



# Financial Inclusion (FI) and Electronic Retail Payment Systems (ERPS) in LAC

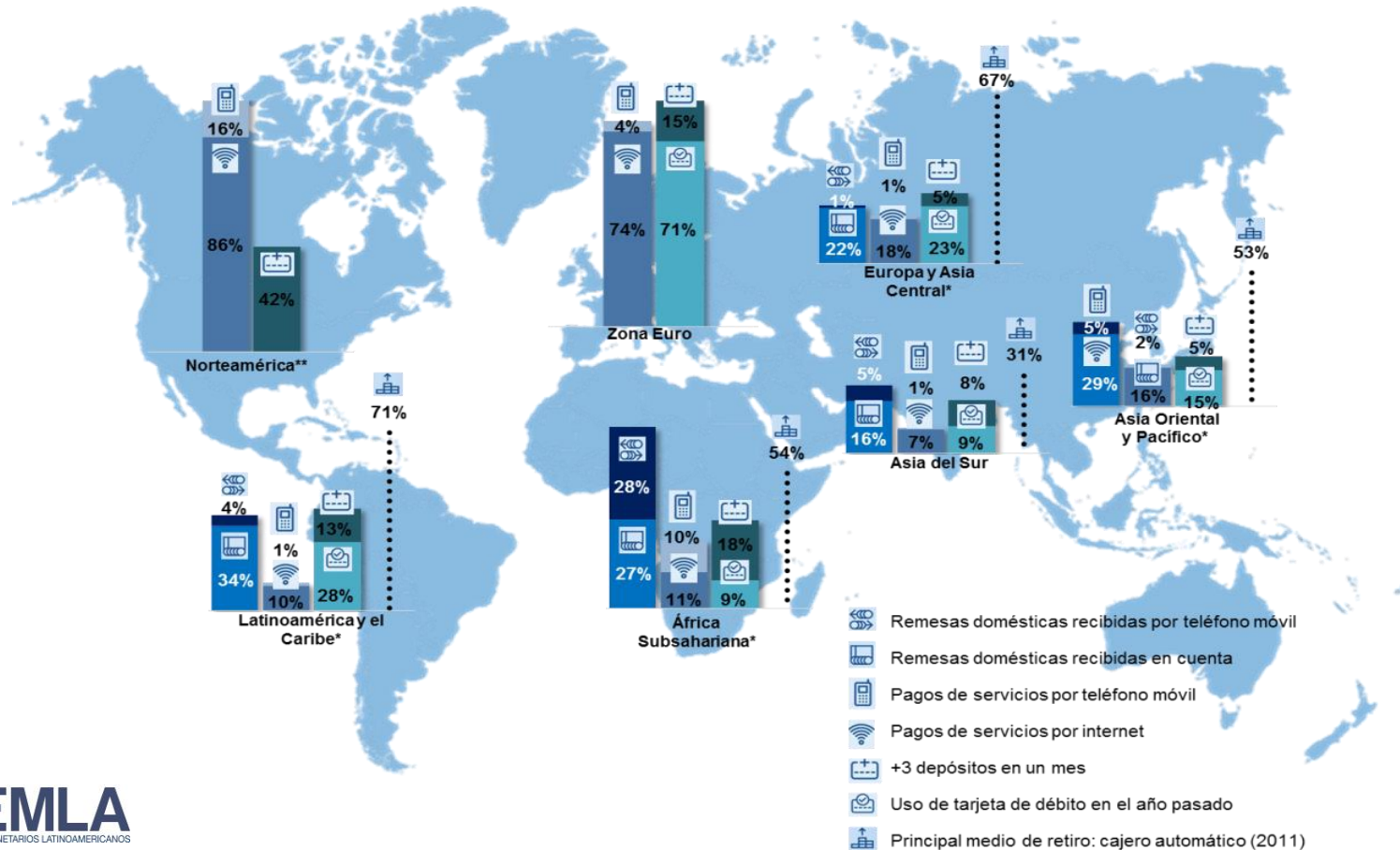
WGPS-LAC Subgroup on Payments and Financial Inclusion

# The Subgroup

- The Subgroup on Payments and Financial Inclusion (SPIF, as its initials in Spanish) comprises the central banks of Ecuador, El Salvador, Paraguay, Peru y Uruguay. The SPIF benefited from the advice of PAFI Secretariat.
- The WGPS-LAC mandated the SPIF investigating linkages between FI and ERPS and identify potential collective actions to enhance this interplay.
- The SPIF surveyed 18 central banks focusing in: FI and ERPS key aspects including strategic, regulatory, industrial and operative issues.

# Why ERPS & FI

- ERPS are an important part of the package of financial services and moreover can facilitate access itself.



# Main findings

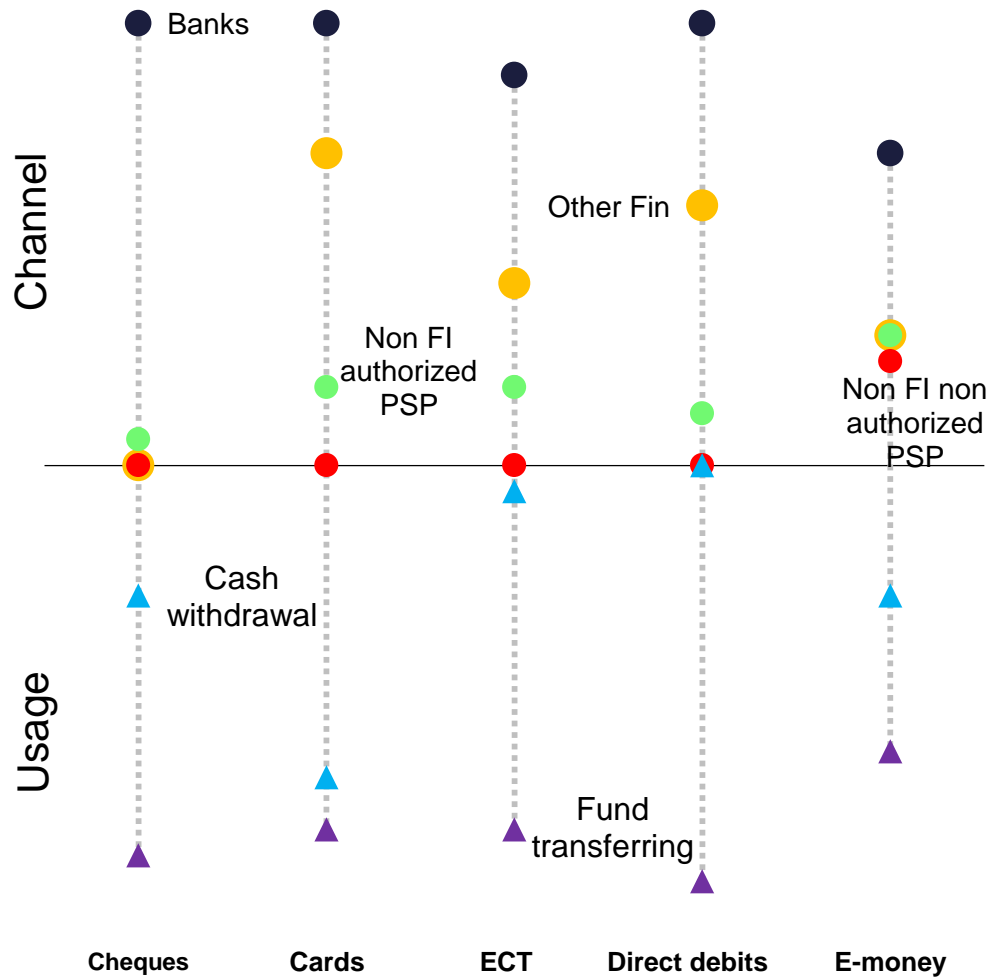
- FI: access and usage, both dimensions are related to ERPS.
- 83% of LAC CB are responsible (to different extents) of ensuring the well-functioning of payment systems.
- 82% reports the existence of a FI national strategy. (Mostly) the strategies implies commitments and roles for different stakeholders, being the ERPS one of them. **But**, the rest of CB point out that non-formally ERPS are used as a bridge for FI.
- CB are clearly gaining transversal FI responsibilities including ERPS new roles (RTGS for faster payments, access for new PSP, regulation of new PSP, oversight of innovative payment instruments).

# ERPS in FI strategies

<b>Relevance of</b>	<b>High</b>	<b>Mid</b>	<b>Low</b>
Cheques	15.4	23.1	61.5
Payment cards	76.9	7.7	0.0
Credit transfers	69.2	23.1	7.7
Direct debits	30.8	53.8	15.4
E-money	61.5	15.4	7.7
Mobile phone	53.8	38.5	7.7
Agent banking	76.9	7.7	15.4
ATM	53.8	38.5	7.7
POS	61.5	30.8	0.0
G-payments	76.9	7.7	15.4
Transaction accounts	84.6	0.0	7.7
PS access to new PSP	81.8	9.1	9.1

- FI encompasses a broad set of ERPS items.
- Transaction accounts is reported to be the more relevant ERPS item for FI strategies.
- New PSP accessing ERPS is relevant for 82%.
- E-money and mobile phone seems less relevant than agent banking, g-payments and payment cards for FI.

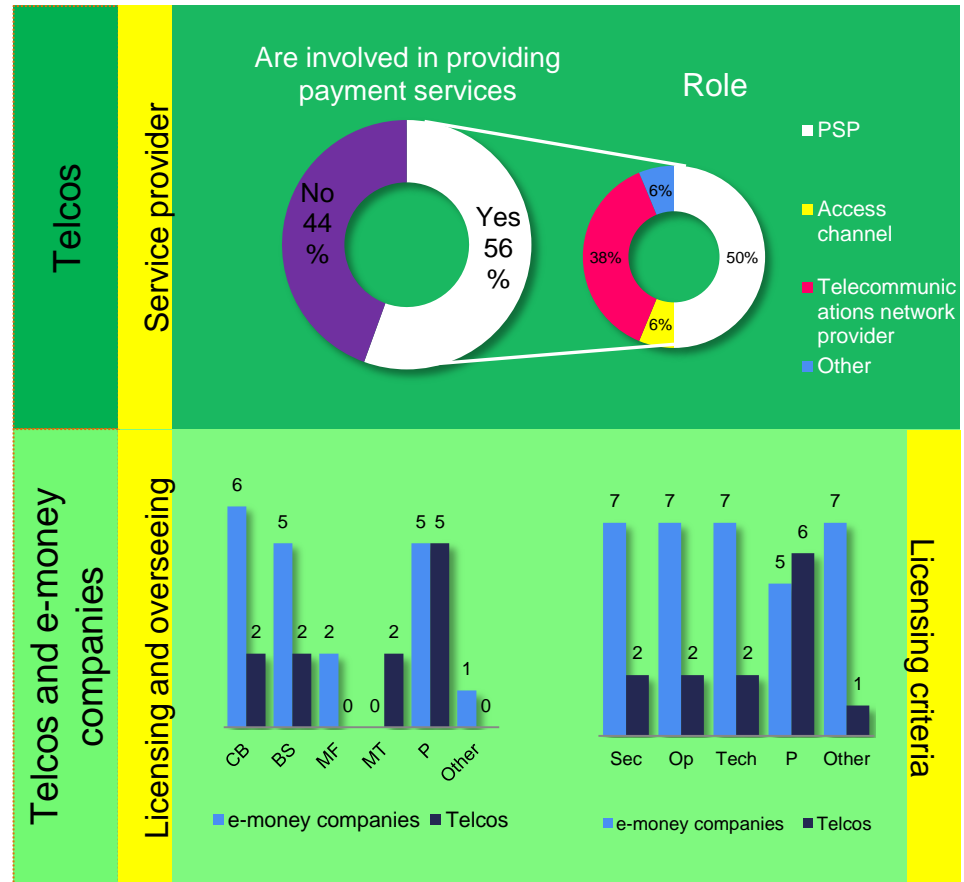
# Roles of ERPS in FI



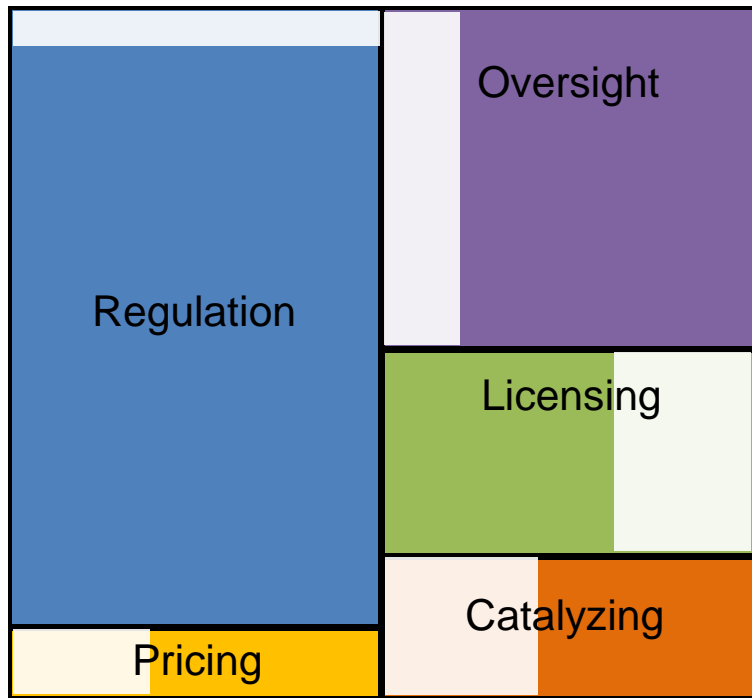
- Despite FI *fairy tales*, banks keep a strong presence in ERPS.
- Other Fin. are very active in cards and direct debits.
- Authorized PSP are more active in e-money services. Non-authorized PSP participate in e-money services too
- Cash withdrawal remains high in payment cards. Same hazard for e-money?

# Telcos and E-money companies in ERPS

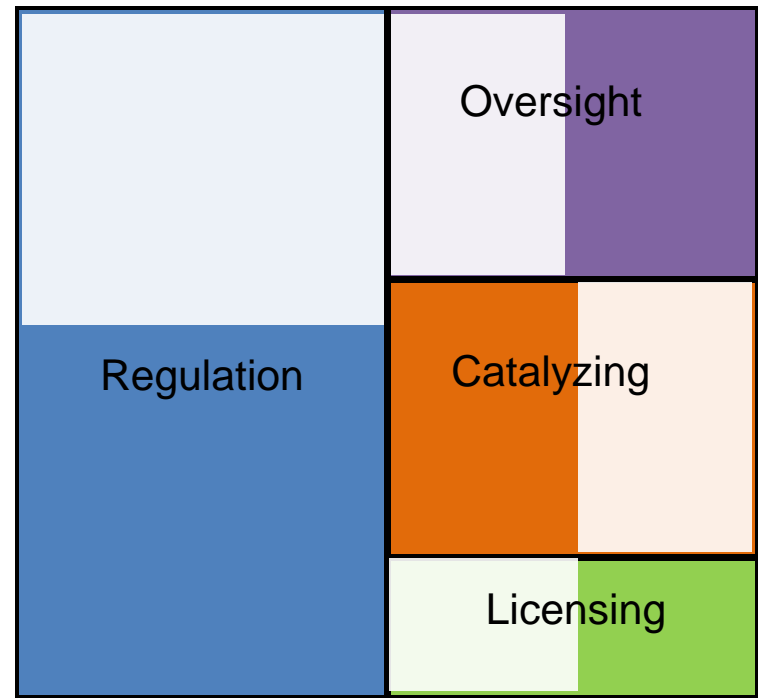
- Telcos play a role ERPS in 56% of countries. In 50% of this share, Telcos act as PSP.
- Licensing for Telcos and authorized PSP differs considerably. Telcos meet less requirements.
- Financial authorities (CB+FS) are involved in licensing and overseeing. Nearly 30% of the countries have it pending.



# CB roles in ERPS/FI



**Retail payments**



**Financial Inclusion**



# Standardization in ERPS

	AR	BO	BR	CH	CO	CR	CS	GM	EC	HO	JM	MX	PY	PE	RD	SV	UY
RTGS	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
ACH	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Cheques	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Cards	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Direct debits	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
ECT	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Faster payments	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
E-money	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Mobile phone	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Agent banking	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
ATM	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
POS	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■

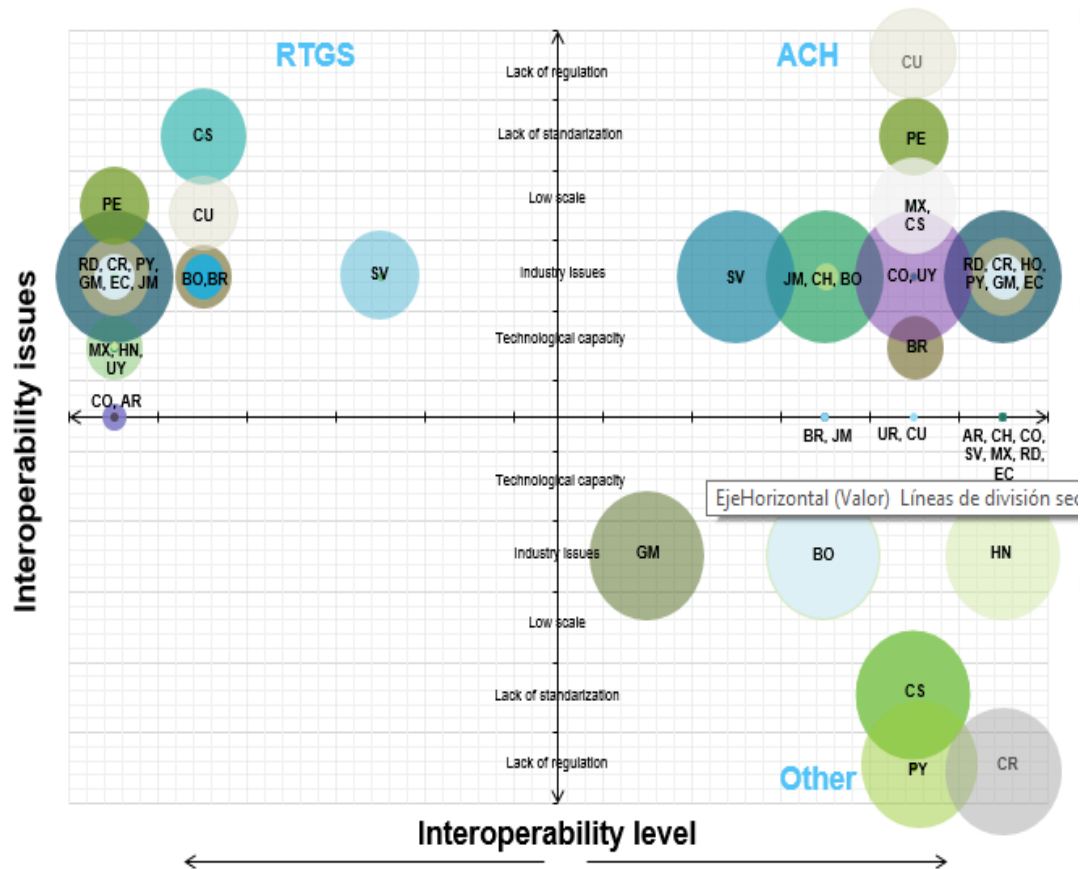
- Standardization in RTGS, ACH and cheques processing is heavily developed by laws and norms.
- ECT and faster payments reported to be reasonably standardized.
- Agent banking poorly standardized across the region. Physical networks and payment cards denotes also low standardization

# Relevance of PSP access to PS

	AR	BO	BR	CH	CO	CR	CS	GM	EC	HO	JM	MX	PY	PE	RD	SV	UY
RTGS	IN	IN	DI				IN	IN	DI	IN	DI	DI	IN	DI	DI		IN
ACH	IN	DI	DI			DI	DI	DI	IN	DI		IN	IN	DI			DI
Card switches	DI	DI	DI			DI	DI	DI		DI		DI	DI		DI		IN
E-money systems	DI	IN	DI			DI		DI		DI			DI	DI			IN

- Access to card switches and ACH is most relevant for FI in 83% of the countries.
- Access to RTGS is now quite relevant for FI.
- E-money systems are relevant for FI in 66% of the countries.
- However, direct access is more restricted in RTGS and ACH.

# Interoperability at PS



- RTGS shows greater interoperability than ACH, card switches and e-money systems.
- Industry structure issues is the main problem to achieve interoperability in ACH and other systems.
- Interoperability in e-money systems and card switches is affected by lack of regulation and industrial issues, mainly.

# PAFI



**Clear Political Commitment**

# SPIF findings from PAFI perspective

- GP1. Commitment. 82% LAC CB involved in FI strategies
- GP2: Legal framework. Not clear if powers and responsibilities are growing parallelly.
- GP3: Financial and ICT infrastructures. Interoperability issues. Low standardization in many ERPS items. PSP access to systems is varied.too.
- GP4: Payment product design. Transaction accounts are the most relevant ERPS item for FI in LAC, but how to assess its impact? Too early?
- GP5: Readily available access points. Telcos and e-money companies are gaining space as PSP. Are agent banking, ATM and POS networks good enough? Further efforts to broaden accesibility?
- GP6: Financial literacy. Not fully investigated.
- GP7: Large-volume, recurrent payment streams. Not fully investigated.

# SPIF final discussion points

- The ERPS are fundamental to FI strategies in LAC. However, its legal framework must be strengthened or developed.
- The development of ERPS demands concrete action about interoperability, standardization, financial education and consumer protection. All in all, CB must be prepared (and empowered) to lead/accompany efforts towards their achievement.
- ERPS must be fully accessible and reachable in rural and underserved zones, new channels and new PSP play a key role in doing so. This calls for a balance between competition, innovation and regulation.

# SPIF final discussion points

- CB must have explicit powers to regulate/oversee payment systems, arrangements and instruments that fosters FI
- CB must have explicit powers to promote FI, either as regulator, oversee, or catalyzer of payment systems, arrangements and instruments
- FI cannot be reached solely by CB. Coordination with other authorities and the industry must be borne and nourished.

# Our way forward?

