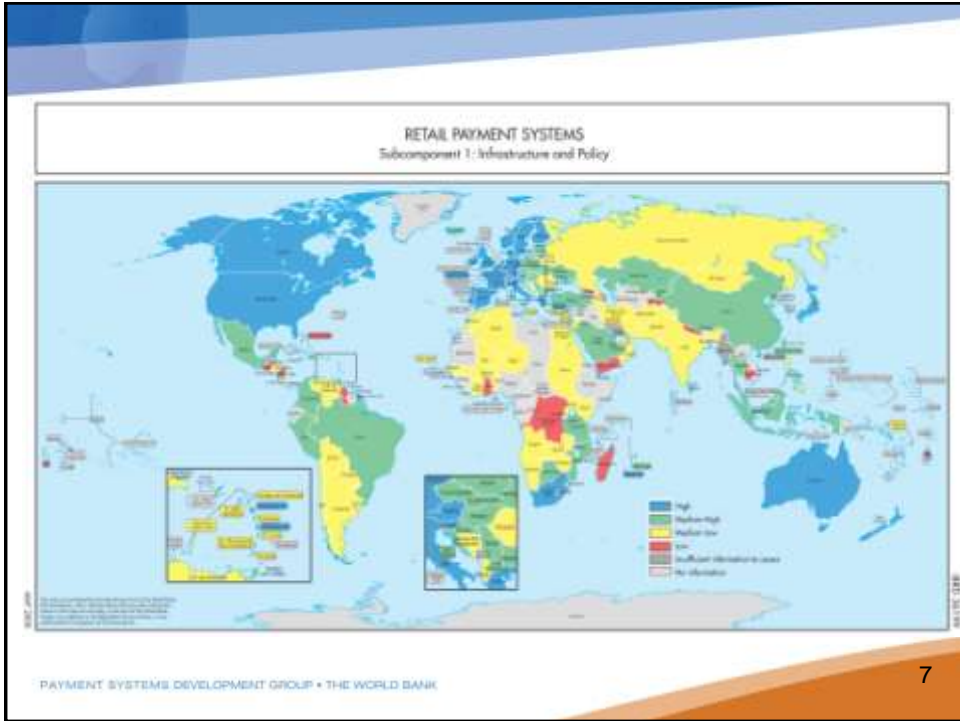




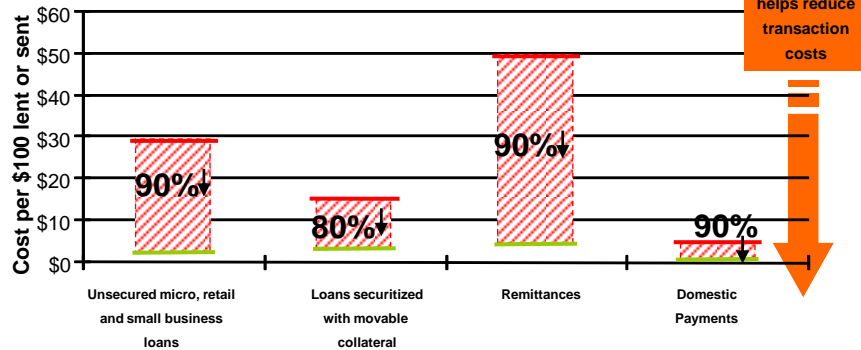
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Financial Infrastructure has Long-Term Systemic Potential to Reduce Cost per Dollar Lent or Sent



— Least efficient system

▨ Total potential reduction in costs

— Most efficient system

Retail Payment Instruments and Services: Complexities

- Retail payments systems entail a complex array of payment instruments, services, service providers and end-users than do large-value payments
- In addition, infrastructure needs and arrangements are diverse and the broad acceptance of innovative products and technologies potentially difficult to achieve
- Also, the leadership in the strategic development of retail systems can be more diffuse than for other segments of the payments system
- Need for a holistic approach in the retail space
- Need to leverage on all available resources in the financial and development communities

***Retail payment systems and instruments: PSDG
key sources and resources***

Retail Payment Instruments and Systems: Outcomes of the “World Bank Global Payment System Survey 2008” & Cirasino-Garcia “Measuring Payment System Development”

“Balancing Cooperation and Competition in Retail Payment Systems”: A World Bank study coordinated by Mario Guadamillas, which includes a framework for a reform agenda and guidelines for proper cooperation and competition

Guidance Note for the Implementation of the GPs for International Remittance Services (upcoming)

Guidance Note for the proper inclusion of Government Payments in the NPS (upcoming)

Retail payment system strategy for the NPS (upcoming)

Study of national payment switches (upcoming)

Regulatory guidelines for mobile banking and payments (upcoming)

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Int. Remittances - the BIS-WB General Principles for International remittance services are a multilateral effort to address a global challenge: Reducing costs by at least 5 % points in 5 years

Lower costs, better performance, safer transfers

Single country implementation
with authorities and stakeholders

Regional initiatives with regional partners
Global Private-Public Sector Partnership

Coordination group to develop implementation
guidelines and monitor implementation

Development of the General Principles

Request from the International Community

Assessments and Operations:

El Salvador (September 2006)
Morocco (November 2006)
Honduras (April 2007)
Haiti (September 2007)
Nigeria (February, 2008)
Uganda (April 2008)
Guatemala (April 2008)
Czech Republic (May 2008)
U.A.E (January 2009)
Brazil (April 2009)
India (July 2009)
Peru (October 2009)
T&T (October 2009)
Rwanda (November 2009)

The World Bank PSDG and the Bank for International Settlements CPSS chaired the Task Force that developed the Principles. The Principles have been endorsed by the G8, G-20 and the Financial Stability Forum (now Board). All countries urged to use them!!!

Other Important Challenges 2009

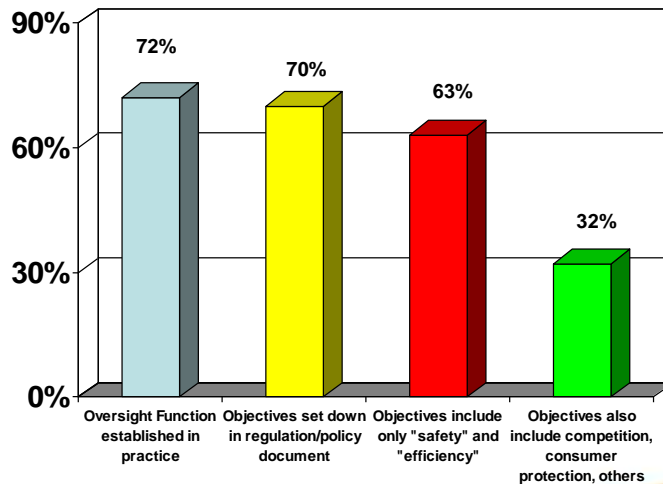
- **Systemically Important Payment Systems**
 - ***Real Time Gross Settlement Systems***
 - ***Adapting to the new financial environment, new approaches for liquidity, pricing, access and governance***
 - ***Closer look at interdependencies***
 - ***Strengthened importance of cross-border payment arrangements based on true PVP***

Other Important Challenges 2009

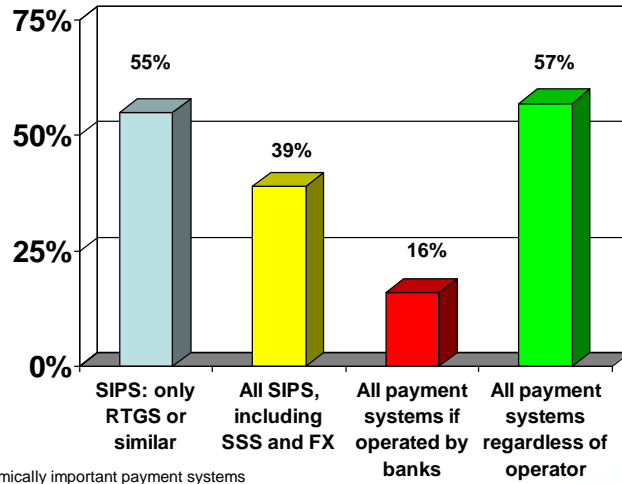
- **Systemically Important Payment Systems**
 - ***Cross-border Payment Arrangements (extended coverage of CLS)***
 - ***Collateral Management and Counterparty Risk***
 - ***Stronger interlinkages between funds transfer systems, SSS and derivatives C&SS***
 - ***Organized Interbank Market***
 - ***Strong Legal basis (also for cross-border arrangements)***

How to respond to the challenges by creating new opportunities: Strengthening Payment System Oversight

Objectives of Oversight



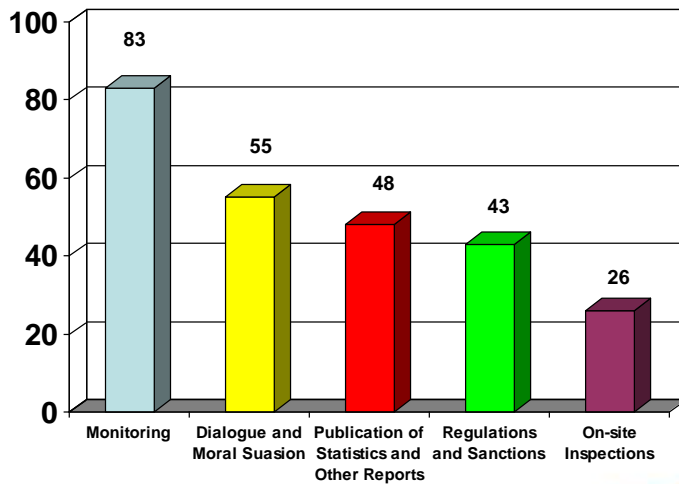
Scope of Oversight



SIPS: Systemically important payment systems
 SSS: Securities settlement systems

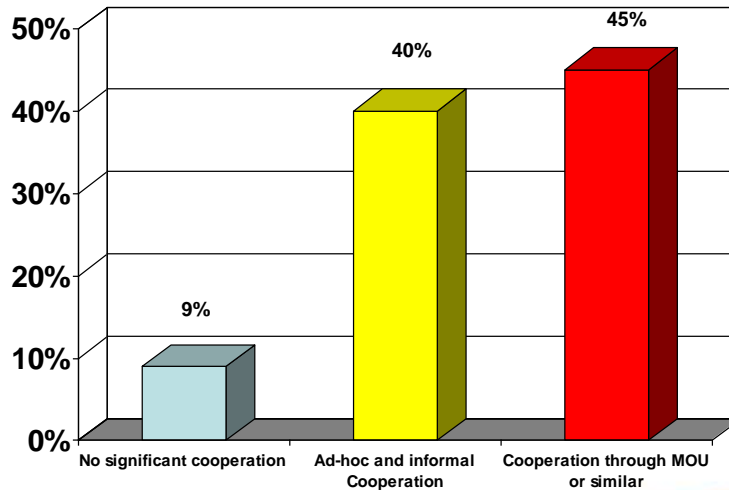
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Instruments of Oversight (frequency for each instrument rated "highly relevant")



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Cooperation with other Authorities



Opportunities 2009

- There has never been more support to strengthening Central Bank Oversight and fostering Payment System Development
 - *Crisis Management*
 - *More effective role in retail payments*
 - *Stronger cooperation with other domestic authorities and cross-border*
 - *Growing importance of sub-regional harmonization/integration*