



PAYMENT **A**SPECTS **OF** **F**INANCIAL **I**NCLUSION

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LAC Payments Week
Santo Domingo, Dominican Republic
1 December 2015



WORLD BANK GROUP
Finance & Markets

Introductory Remarks

Part I. Financial Inclusion: Need for Action to Achieve Universal Financial Access by 2020

Part II. Payment Aspects of Financial Inclusion: Consultative Report

Part III. Public Consultation Process

Part IV. Real Impact for Users: The case of the CPMI-World Bank Guidance for International Remittances

Retail Payments Policy Package

The World Bank has synthesized the lessons learned in more than two decades of technical assistance programs and research:

“Developing a comprehensive national retail payments strategy” provides guidance on developing and implementing a comprehensive strategic approach in retail payments reform and modernization

“Innovations in Retail Payments” analyzes the results of a survey on innovations in retail payments



“Guidelines for conducting an effective retail payments stocktaking” identifies a methodology for undertaking a detailed stocktaking of a country retail payments landscape

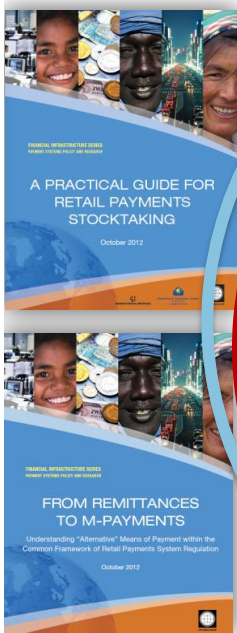
“Understanding ‘Alternative’ Means of Payment within the Common Framework of Retail Payments System Regulation” – discusses a normative framework to underpin an efficient retail payments industry

Available at: <http://go.worldbank.org/JFEVAXK3IO>

Closing the Circle: Monitoring & Evaluating Costs

A Practical Guide for Measuring Retail Payments Costs

Provides a framework for capturing retail payment costs (incl. cash) and possible savings in the migration from paper-based to electronic payment instruments

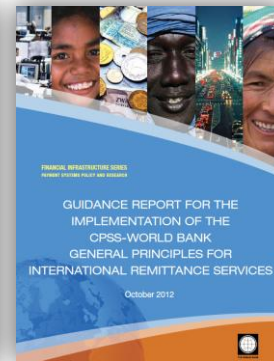
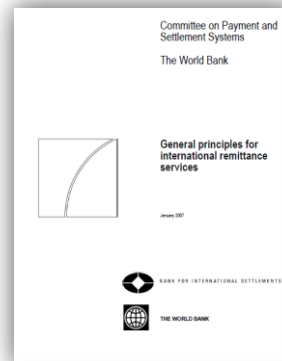


Draft issued for public consultation in November 2015

Other Guidance Documents

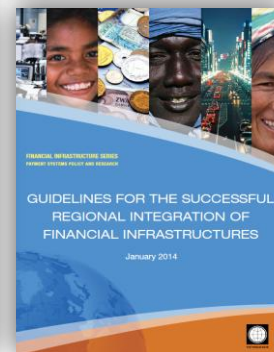
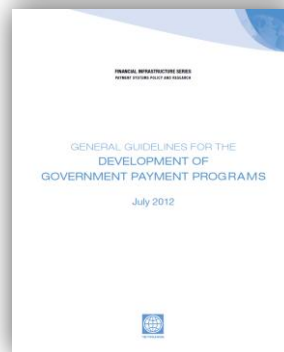
The World Bank, together with CPMI and/or international experts, has developed a set of guidance documents relevant for retail payments:

“General Principles for International Remittance Services” designed to assist countries in improving the market for remittance services



“Guidance Report for the Implementation of the General Principles for International Remittances” derived from practical experiences and lessons accrued

“General Guidelines for the Development of Government Payment Programs” designed to support the achievement of public policy goals for government payment programs



“Guidelines for Successful Integration of Financial Infrastructures” Lessons learned from experiences of regional, cross-regional, and global integration of financial infrastructures

Available at: www.bis.org/list/cpmi/index.htm and <http://www.worldbank.org/en/topic/paymentsystemsremittances>

Part I. Financial Inclusion: Need for Action to Achieve Universal Financial Access by 2020

Financial inclusion

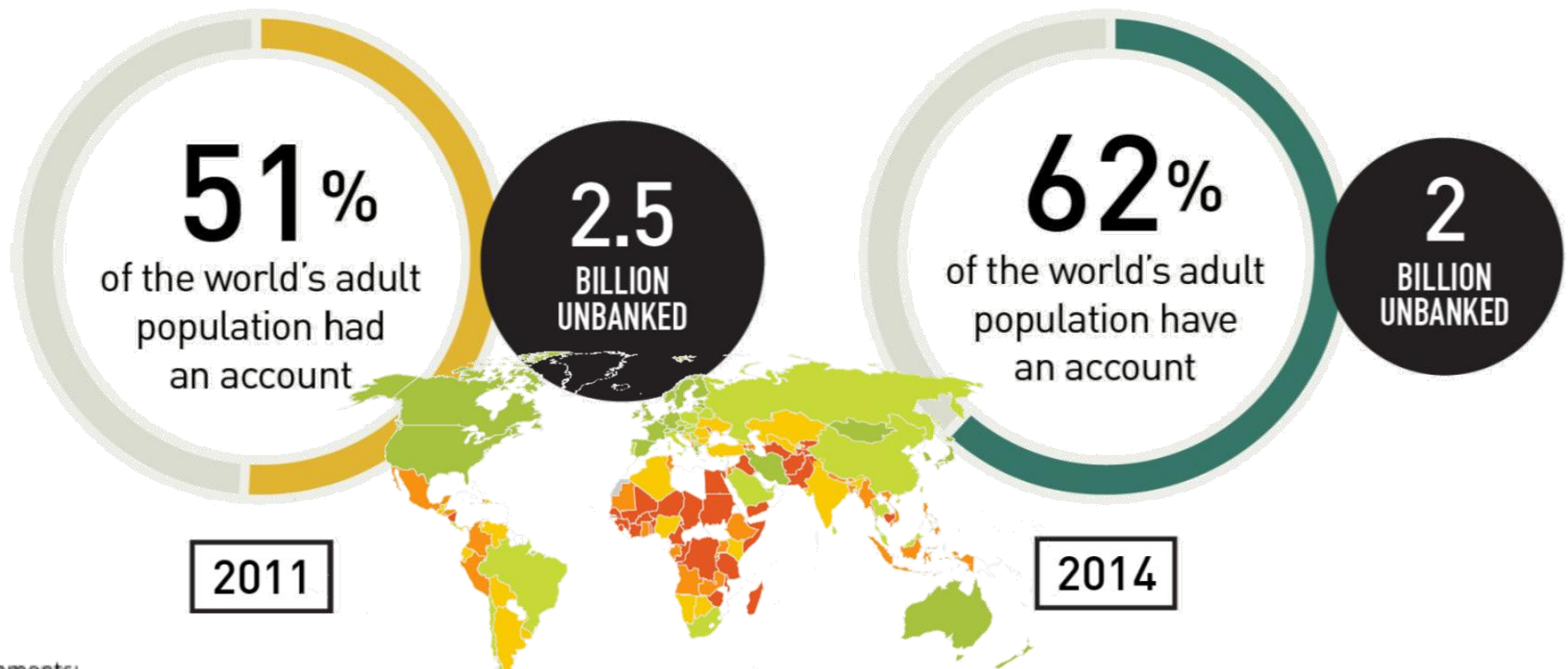
It's all relative

- **Financial Inclusion: individuals, businesses and public administrations having access to and using the type of financial services that meet their needs over time**
- Real needs likely higher than is apparent from the actual use at a given point in time
- Needs for financial services tend to change over time
- Desirable steady state for financial inclusion entails universal access to a wide range of financial services that can be used when and as needed
- Beyond achieving access, there is also the key issue of whether a financial service is actually valuable to its users, often reflected in frequency of use.

Financial inclusion

Gap is narrowing, but is still substantial

More adults have an account (with a financial institution or mobile money service) now than three years ago.



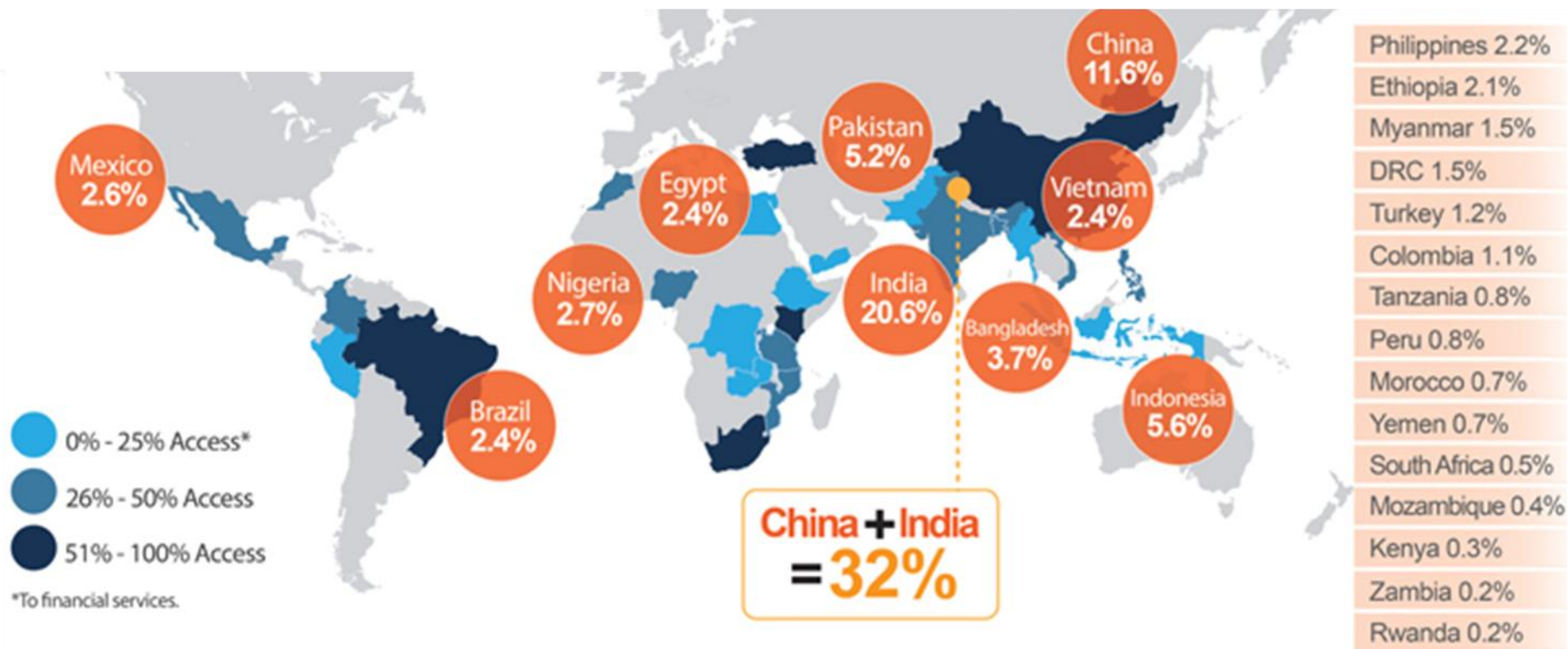
Comments:

Indicator: Account at a financial institution (% age 15+) [ts]

Year: 2014

■ No Data ■ 0 - 20.0 ■ 20.0 - 39.0 ■ 39.0 - 63.2 ■ 63.2 - 87.5 ■ 87.5 - 100

25 countries account for 73% of the world's unbanked



25 Focus Countries = 73% of the world's financially excluded

Sources: Global Findex 2014, IMF Financial Access Survey

Universal Financial Access by 2020

By 2020, adults globally have access to an account or electronic instrument to store money, send and receive payments as the basic building block to manage their financial lives

- Access to a transaction account is a stepping stone to financial inclusion, which includes a full range of formal financial services
- Universal financial access is ambitious, yet achievable for the majority of the world's population by 2020. Full financial inclusion will take longer
- Even with financial access, usage will not be universal, and not all countries will reach it



PAFI – An Important building block on our way to Universal Financial Access 2020

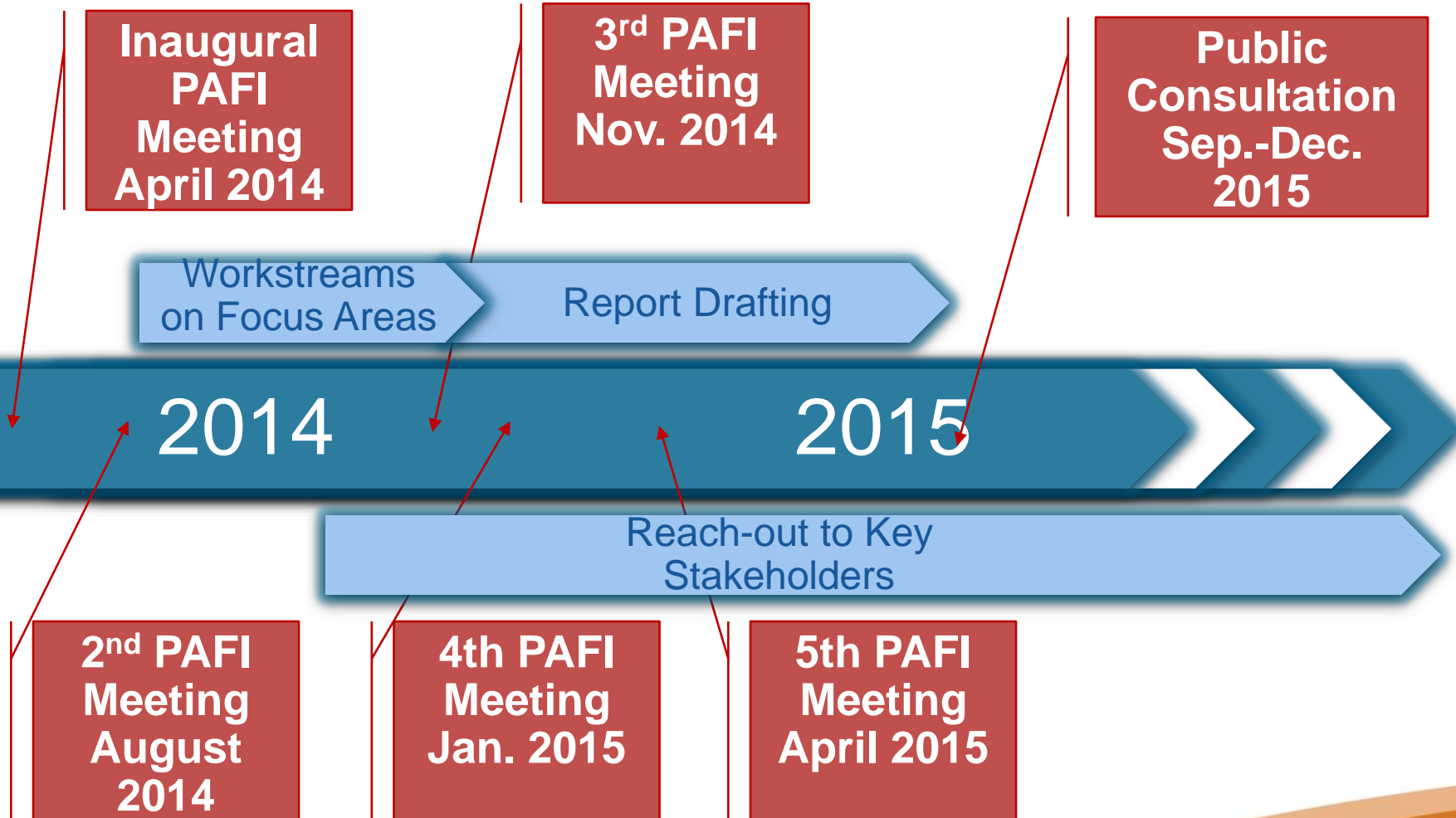


Part II. Payment Aspects of Financial Inclusion: Consultative Report

PAFI: Broad Spectrum of Members: CPMI & Non-CPMI Central Banks, International & Regional Development Banks, IMF, BIS, and World Bank



Ambitious PAFI timeline has been met

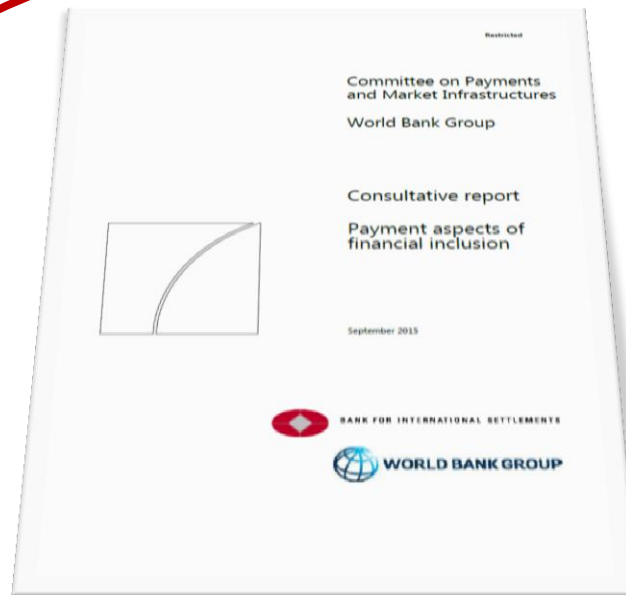


PAFI's Guiding Principles

- **“Address the Gap”**: Focus on those aspects and links which have not yet been (fully) examined in a comprehensive manner
- **“Remain neutral”**: no preference for specific technological solutions, business-models and/or regulatory approaches
- **“Focus on elements of global relevance”**: rather than country-specific issues
- **“Do not re-invent the wheel”**: Build upon the work already carried out and be **consistent** with all standards, recommendations and guidelines of the CPMI and other relevant Standard-Setting Bodies

Consultative Report published in September 2015

PAYMENT ASPECTS FINANCIAL INCLUSION



Sources:

CPMI Website: <https://www.bis.org/cpmi/publ/d133.htm>

World Bank Group Website: <https://consultations.worldbank.org/consultation/payment-aspects-financial-inclusion>

PAFI Consultative Report Design

Deepen Knowledge, Advance Action & Measure Results

- **Introduction**

Task force mandate, transaction accounts, and barriers to access & usage

- **Retail Payments Landscape**

Overview of the payments landscape from a financial inclusion perspective

- **Core Analysis: The Framework**

The framework for enabling access and usage of payment services by the unserved or underserved

- **Guidance**

Guiding principles and recommended key actions for consideration

- **Measurement**

Measuring the effectiveness of financial inclusion efforts

The PAFI “Vision”

All individuals and businesses should be able to have access to and use at least one transaction account operated by banks or other authorized and/or regulated payment service providers (PSPs):

- i. to perform most, if not all, of their payment needs**
- ii. to safely store some value; and**
- iii. to serve as a gateway to other financial services**

Transaction accounts

Cornerstone for providing electronic payment services

- People worldwide have a need to make and receive payments in their daily lives
- Cash is often the only option available
- Electronic payment instruments address weaknesses of cash and provide improved customer experience (e.g. speed, safety, convenience)
- Electronic payments are based on a transaction account as source/destination (and store) of funds
- Transaction accounts can be held with banks or other authorized and/or regulated service providers (including non-banks) and can be “deposit transaction accounts” or “e-money accounts”.

Barriers for access to and usage of transaction accounts

- High fees and low income levels
- Indirect costs
- Economic and labour informality
- Insufficient attention to cultural and religious needs and beliefs and limited financial literacy
- Poor design of transaction accounts and related payment services
- Customers' perception of transaction accounts being unsafe

Foundations and Pillars

Building a more inclusive financial system

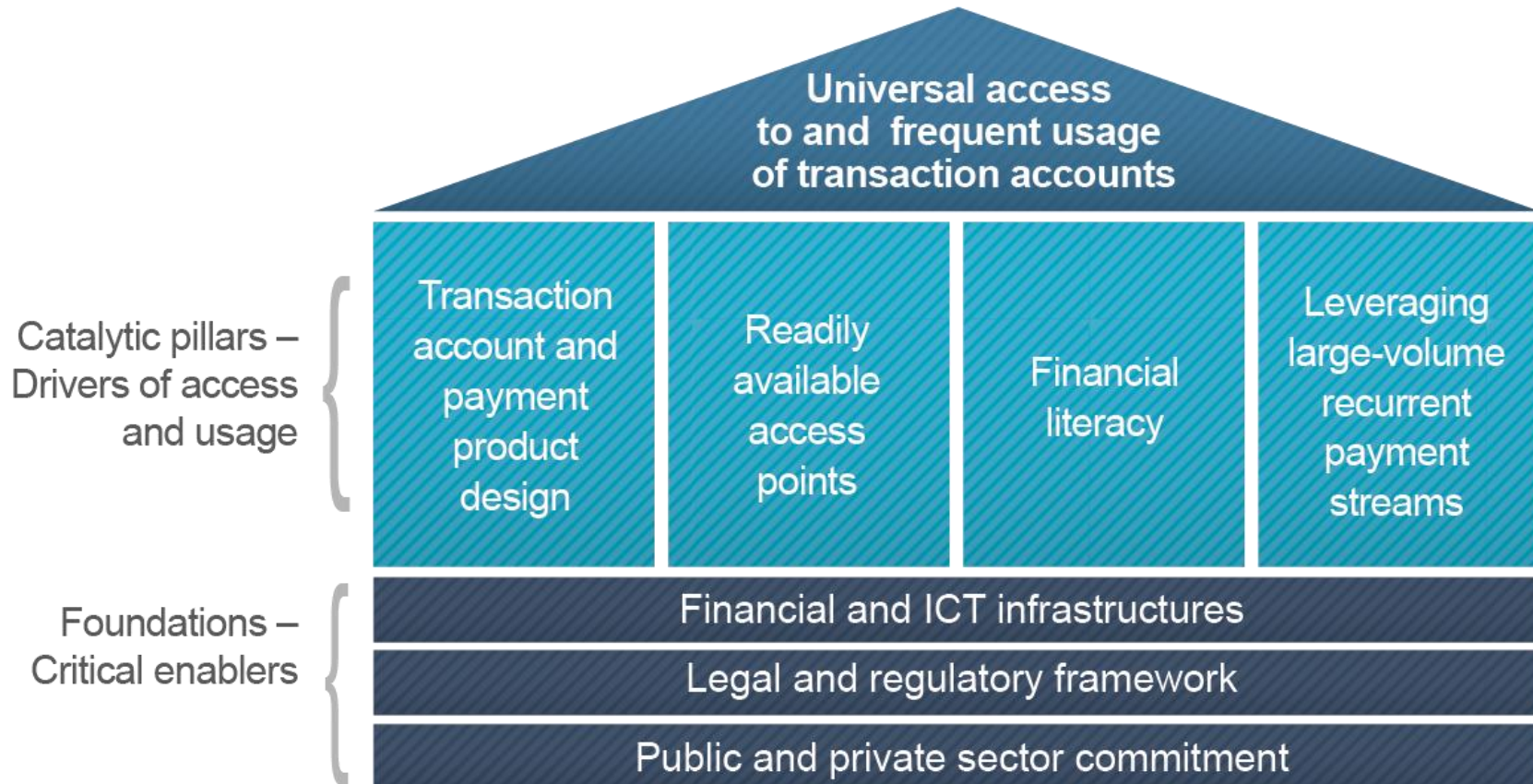
Foundations:

- Critical enablers for payment systems and the provision of payment services in general
- At the same time, they are important enablers for the access to and usage of transaction accounts.

Catalytic pillars:

- Based on the foundations, catalytic pillars constitute the drivers of access and usage.

Interrelation of foundations, catalytic pillars and effective usage



PAFI Guidance: Foundations – Critical Enablers

Financial and ICT infrastructures

Legal and regulatory framework

Public and private sector commitment

- **Guiding Principle 1: Commitment**

Commitment from public and private sector organizations to broaden financial inclusion is explicit, strong and sustained over time.

- **Guiding Principle 2: Legal and Regulatory Framework**

The legal and regulatory framework underpins financial inclusion by effectively addressing all relevant risks and by protecting consumers, while at the same time fostering innovation and competition.

- **Guiding Principle 3: Financial and ICT Infrastructures**

Robust, safe, efficient and widely reachable financial and ICT infrastructures are effective for the provision of transaction accounts services, and also support the provision of broader financial services..

Foundation: Public & Private Sector Commitment

Guiding Principle 1:

Commitment from public and private sector organizations to broaden financial inclusion is explicit, strong and sustained over time.

Key Actions:

- All relevant public and private sector stakeholders **support the objective** that all eligible individuals and businesses should be able to have and use at least one transaction account, and **develop an explicit strategy with measurable milestones** to this end.
- All relevant public and private sector stakeholders **allocate the appropriate human and financial resources** to support financial inclusion efforts.
- Central banks, financial supervisors, regulators and policymakers **effectively coordinate their efforts** with regard to financial inclusion.

Foundation: Public & Private Sector Commitment (cont.)

Guiding Principle 1:

Commitment from public and private sector organizations to broaden financial inclusion is explicit, strong and sustained over time.

Key Actions:

- **Private sector stakeholders engage with relevant public sector counterparts** on initiatives that promote the adoption and usage of transaction accounts, and financial inclusion more broadly.
- **Private sector** stakeholders cooperate constructively and meaningfully **with each other** to discuss and find solutions to issues that are best addressed by the industry as a whole.
- **Central banks** leverage their **catalyst, oversight, supervisory** and other powers as relevant and appropriate to promote financial inclusion.

Foundation: Legal & Regulatory Framework

Guiding Principle 2:

The legal and regulatory framework underpins financial inclusion by effectively addressing all relevant risks and by protecting consumers, while at the same time fostering innovation and competition.

Key Actions:

- A robust framework is established to **foster sound risk management practices in the payments industry**, including through the supervision/oversight of PSPs and PSO by regulatory authorities.
- The framework requires PSPs and PSOs to develop and implement **risk management measures that correspond to the nature of their activities and their risk profile (i.e. proportionality)**.
- The framework **preserves the integrity of the financial system, while not unnecessarily inhibiting access** of eligible individuals and businesses to well regulated financial services.

Foundation: Legal & Regulatory Framework (cont.)

Guiding Principle 2:

The legal and regulatory framework underpins financial inclusion by effectively addressing all relevant risks and by protecting consumers, while at the same time fostering innovation and competition.

Key Actions:

- The framework aims to promote the use of transaction accounts in which **customer funds are adequately protected** through appropriate design and risk management measures, **such as deposit insurance** or functionally equivalent mechanisms, and through preventive measures.
- The framework requires **PSPs to clearly disclose**, using comparable methodologies, all of the **various fees they charge** as part of their service, along with the applicable **terms and conditions, including liability** and use of customer data.
- The framework requires PSPs to implement a transparent, user-friendly and **effective recourse and dispute resolution mechanism** to address consumer claims and complaints.

Foundation: Legal & Regulatory Framework (cont.)

Guiding Principle 2:

The legal and regulatory framework underpins financial inclusion by effectively addressing all relevant risks and by protecting consumers, while at the same time fostering innovation and competition.

Key Actions:

- The framework **promotes competition** in the market place by providing clarity on the criteria that must be met to offer specific types of service, and by **setting functional requirements that are applied consistently to all PSPs**.
- The framework promotes innovation and competition by **not hindering the entry of new types of PSP, new instruments and products, new business models or channels** – as long as these are sufficiently safe and robust.

Foundation: Financial & ICT Infrastructures

Guiding Principle 3:

Robust, safe, efficient and widely reachable financial and ICT infrastructures are effective for the provision of transaction accounts services, and also support the provision of broader financial services.

Key Actions:

- **Key payments infrastructures** are built, upgraded or leveraged as needed to facilitate the effective usage of transaction accounts.
- Additional infrastructures are appropriately designed and operate effectively to support financial inclusion efforts by providing critical information to financial service providers, including an **effective and efficient identification infrastructure, credit reporting systems** and other data-sharing platforms.

Foundation: Financial & ICT Infrastructures (cont.)

Guiding Principle 3:

Robust, safe, efficient and widely reachable financial and ICT infrastructures are effective for the provision of transaction accounts services, and also support the provision of broader financial services.

Key Actions:

- The **geographical coverage of ICT infrastructures and the overall quality of the service provided by those infrastructures are enhanced** as necessary by their owners/operators so as to not constitute a barrier for the provision of transaction account services in remote locations.
- **Increased interoperability of and access to infrastructures** supporting the switching, processing, clearing and settlement of payment instruments of the same kind are promoted, where this could lead to material reductions in cost and to broader availability, consistent with the local regulatory regime, in order to leverage the positive network externalities of transaction accounts.

PAFI Guidance: Catalytic Pillars – Drivers of Access & Usage



- **Guiding Principle 4: Transaction account and payment product design**
The transaction account and payment product offerings effectively meet a broad range of transaction needs of the target population, at little or no cost.
- **Guiding Principle 5: Readily available access points**
The usefulness of transaction accounts is augmented with a broad network of access points that also achieves wide geographical coverage, and by offering a variety of interoperable access channels.

Transaction account & payment product design

Guiding

Principle 4:

The transaction account and payment product offerings effectively meet a broad range of transaction needs of the target population, at little or no cost.

Key Actions:

- Where reasonable and appropriate, PSPs provide a **basic transaction account at little or no cost** to all individuals/businesses that do not hold such an account and that wish to open such an account.
- PSPs offer transaction accounts with functionalities that, at a minimum, make it possible to **electronically send and receive payments** at little or no cost, and to **store value safely**.
- The payment services industry, operators of large-volume payment programs and other stakeholders recognize that the payment habits and needs of currently unserved and underserved customers are likely to differ, and therefore engage in market research and/or other similar efforts to **identify and address those payment habits and needs**.

Transaction account & payment product design (cont.)

Guiding

Principle 4:

The transaction account and payment product offerings effectively meet a broad range of transaction needs of the target population, at little or no cost.

Key Actions:

- PSPs work to ensure that the **payment needs of the private and public sector entities with whom holders of transaction accounts regularly conduct payments are met as well.**
- PSPs work to ensure that the products that target unserved or underserved population segments are **easy to use.**
- PSP efforts to **continuously improve** their transaction account offering include both “traditional” as well as “innovative” payment products and instruments.

Readily available access points

Guiding Principle 5:

The usefulness of transaction accounts is augmented with a broad network of access points that also achieves wide geographical coverage, and by offering a variety of interoperable access channels.

Key Actions:

- PSPs provide **convenient access to transaction accounts** and services by offering **an effective combination of own and third party-owned access points**, both physical (e.g. branches, ATMs, POS terminal networks and agent locations), and remote/electronic access channels (mobile phones, internet banking, etc.).
- PSPs work to provide **service levels that are reliable and of high quality** (e.g. PSP agents have the necessary liquidity and are equipped with effective tools to service transaction accounts users reliably and in an efficient manner, ATMs are highly reliable, etc.), and that opening hours are broadly aligned with customers' transacting needs.

Readily available access points (cont.)

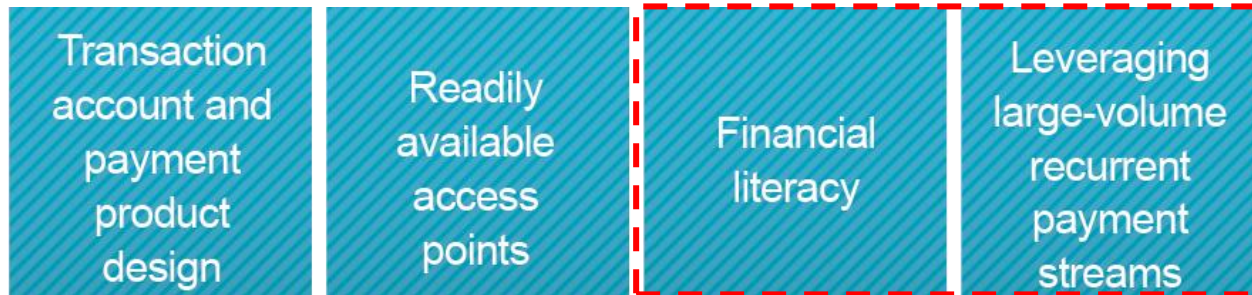
Guiding Principle 5:

The usefulness of transaction accounts is augmented with a broad network of access points that also achieves wide geographical coverage, and by offering a variety of interoperable access channels.

Key Actions:

- The payments industry works on ensuring that **access points and channels are appropriately interoperable**, further contributing to expanding the reach of available service access points and the overall convenience to holders of transaction accounts.
- PSPs adequately train their own **front office staff and their agents** to understand and appropriately **address cultural and/or religious diversity** when servicing holders of transaction accounts.
- The payments industry monitors access channels and access points and their usage to obtain an accurate picture of the **availability and proximity of service points to the different population segments**.

PAFI Guidance: Catalytic Pillars – Drivers of Access & Usage



- **Guiding Principle 6: Financial literacy**

Individuals gain knowledge, through financial literacy efforts, of the benefits of adopting transaction accounts, how to use those accounts effectively for payment and store-of-value purposes, and how to access other financial services.

- **Guiding Principle 7: Large-volume, recurrent payment streams**

Large-volume and recurrent payment streams, including remittances, are leveraged to advance financial inclusion objectives, namely by increasing the number of transaction accounts and stimulating the frequent usage of these accounts.

Pillar: Financial literacy

Guiding

Principle 6:

Individuals gain knowledge, through financial literacy efforts, of the benefits of adopting transaction accounts, how to use those accounts effectively for payment and store-of-value purposes, and how to access other financial services.

Key Actions:

- All relevant public and private sector stakeholders engage in **ongoing financial literacy efforts** with an appropriate degree of coordination.
- Financial literacy efforts specifically **address how payment and store-of-value needs can be met through the usage of transaction accounts**. In this context, individuals that do not have a transaction account and those that obtained one only recently are a primary target of these financial literacy efforts.
- Financial literacy efforts make it possible to **easily obtain clear and accurate information** on the various types of account that are available in the market, on the general account opening requirements, and on the types of account and service fee that may be encountered.

Guiding

Principle 6:

Individuals gain knowledge, through financial literacy efforts, of the benefits of adopting transaction accounts, how to use those accounts effectively for payment and store-of-value purposes, and how to access other financial services.

Key Actions:

- Financial literacy and financial transparency programs make it possible for transaction account users to easily obtain clear and accurate information on the **risks embedded in the usage of these accounts, how the costs in using the associated services can be minimized, how the potential benefits can be maximized, the basic security measures associated with these accounts, and the overall obligations and rights of PSPs and users.**
- PSPs emphasize **hands-on training as part of a product roll-out**, when needed, particularly for users with limited first-hand exposure to electronic payment services and the associated technologies.

Large-volume, recurrent payment streams

Key Actions:

- **Ad hoc incentives are considered**, where appropriate, to foster adoption and usage of transaction accounts for large-volume and recurrent payments, including **not only government payment programs but also government collections, utility bill payments, transit fare payments, employer payrolls and, where relevant, remittances**.
- PSO and PSP take into consideration **the needs and requirements of the key counterparties involved** in large-volume payment streams, such as employers, large-volume billers, the national treasury and others in the design and provision of the related payment services.
- Medium-sized and large firms, along with government entities, consider **disbursing salaries and other payments** to employees via transaction accounts at the PSP of the employees' choice.

Guiding Principle 7:
Large-volume and recurrent payment streams, including remittances, are leveraged to advance financial inclusion objectives, namely by increasing the number of transaction accounts and stimulating the frequent usage of these accounts.

large-volume, recurrent payment streams (cont.)

Guiding

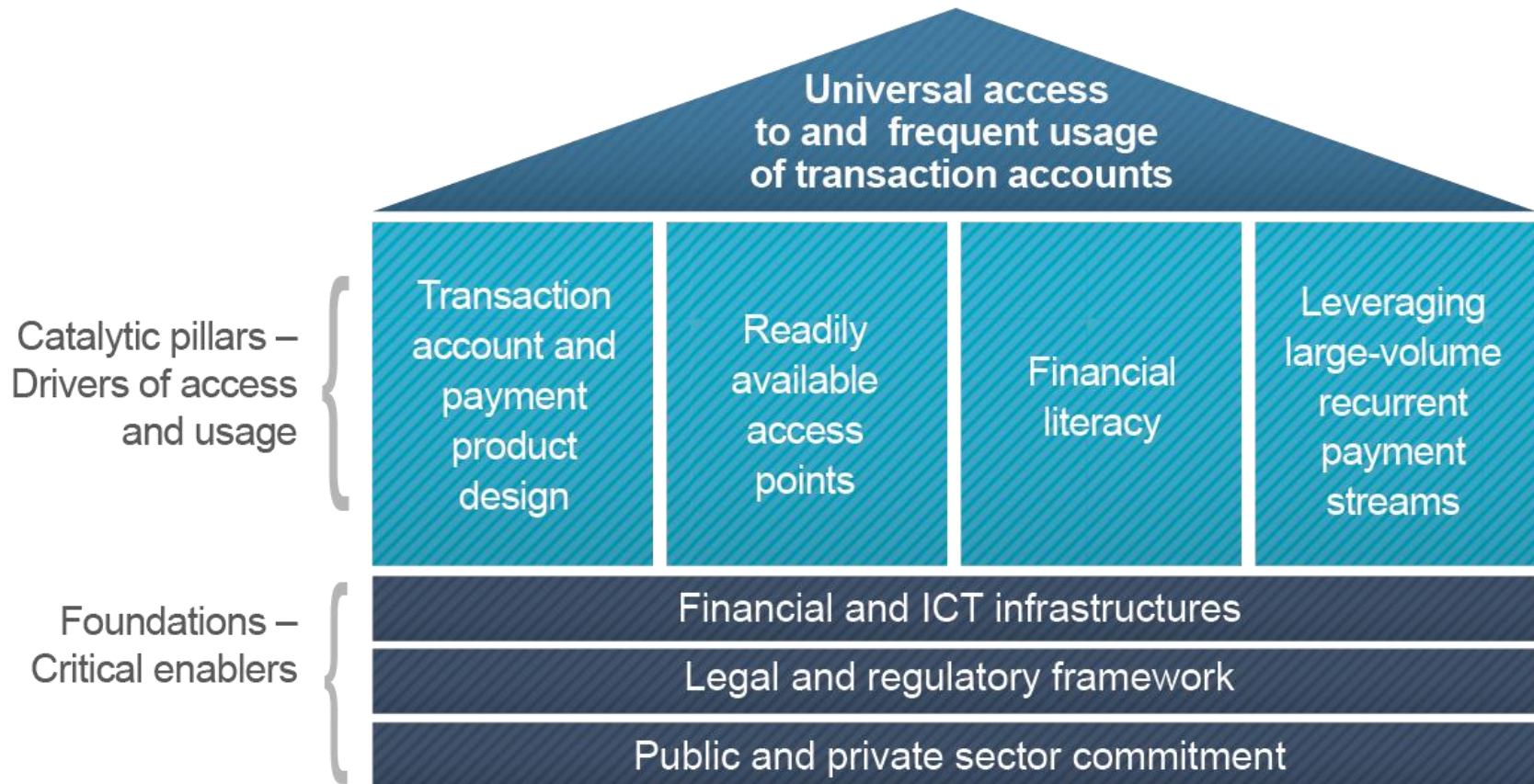
Principle 7:

Large-volume and recurrent payment streams, including remittances, are leveraged to advance financial inclusion objectives, namely by increasing the number of transaction accounts and stimulating the frequent usage of these accounts.

Key Actions:

- The government considers **making its social transfers and other G2P and G2B payments** through a choice of competitively offered transaction accounts that meet the payment and store-of-value needs of the recipients so that these accounts are useful to them.
- The **government enables and encourages individuals and businesses to make their P2G and B2G payments through electronic means** in order to, among other objectives, increase the overall usefulness of transaction accounts.
- The payments industry pro-actively seeks new ways to make **transaction accounts a competitive and convenient option for usage in connection with remittances** and all other large-volume payment streams.

Interrelation of foundations, catalytic pillars and effective usage



Measuring the effectiveness of financial inclusion efforts: a payments perspective

- Keeping track of financial inclusion implementation efforts is essential to **determine whether the actions adopted are being effective** in helping to achieve the underlying objectives.
- **A comprehensive financial inclusion results framework is characterized by the following elements:**
 - (i) thematic alignment with key policy pillars and actions;
 - (ii) development of key performance indicators (KPIs);
 - (iii) setting quantitative KPI targets, including baseline values and timeline for achievement; and
 - (iv) reliance on robust data sources.

Part III. Public consultation process

Your feedback is needed!

- The report is currently being issued as a consultation document and comments are invited from any interested parties.
- Comments should be sent to the CPMI (cpmi@bis.org) and the World Bank Group (paymentsystems@worldbank.org)
- Deadline: 7 December 2015;
- Please mention “PAFI” in the subject line of your e-mail.
- A final version of the report will then be published.

Part IV. Real Impact for Users: The case of the CPMI-World Bank Guidance for International Remittances

World Bank – CPMI General Principles for International Remittances Services



- GP1: The market for remittances should be transparent and have adequate consumer protection
- GP2: Improvements to payment system infrastructure that have the potential to increase the efficiency of remittance services should be encouraged
- GP3: Remittance services should be supported by a sound, predictable, non-discriminatory and proportionate legal and regulatory framework
- GP4: Competitive market conditions, including appropriate access to domestic payments infrastructures, should be fostered in the remittance service industry
- GP5: Remittance services should be supported by appropriate governance and risk management practices

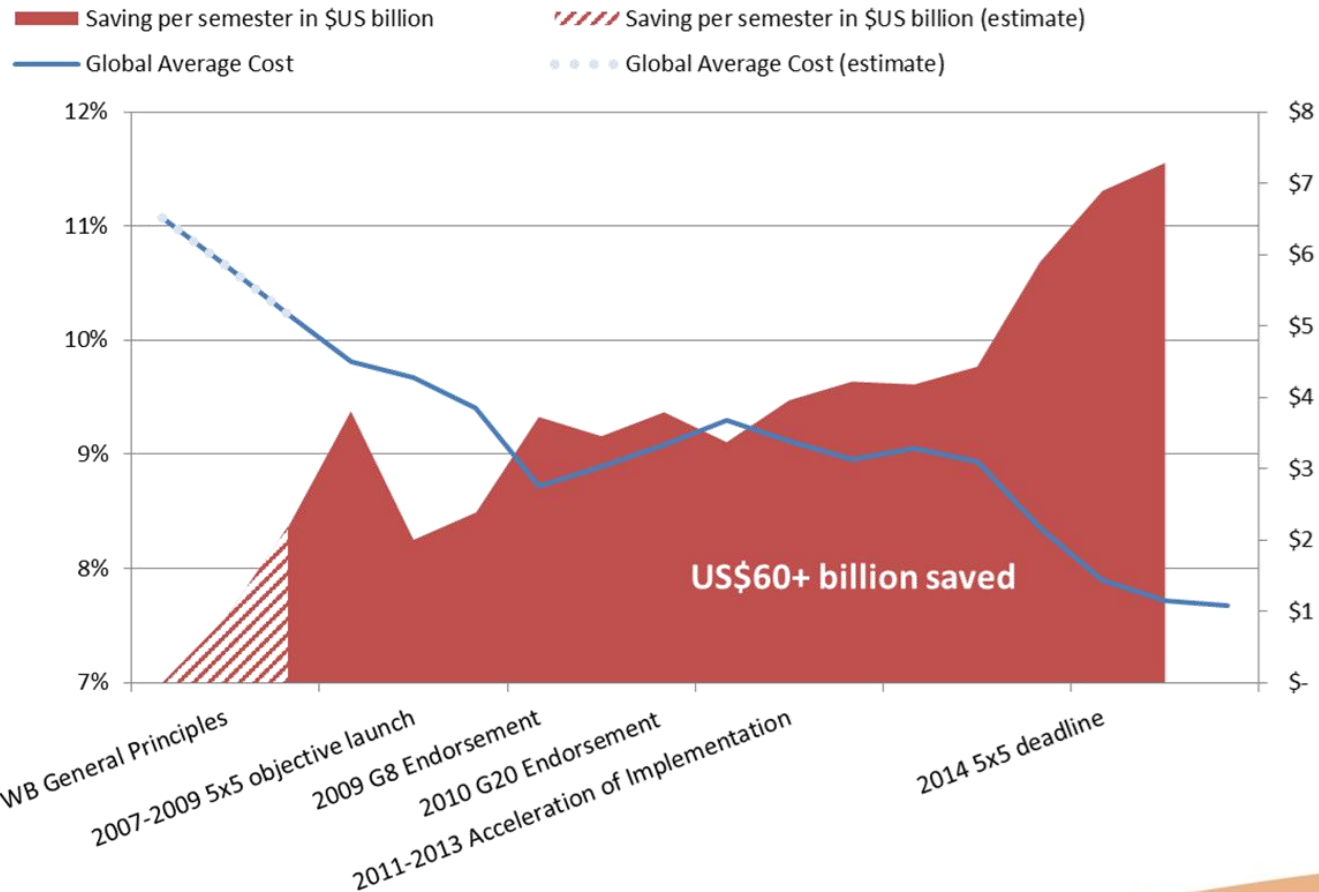
Remittance Service Providers	Should participate actively in the application of the general principles
Public Authorities	Should evaluate what action to take to achieve the public policy objectives through implementation of the general principles

Remittance cost reduction: over 60 billion saved since efforts started

Public Policy Objectives:

Remittance services should be safe and efficient. To this end, the markets for the services should be contestable, transparent, accessible and sound

- Cost of sending remittances is an indicator of safe and efficient international remittance services and markets.
- Corridor shift to lower cost bands;
- Greater access to low-cost services
- Cheapest services have gotten cheaper



Remittance Prices Worldwide

REMITTANCE PRICES WORLDWIDE
MAKING MARKETS MORE TRANSPARENT

English

HOME | CORRIDORS | METHODOLOGY | NATIONAL DATABASES | REMITTANCE RESOURCES | ABOUT US | GREENBACK | CONTACTS

Search for: _____

Cutting prices by at least 5 percentage points can save up to \$16 billion a year.

FIND AND COMPARE PRICES

Transfer money from to

Select Sending Country

Select Receiving Country

Show

This website provides data on the cost of sending and receiving relatively small amounts of money from one country to another. The site covers 226 "country corridors" worldwide, from 32 remittance sending countries to 89 receiving countries. [Read more...](#)

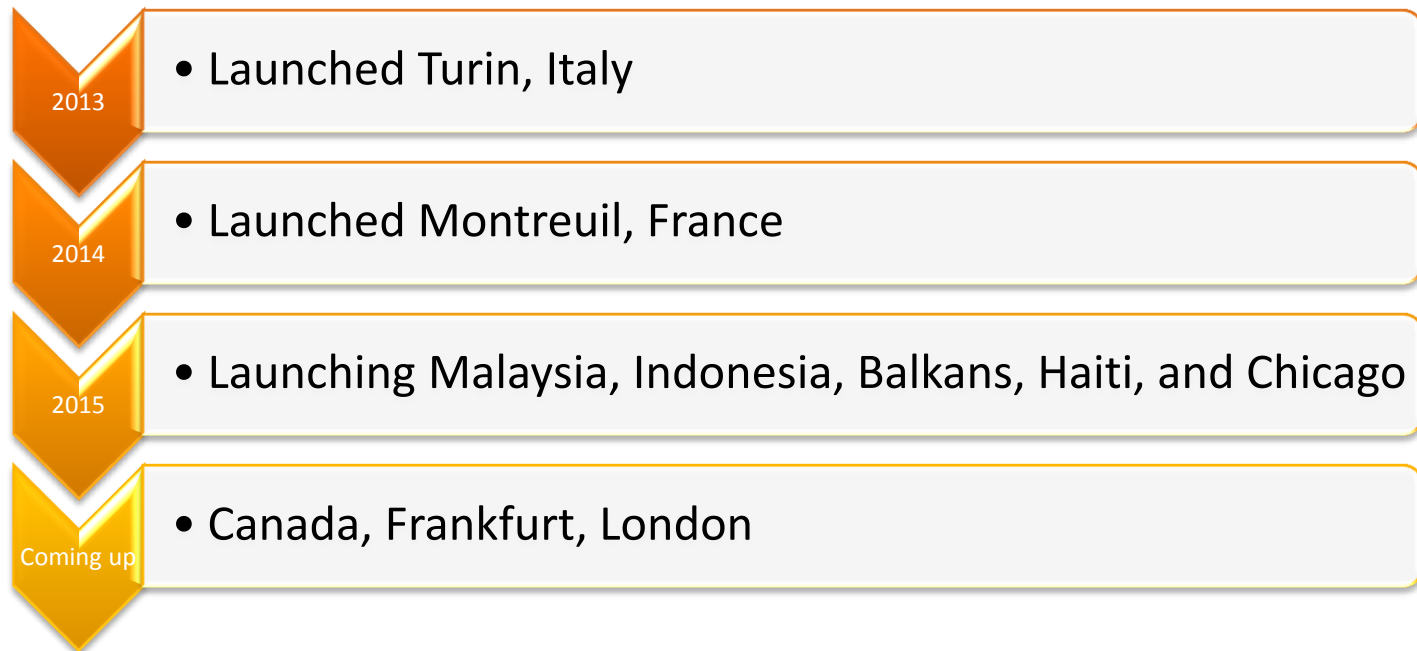
Last update March 31, 2015

200 USD		500 USD	
5 Most Costly Corridors in USD			
Average Cost			
Australia > Vanuatu			
	20.61		
South Africa > Zambia	19.96		
South Africa > Botswana	18.79		
South Africa > Mozambique	18.41		
South Africa > Angola	18.13		
5 Least Costly Corridors in USD			
Average Cost			
UAE > Pakistan		1.86	
Singapore > Bangladesh		2.18	
Spain > Honduras		2.58	
United States > Honduras		2.71	
UAE > India		2.91	

Average total cost includes the transaction fee and exchange rate margin. [More Information...](#)

- Corridor-specific cost comparison tool for end-users
- Plus cross-corridor cost comparison tool for policy makers & research

An inclusive community-based approach to remittances reform



Multidimensional Approach



Financial Education

- Classes
- Crash course
- City tour

Market monitoring

- Available data
- Mystery shopping
- Anecdotal evidence

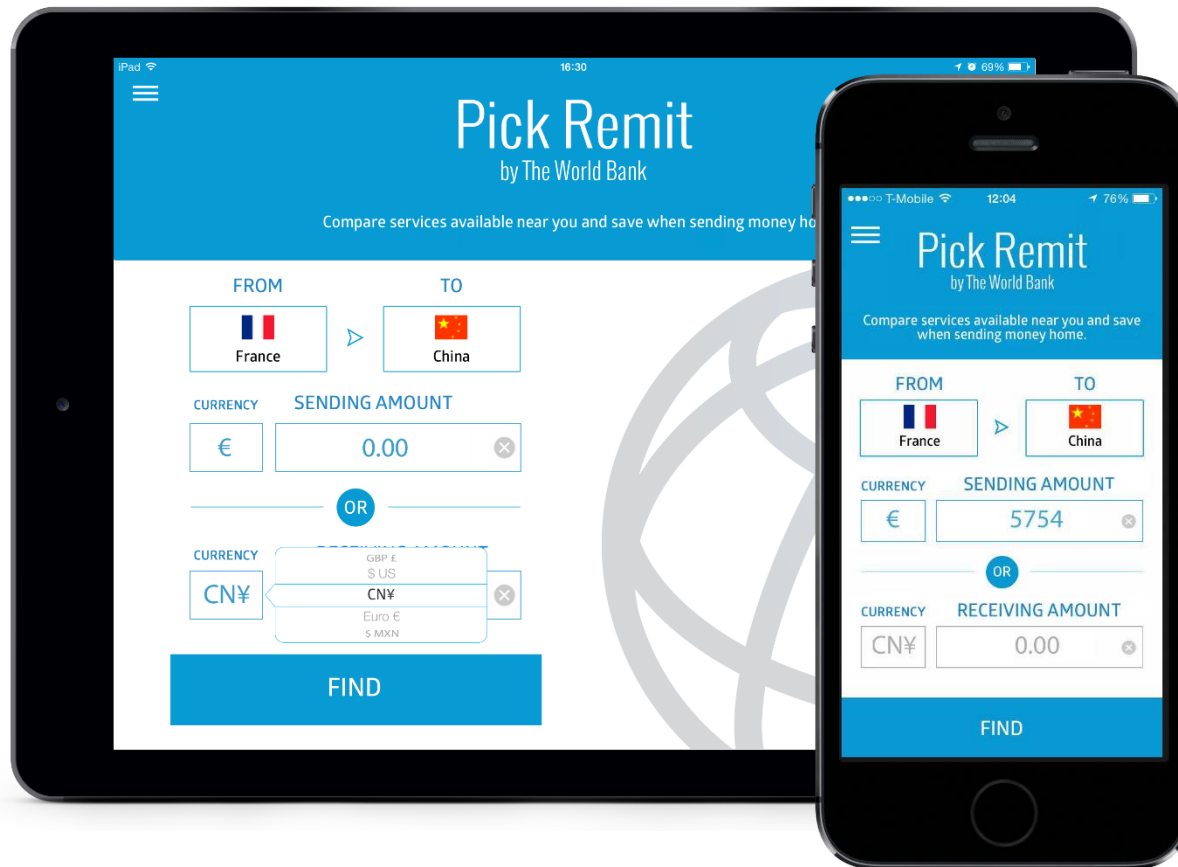
Migrant-led activities

- Challenge Fund
- Radio show
- Social and sport events

Market-led initiatives

- Migrants' meet providers
- Workshops

PICK REMIT: a ground-breaking tool for remittances transparency



Users can select sending and receiving country and compare services available near them to find the one they prefer

Thank You!

