



# *PSDG Agenda on Retail Payment Systems and Global Payment Systems Survey*

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## ***Financial Infrastructure at the WBG***

### **Definition:**

The institutions, information, technologies, rules and standards which provide the underlying foundation for the financial system and enable financial intermediation

**Clients:** Government Agencies and Private Sector

### **Objectives:**

Assist countries in developing safe and efficient payment, remittance and securities settlement systems, credit reporting systems, secured transaction systems and collateral registries

## *Why is Financial Infrastructure important?*

**Payment and settlement systems** facilitate access to financial services and the safe transfer of funds. PS can mitigate financial crises by reducing settlement risks

**Credit information systems** reduce information asymmetries, support efficient credit allocation and strengthen risk management

**Secured transactions systems and collateral registries** reduce risk to lenders, facilitate access to credit, and promote credit diversification

**A solid financial infrastructure serves both ACCESS TO FINANCE and FINANCIAL STABILITY**

# *The Importance of Payment Systems*

- **Sound Payment, Remittances and Securities Settlement Systems (PRSSS) are essential for financial system stability & development**

Large value payments processed in a year worldwide are equivalent to more than 50 times the global GDP. RTGS systems have not only fostered growth in total amounts settled (86% between 2002 and 2006) but also allowed for a safe and efficient processing of such huge amounts (82% of the value of total payments processed worldwide)

- **Safe PRSSS mitigate risks in financial markets**

Financial market crises are likely to show their first signs in the payments system and might be absorbed then. In particular, the interbank money market as the “distributor of liquidity” relies heavily on the ability to transmit funds across the financial system rapidly and safely. PRSSS are essential components for the smooth transmission mechanism of monetary policy. The recent financial crisis showed that the payment system domestic (e.g. RTGS systems) and global (e.g. CLS Bank) payment infrastructure was instrumental to facilitate immediate authorities’ action

- **Efficient PRSSS enable large efficiency gains**

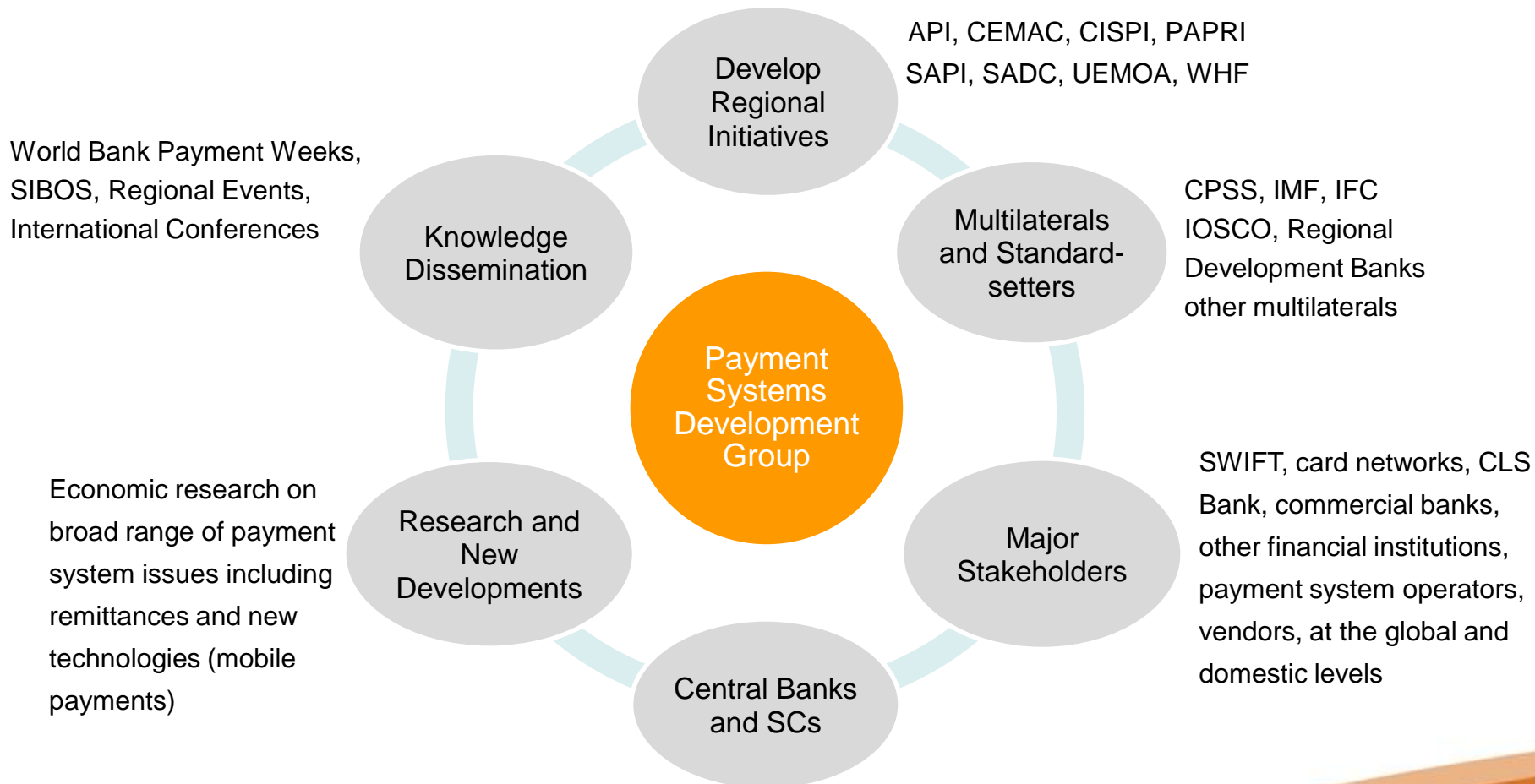
The progressive shift from paper-based to electronic payments has an important impact on the financial sector and the economy. A study from the Central Bank of Brazil indicates that a more intensive usage of electronic-based instruments can produce a potential saving to the country of 0.7% of the GDP per year

- **PRSSS are key in developing more inclusive financial systems**

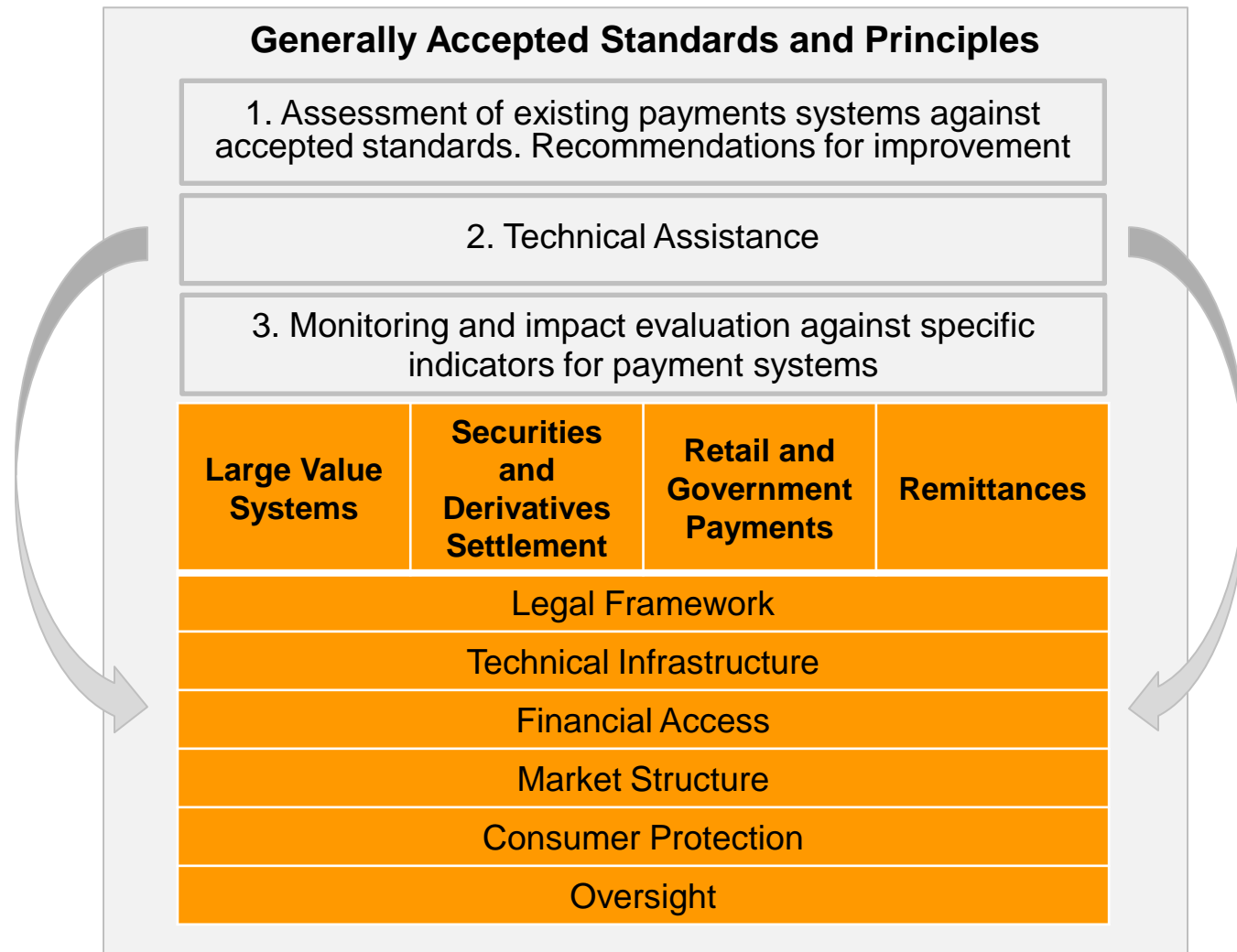
A sound and efficient financial infrastructure enhance access to financial services. In particular, retail payment services are often the first entry point of the underserved into the financial sector

# Payment Systems Development Group: Delivery Model

The Payment System Development Group is at the center of an international network, whose main objective is supporting countries to reform Payments, Remittances, and SSS (over 120 countries in 14 years, 68 active!!!)



# PSDG Methodology



# International Standards and Best Practices

The World Bank, together with the BIS-CPSS, plays an important role in developing standards, best practices and policy advice documents.

Area	Reference
Large-value payment systems	CPSS Core Principles for Systemically Important Payment Systems <b>New</b> CPPS-IOSCO Principles for Financial Market Infrastructures (consultative report)
Foreign exchange settlement risk	CPSS: Settlement risk in FX transactions + Progress Reports (1998 and 2008)
Securities settlement systems	CPSS-IOSCO Recommendations for Securities Settlement Systems CPSS-IOSCO Recommendations for Central Counterparties G-30 Global Clearing and Settlement <b>New</b> CPPS-IOSCO Principles for Financial Market Infrastructures (consultative report)
Payment system oversight	CPSS: Central Bank Oversight of Payment and Settlement Systems World Bank/CEMLA: The Oversight of the Payments Systems: A Framework for the Development and Governance of Payment Systems in Emerging Economies
Retail Payments	CPSS: Policy Issues for Central Banks in Retail Payments <b>New</b> World Bank Comprehensive National Retail Payments Development Guidelines (draft) <b>New</b> World Bank Comprehensive National Retail Payments Stocktaking Guidelines (draft) <b>New</b> World Bank IAG Government Payments Guidelines (draft)
Remittances	CPSS-WB General Principles for International Remittance Services
Credit Reporting	<b>New</b> WB General Principles for Credit Reporting
Cross-cutting issues	CPSS: The Interdependencies of Payment and Settlement Systems CPSS: General Guidance for National Payment System Development CPSS: New Developments in Clearing and Settlement Arrangements for OTC Derivatives CPSS: Cross-border Collateral Arrangements



## ***Status of Retail Payments and Need for Reform***

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

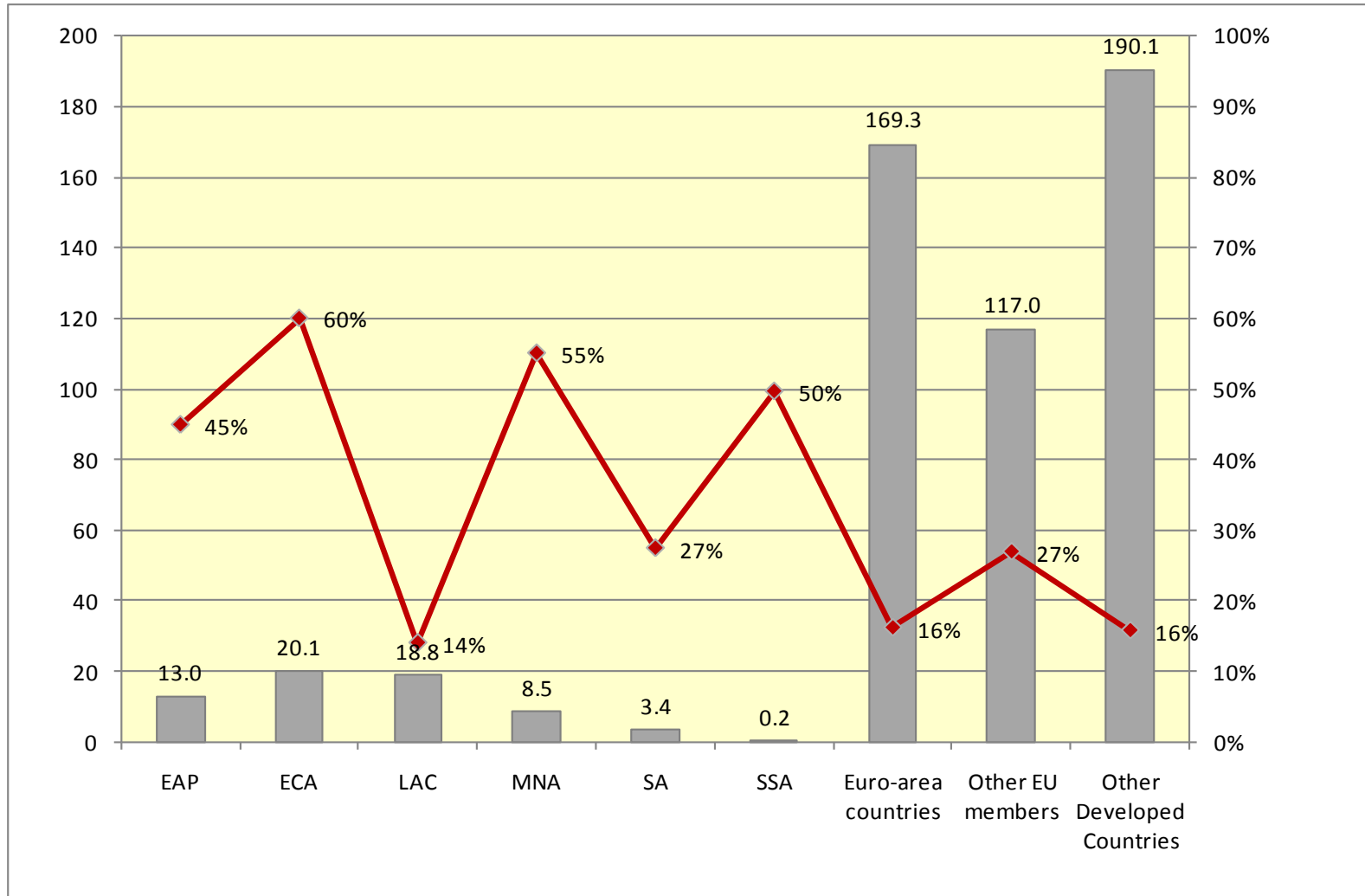
- *At least 116 central banks report having a RTGS system (from 3-4 in 1995)*
- *Most of the RTGS in place are secure and have been designed around international standards and best practices*

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

- *100+ per capita cashless transactions per year in the EU and ODC*
  - *15-20 for EAP and ECA*
  - *Less than 1 for AFR*



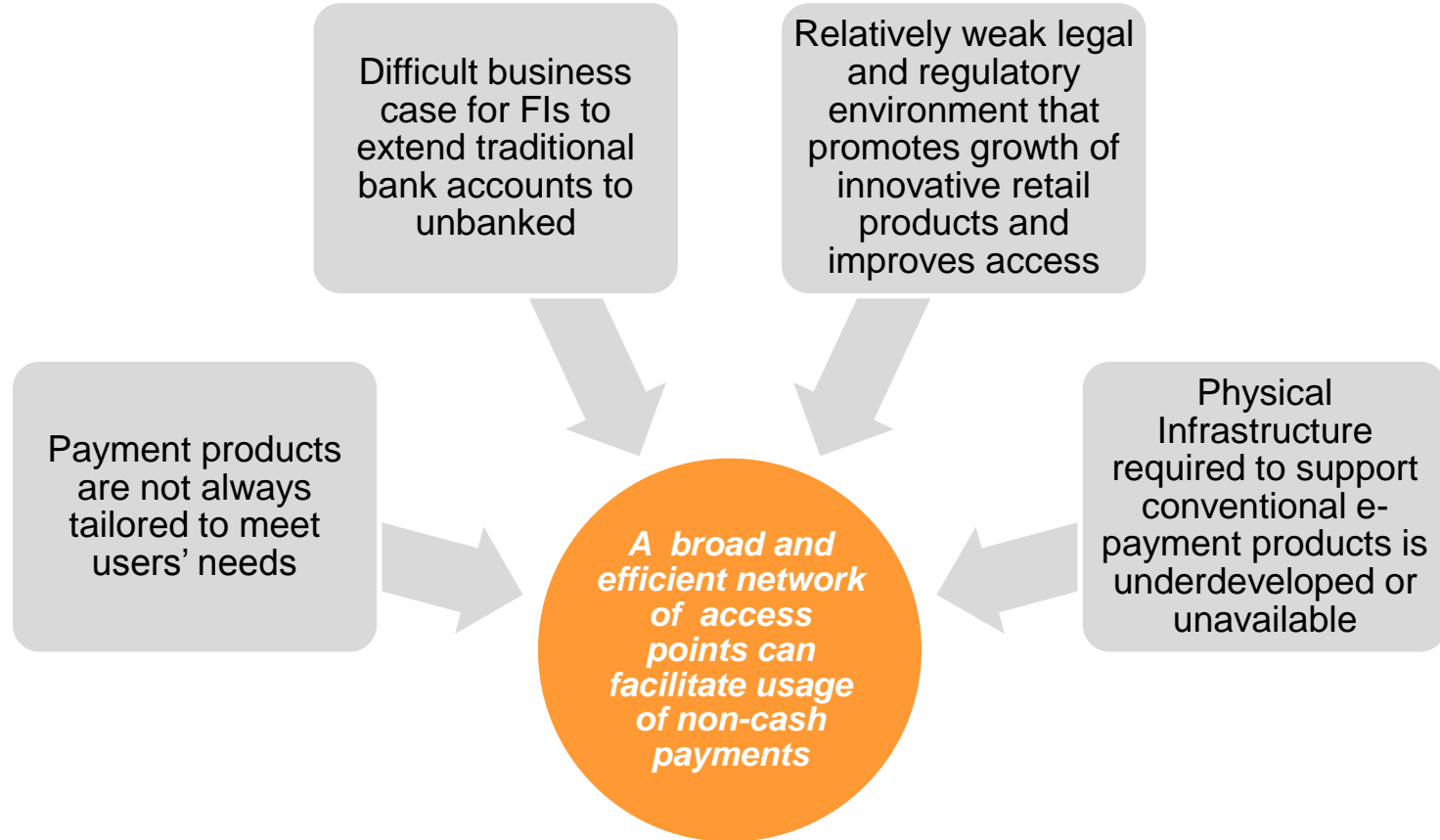
## **Cashless Retail Payment Transactions per Capita (2009)** **Global Payment Systems Survey 2010**



## ***Factors Influencing Access to Payment Services***

- The overall quality of retail payments infrastructure plays a role in determining suitability of various payment instruments for handling the payment needs of individuals, businesses and governments
- The choice of a payment instrument will depend upon:
  - ✓ Cost efficiency – explicit cost (transaction fee) as well as hidden cost (time taken to process the transaction)
  - ✓ Safety and reliability – ensuring a payment instrument will work as expected and will discharge payer’s payment obligation to payee
  - ✓ Convenience – easy to use, the time it takes to pay the counterparty, etc.
  - ✓ Availability – locations or acceptance points where the payment instrument can be used (e.g. ATMs, EFTPOS, etc.)
- Payment services provide an entry-point for other financial services (e.g. savings, credit, insurance)

# Challenges with Adoption of Electronic Payments



## ***Scaling up Intervention in the Retail Payments Area, The World Bank PSDG Supports:***

- Creation of comprehensive retail payment system strategies
  - **New Retail Payments Guidelines** have been prepared by the World Bank including stocktaking methodology
- Implementation of an efficient clearing and settlement infrastructure for ALL retail payments
- Efforts to improve the efficiency of the market for international remittances, through the implementation of the WB-BIS General Principles for International Remittances Services
- Reform of the legal and regulatory framework
- Inclusion of the public sector in the retail space to enhance the efficiency of government payments (**IAG for Government Payments**)
- Creation of an effective payment system oversight function and an inclusive cooperative framework

## ***Mobile “Payments” – PSDG Perspective***

- A **wide range of payment instruments** is essential for supporting customers’ needs in a market economy
- **Mobile payments** are an innovative means of payment within the common framework of retail payment system
- A less than optimal supply of payment instruments may ultimately have an impact on economic development and growth , however common concerns need to be addressed using common principles for retail payments:
  - Customer’s funds need to be protected
    - Liquidity , traceability, ownership
  - Risk based approach for new instruments
    - Oversight, legal and regulatory framework, frauds
  - Efficiency in mobile money value chain
    - Payment system infrastructure
  - Competition and market contestability
    - Transparency, governance
  - Consumer protection

# World Bank Global Payment Systems Survey 2010

- Launched in July 2010
- Answers received from 132 Central Banks, representing 139 countries
- Topics covered:
  - i. Legal and Regulatory Framework*
  - ii. Large-Value Funds Transfer Systems*
  - iii. Retail Payment Systems*
  - iv. Foreign Exchange Settlement Systems*
  - v. Cross-border Payments and International Remittances*
  - vi. Securities Settlement Systems*
  - vii. Payment System Oversight and Cooperation*
  - viii. Planned and On-going Reforms to the National Payments System*
- **NEW: Annex !** Survey on innovations in retail payments issued as an Annexure to GPSS. Builds on CPSS “Survey of Developments in Electronic Money and Internet and Mobile Payments”. Annex 1 is divided into 5 key areas:
  - i. Type of Products*
  - ii. Design Features of the Products*
  - iii. Legal and Regulatory Framework*
  - iv. Statistics*
  - v. Planned Reforms/New Products*

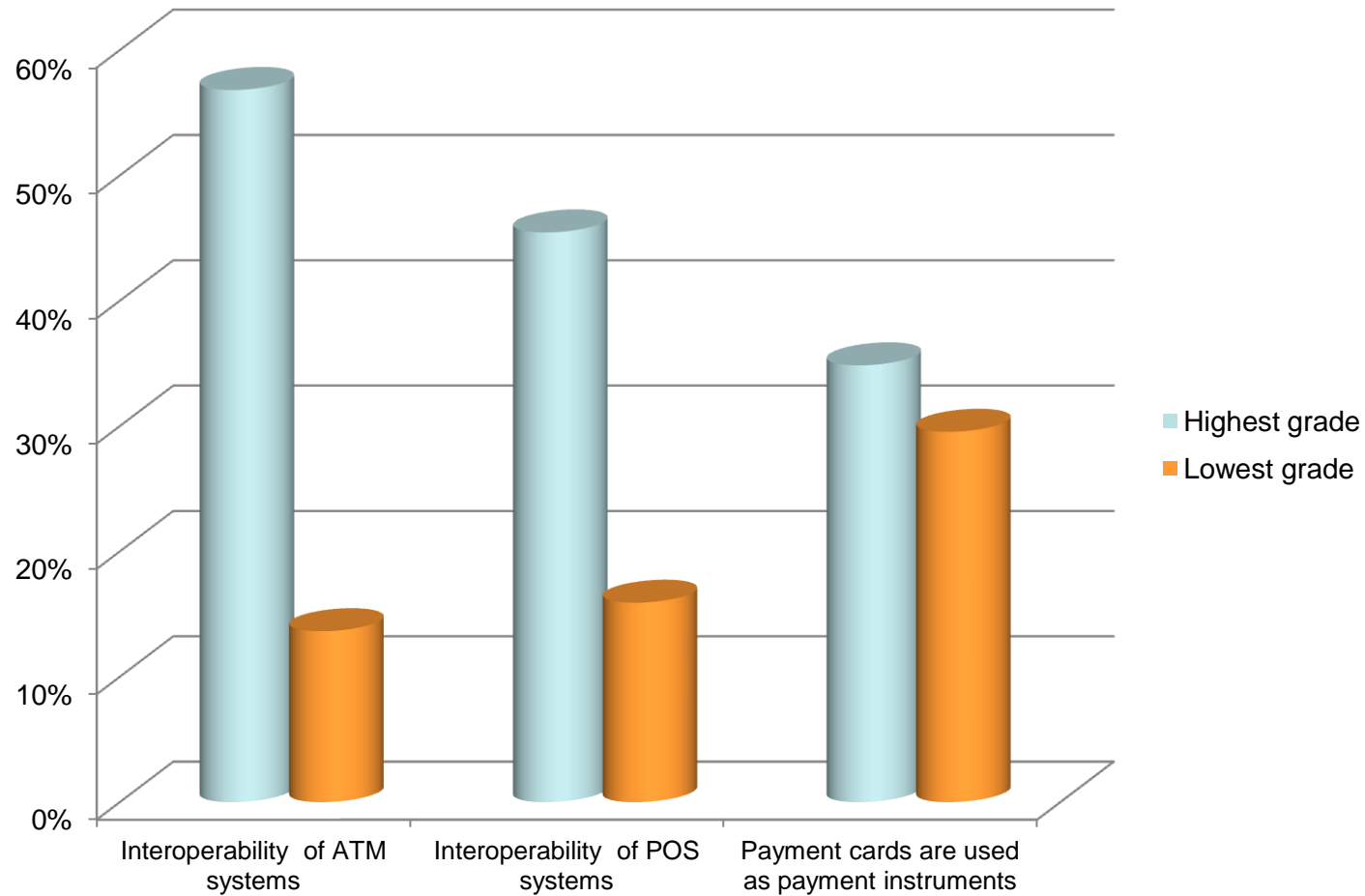
*Final outcomes will be soon available at [www.worldbank.org/paymentsystems](http://www.worldbank.org/paymentsystems)*

## Legal Framework Global Payment Systems Survey 2010

	Settlement finality		Electronic processing of payments		Consumer protection for retail payment services		Fair and competitive practices in the provision of payment services	
	#	%	#	%	#	%	#	%
Countries								
Worldwide total (138)	99	72%	106	77%	75	54%	80	58%
<i>By income</i>								
High income (46)	41	89%	38	83%	35	76%	35	76%
Upper-middle income (32)	27	84%	27	84%	19	59%	19	50%
Lower-middle income (35)	18	51%	24	69%	16	46%	14	40%
Low income (25)	13	52%	17	68%	5	20%	15	60%
<i>By region</i>								
East Asia and Pacific (11)	5	45%	5	45%	6	55%	5	45%
Europe and Central Asia (16)	11	69%	14	88%	8	50%	9	56%
Latin America & Caribbean (20)	17	85%	15	75%	9	45%	6	30%
Middle East & North Africa (12)	6	50%	7	58%	4	33%	5	42%
South Asia (4)	3	75%	4	100%	2	50%	3	75%
Sub-Saharan Africa (34)	19	56%	23	68%	10	29%	19	56%
Euro area (16)	16	100%	15	94%	16	100%	14	88%
Other EU members (11)	11	100%	11	100%	11	100%	10	91%
Other Developed Countries (14)	11	79%	12	86%	9	64%	9	64%
<i>By population size</i>								
>30 million (35)	21	60%	30	86%	22	63%	21	60%
>5 million, <30 million (56)	43	77%	48	86%	30	54%	36	64%
5 million or less (47)	35	74%	28	60%	23	49%	23	49%



## Interoperability Global Payment Systems Survey 2010



## **CB Opinion on the Cost of Payment and Associated Services** **Global Payment Systems Survey 2010**

Payments/associated services	Cost is negligible and low (%)			Cost is high (%)		
	Worldwide	High income countries	Low income countries	Worldwide	High income countries	Low income countries
Opening a bank account	67	76	60	3	0	10
Maintaining a bank account	58	61	45	8	4	15
Direct credit	39	48	30	17	7	20
Direct debit	57	65	40	5	0	10
Cheque related services	45	41	45	9	15	5
Credit cards – Annual Fees	33	30	35	16	13	15
Credit cards – Individual transactions	50	61	40	8	4	5
Debit cards – Annual Fees	62	67	55	7	4	15
Debit cards – Individual transactions	62	70	50	6	2	5
Prepaid cards – Annual Fees	43	54	20	5	9	5
Prepaid cards – Individual transactions	40	54	25	4	2	0
ATM Withdrawals at own bank	76	76	65	3	0	0
ATM Withdrawals at another bank	39	43	20	20	15	25
Other ATM services at own bank	59	67	50	3	2	0
Other ATM services at another bank	35	43	25	11	9	15
Other payment instruments	17	13	35	2	4	0

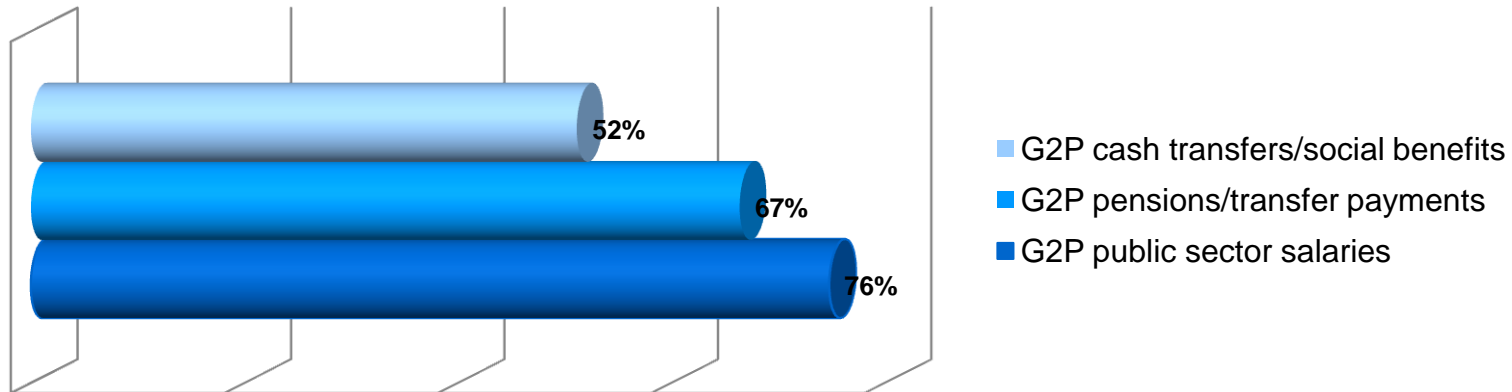
## ***Involvement of Central Bank in the Pricing of Payment Services Global Payment Systems Survey 2010***

	No involvement		Limited to collection of information		Limited to voicing opinions		Actively regulate		Other	
Central Banks	#	%	#	%	#	%	#	%	#	%
<i>Retail Payments</i>	44	35%	32	26%	19	15%	19	15%	11	9%
<i>Large Value Payments</i>	24	19%	18	15%	11	9%	58	47%	11	9%
<i>Remittances</i>	55	44%	29	23%	7	6%	7	6%	5	4%

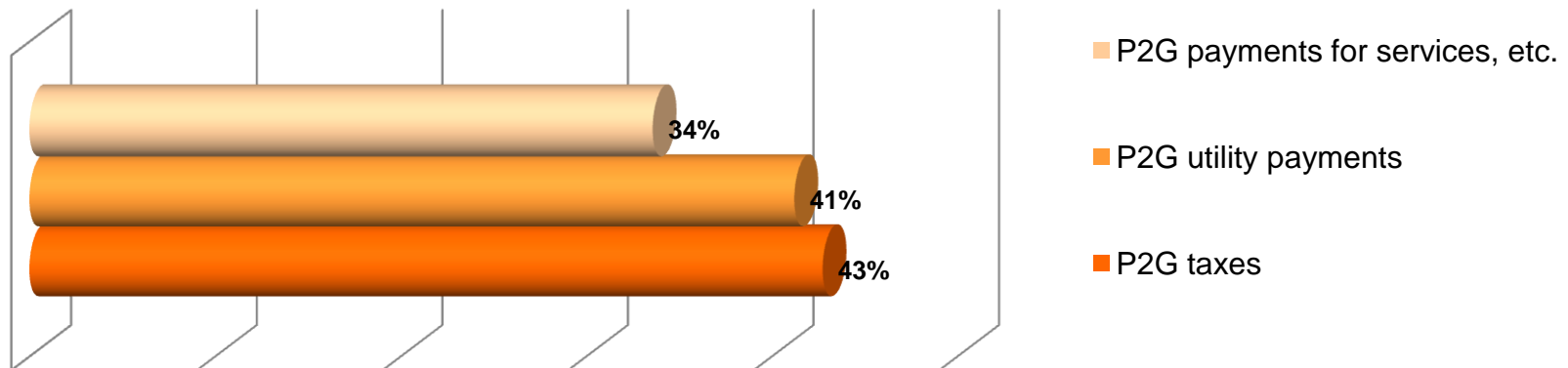
# Electronic Processing of Government Payments

## Global Payment Systems Survey 2010

### G2P Payments



### P2G Payments



## *Main Findings*

### *Annex on Innovative Payment Products and Services*

- **There is widespread adoption of electronic payment channels for initiation of payment transactions and retail payments.** 91 countries reported having internet banking services and 76 reported having mobile-based access to bank accounts
- **Usage of innovative payment products is still much lower when compared to more traditional retail products.** However, they are deemed crucial for financial inclusion in over 10% of the countries
- **While non-banks have an important role in the provision of innovative retail payment products/mechanisms, banks still remain a significant player in this field**
- **Merchant payments, utility bill payments and person-to-person transfers are the most common transaction types supported by the innovative payment mechanisms**
- **A majority of the innovative products/mechanisms have very limited interoperability.** Less than 20% of the products were reported to be fully or partially interoperable
- **Innovative products generally do not use the traditional interbank clearing and settlement infrastructure**
- **Security and fraud risks seem to be getting inadequate attention.** For over 60% of the products, central banks reported having no specific views on the fraud and security risk perception
- **Central banks identified themselves as the overseers for around 60% of the products**

**Thank you**

**Payment Systems Development Group  
The World Bank**

**[www.worldbank.org/paymentsystems](http://www.worldbank.org/paymentsystems)**