



Learning from Experience: the Guidelines for the Successful Regional Integration of Financial Infrastructures

*Semana de Pagos 2013
Cartagena, 20 November 2013*

*Massimo Cirasino
Manager, Financial Infrastructure and Remittances
The World Bank*



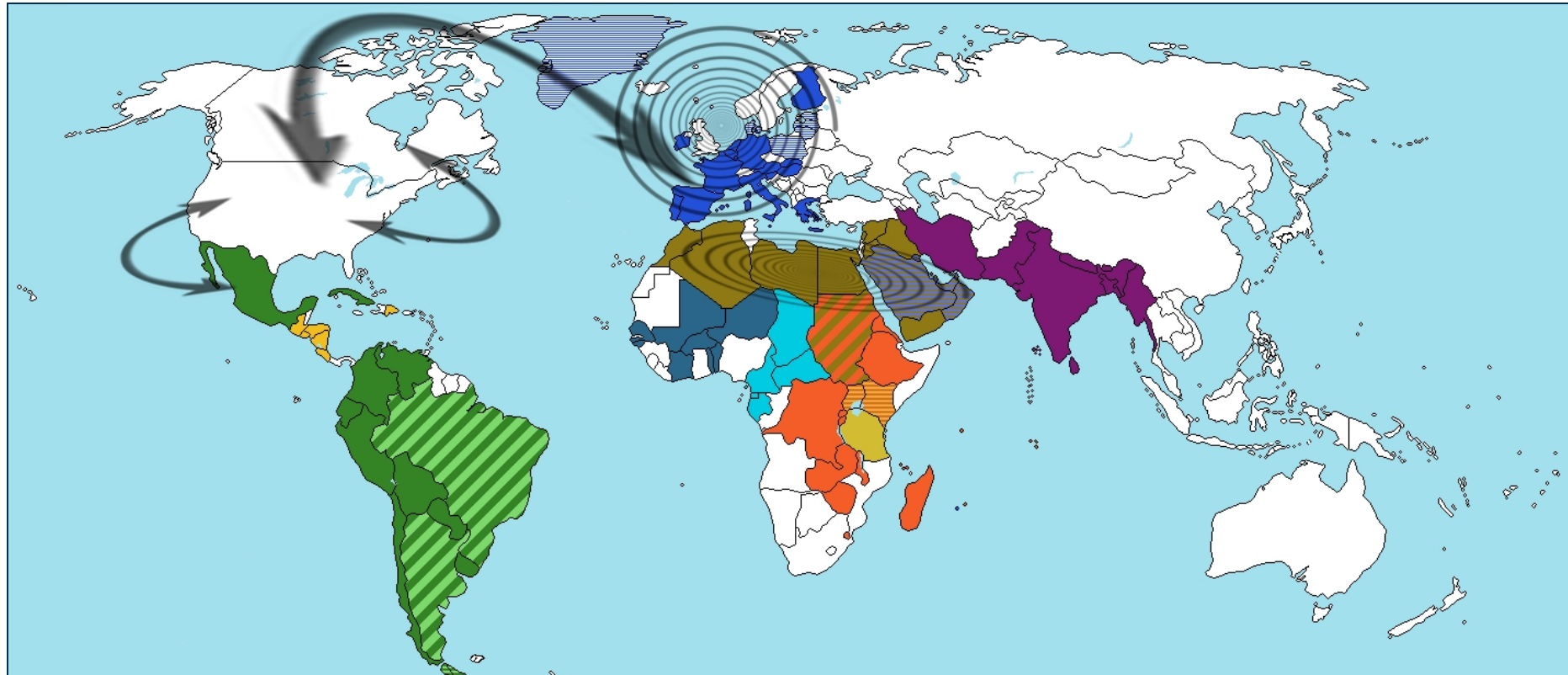
Drivers for regional FI integration

- Political agreements (and possibly mandates) among countries in a region for FI integration in the context of a broader economic and financial plan for wider trade and to attract investment
- Demands of customers and/or participants of national FIs for cost-effective cross-border access to regional and cross-regional markets and services
- Growth orientation and imperatives of existing FIs for expansion into new market areas within or across regions

Potential direct benefits of regional FI integration

- Lower user-costs for individuals, businesses, and public administrations as end-users
- Lower end-to-end transaction costs for the participating financial firms
- Improved cross-border access and reach to all market participants to financial services, with faster, more reliable, and simpler transaction services
- Lower FI development costs and operating costs for individual participating members through broader cost-sharing (possibly lower costs even for domestic transactions)
- Improved risk management, greater risk reduction and stronger financial stability

Examples of Payment Markets Harmonization



Monetary Unions (CB-led)

- BCEAO
- BEAC
- GCC*
- TARGET 2

Comprehensive PS Integrations (CB-led)

- AMF- Arab Regional PS*
- COMESA
- EAPS
- SECMCA*

Comprehensive PS Integrations (Private Sect.-led)

- RAPID (open to financial institutions across Arab Region)
- SEPA (harmonization of PS standards across Europe)

Trade Related PS Integrations (CB-led)

- ALADI
- SML

Clearing Unions

- ACU

Specific PS links

- ↻ Directo a Mexico/USA-Canada/USA-Europa

Barriers, challenges, and risks / 1

- Barriers

- Insufficient compatibility of the national legal, regulatory and oversight regimes, and/or laws that may impede or otherwise disfavor regional FI integration
- Inadequate harmonization of national FI operating schemes, rules and technical standards, and of the underlying market practices or conventions

Barriers, challenges, and risks /2

- Challenges

- Developing a strong business case for the regional FI integration proposal to cope with the natural uncertainties and skepticism about the viability of the project as a whole and for the various individual participants
- Avoiding that immediate cost considerations create a disincentive to participate in the project
- Ensuring there is effective leadership throughout the project life cycle so that the various stakeholder groups cooperate effectively and remain committed to the project
- Ensuring there is sufficient expertise and adequate financial and human resources to develop and implement the regional FI integration program and, once launched, maintain an efficient and safe operation of the new arrangement on an ongoing basis

Barriers, challenges, and risks /3

- Risks

- Because of the cross-border nature of the regional arrangement, legal, credit and liquidity, operational risks etc. may take on new dimensions that may be more difficult to understand and manage in an effective manner than in a single country arrangement
- Regional FIs can also be more interdependent, and these interdependencies can significantly influence the risks affecting them

The G25 Experts Group

- WB-led G25 Experts Group drafted Guidelines to provide high-level guidance to principal policy-makers and stakeholders in the development of regional or cross-regional integration of financial infrastructures
- The G25 were selected among experts who had been directly involved in a range of regional and cross-regional financial infrastructure integration projects
- Both public authorities and private sector perspectives were represented in the G25
- G25 worked between April 2013 and June 2014 to prepare the consultative report!

The Guidelines for successful regional FI integration

- **Enabling and Institutional Guidelines**

Vision, purpose and scope definition; cooperation & coordination, and buy-in of all stakeholders; ensure effective leadership

- **Planning Guidelines**

Governance and planning framework definition; comprehensive stocktaking; gap analysis; business case preparation

- **Design Guidelines**

Definition of a feasible model; outline preparation; definition of cooperative and oversight frameworks

- **Implementation Guidelines**

Establishment and enforcement of proper management; set up of communication function

- **Sustainability Guidelines**

Regular consultation arrangements; keep management sound and motivated; regular self-assessment and evaluation

Status of the project

- G25 released report for public comments in September 2013
- Comments accepted until November 4, 2013
- Final report to be published in January 2014

THANKS!