



The Role of the RTGS System in the New Payments Overview

Challenge: A payment system with an inclusive approach

Regional Payments Week 2017

September 11-14, Lima, Perú



Presentation Agenda:

1. El Salvador: Our Economy and populations
2. National Demand for Financial Services.
3. Mandates of Central Bank authorities regarding payments and administration of the RTGS.
4. Current Overview of Retail Payment.
5. Legal Framework.
6. The Role of the RTGS in this scenario.
7. Lessons Learned and Challenges Anticipated.



El Salvador



Banco Central de Reserva
de El Salvador



EL SALVADOR

Population: 6.9 MILLONES

Territorial expansion: 20,742 KM2

GDP 2016: \$26,800 millones



SURVEY NATIONAL DEMAND FOR FINANCIAL SERVICES -July 2016-



Objective

Obtain data related to the access and use of financial services in the last 12 months by the Salvadoran population and thus obtain inputs that allow the development of initiatives that benefit the population



Methodology

Quantitative study - pre-structured questionnaire.
Face-to-face survey.



Sample

n = 5211 (margin of error $\pm 1.36\%$ with 95% confidence level)
Informants: men and women over 18 years of age.



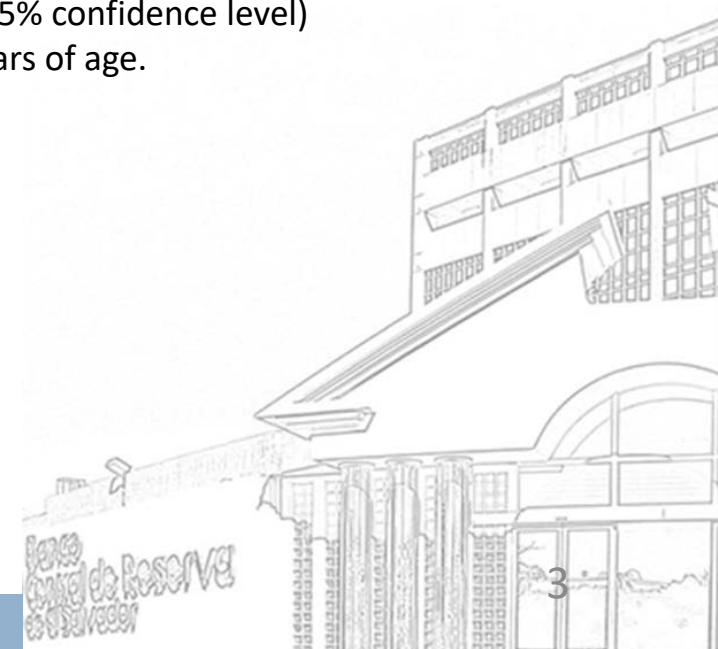
Date of field work

From April 22 to May 15, 2016.



Geographic coverage

El Salvador, 14 departments

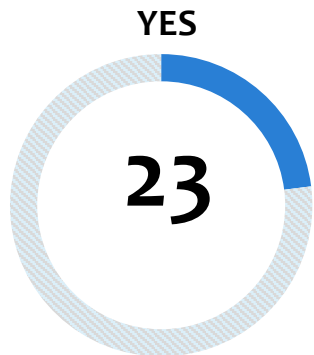


SURVEY NATIONAL DEMAND FOR FINANCIAL SERVICES



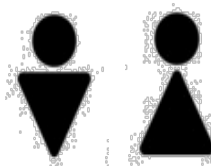
Do you have a savings account?

n=5211



GENDER

27 18



n= 2605 2606

AGE

18-24 25-39 40+



1052

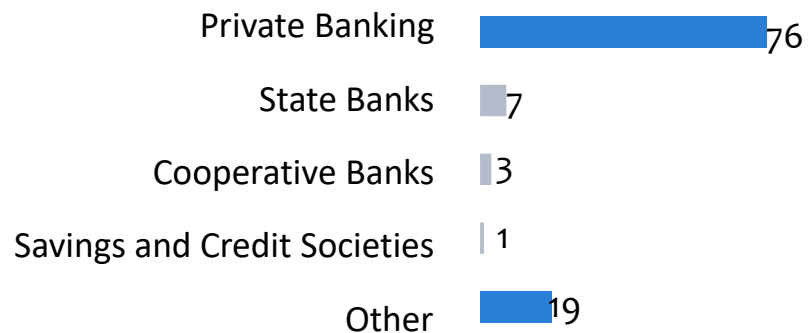


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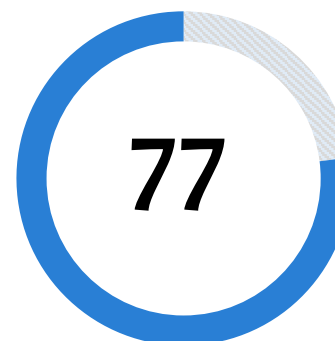


2271

Where do you have your savings account?



NO

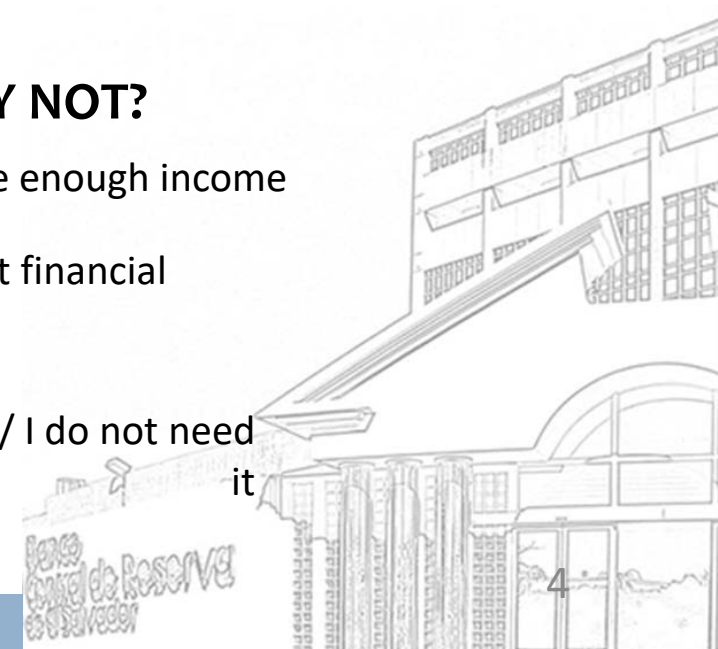


WHY NOT?

I do not have enough income

I do not trust financial institutions

I do not care / I do not need it



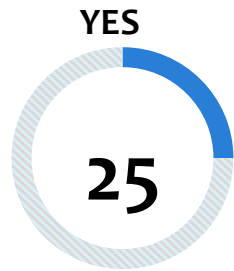


What about remittance?

Reserve Bank of India

What about remittance?

Do you receive family remittances from abroad?



Estados Unidos	94
Canadá	1
Italia	1
España	1
Otro	3

28% California.

How often do you receive these money transfers?

Once a month	43
Every 3 months	23
Once a year	5

What is the average monthly amount?

+ US\$1,000.00	1
US\$750.01 – 1,000.00	1
US\$600.01 – US\$750.00	1
US\$500.01 – US\$600.00	1
US\$350.01 – US\$500.00	5
US\$250.01 – US\$350.00	7
US\$150.01 – US\$250.00	14
US\$100.01 – US\$150.00	16
US\$25.01 – US\$100.00	45
US\$0.00 – US\$25.00	8

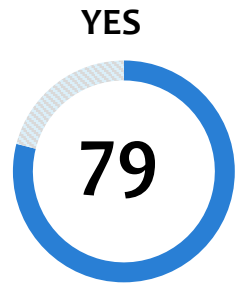
Most representative answers!



CELL PHONE??

¿Do you have a cell phone?

n=5211



Gender

82

75



n=

2605

2606

Age

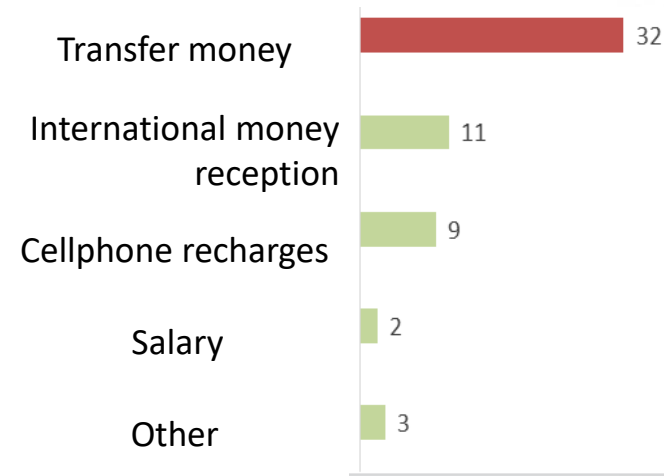
18-24

25-39

40+



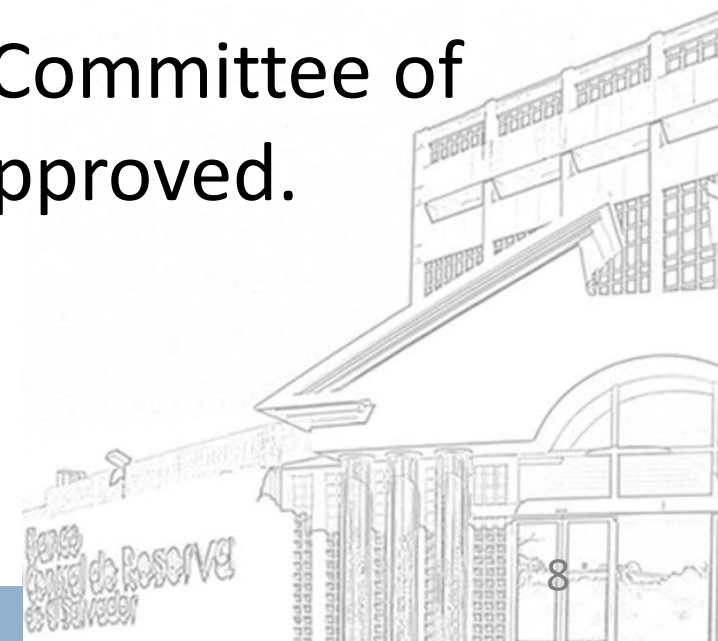
What operations do you do with your cell phone?



Where do we start?



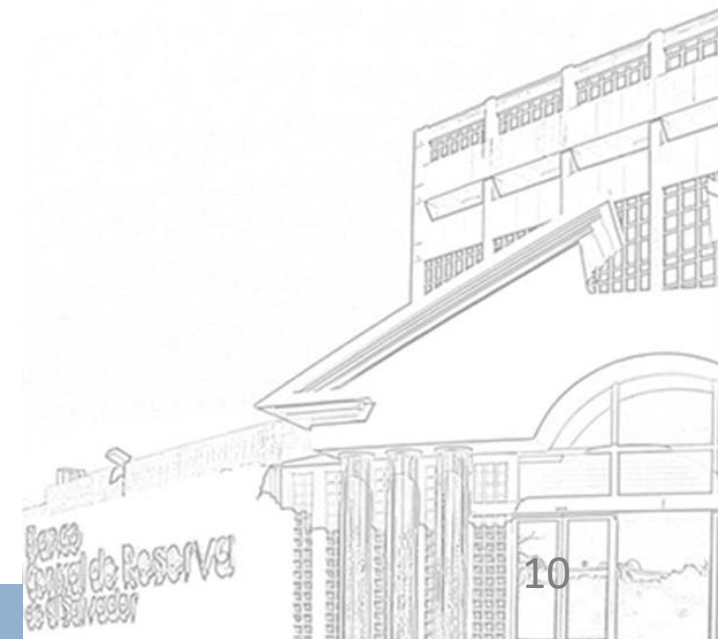
- There was an institution: Tigo Money that already provided these services and was not regulated.
- Providing Retail Payment Financial Services.
- A plan is needed to ensure these services.
- Through the Board of Directors and Standards Committee of the Central Reserve Bank, the regulation was approved.



Overview of Retail Payments in El Salvador



Legal and Regulatory Framework



Financial Inclusion Law

September 11th, 2015



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- The Law opens the space for: The existence of electronic money providers, and

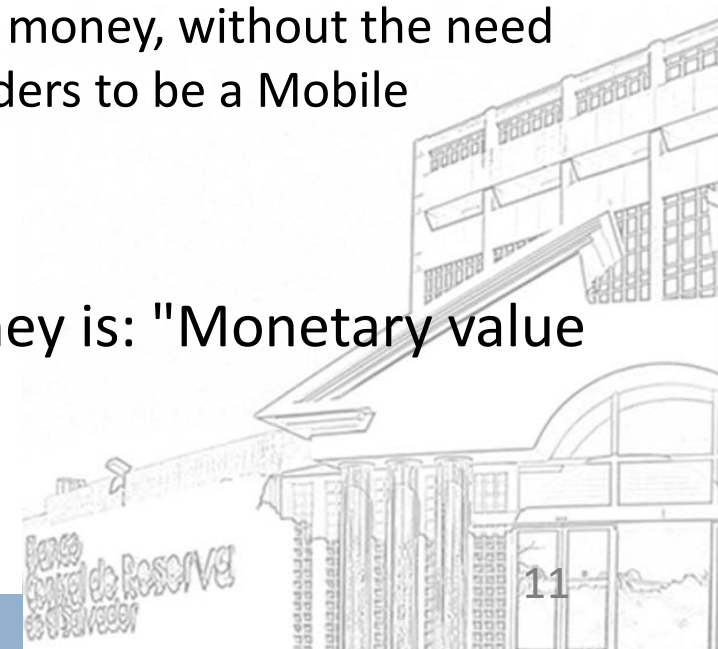


Two financial products:

- The Electronic Money Register and
- Savings Accounts with Simplified Requirements

The Law empowers financial institutions authorized to raise, to provide electronic money, without the need to establish a partnership. It also allows the BC to grant an authorization for providers to be a Mobile Payments System Administrator.

¿What is electronic money? According to Art.5, the electronic money is: "Monetary value protected in a platform and that makes use of electronic devices".

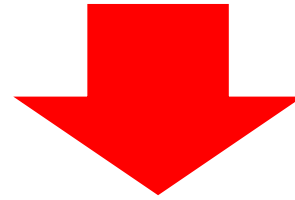


Integral Model of Digital Financial Services



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Mobile Phone Operators

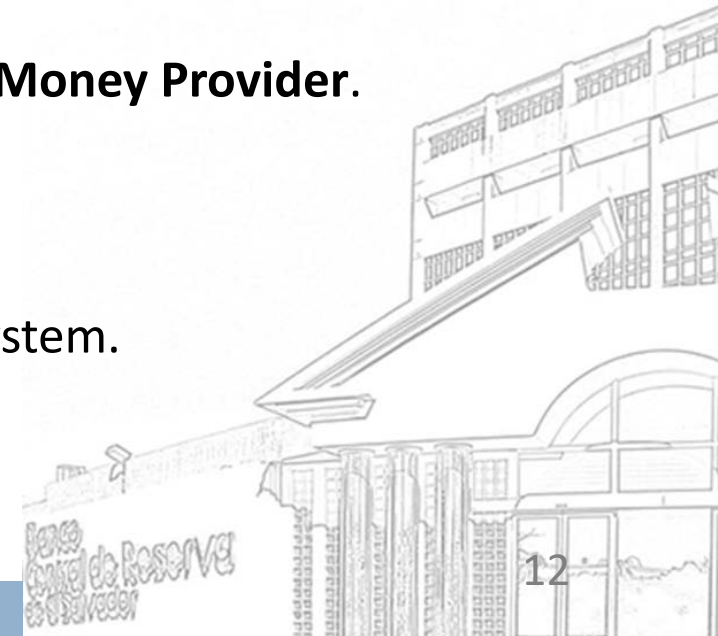


Banking Model

Integral model: Banks, Cooperative Banks, Savings and Credit Societies and Electronic Money Provider. Companies can compete in the provision of financial services related to payments and money transfers

A new member is incorporated into the Financial System: **Electronic Money Provider.**
Entity specializing in Providing Electronic Money.

- Capital Requirement: US \$ 500,000.00
- Supervised by the Superintendence of the Financial System.
- 100% Reserve in the Central Reserve Bank



2 Innovative Products

Electronic Money

Characteristics (EM):

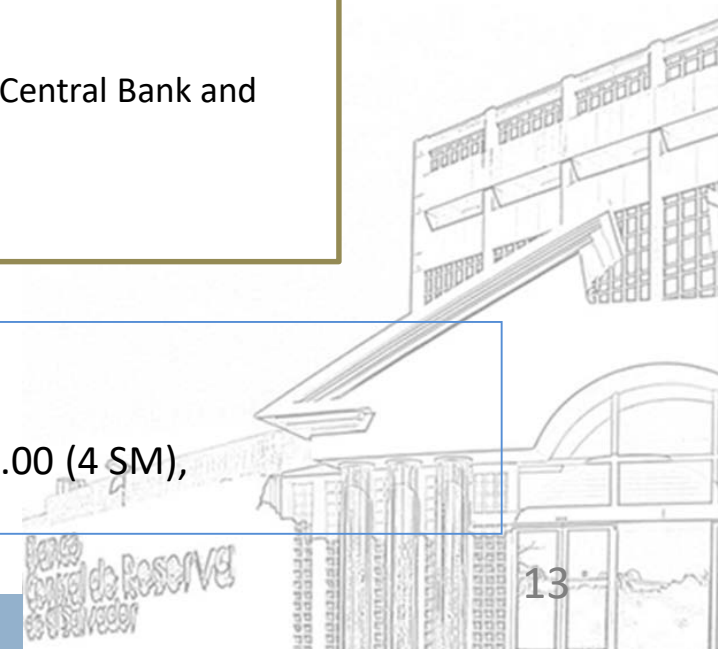
- To be provided by Electronic Money Suppliers, Banks, Cooperative Banks, and Savings and Credit Societies.
- One Wallet per client.
- It does not earn interest in favor of the Client.
- 100% backing at the Central Bank (Guarantee).
- Pre-funding at the Central Bank.

Savings Account with Simplified Requirements

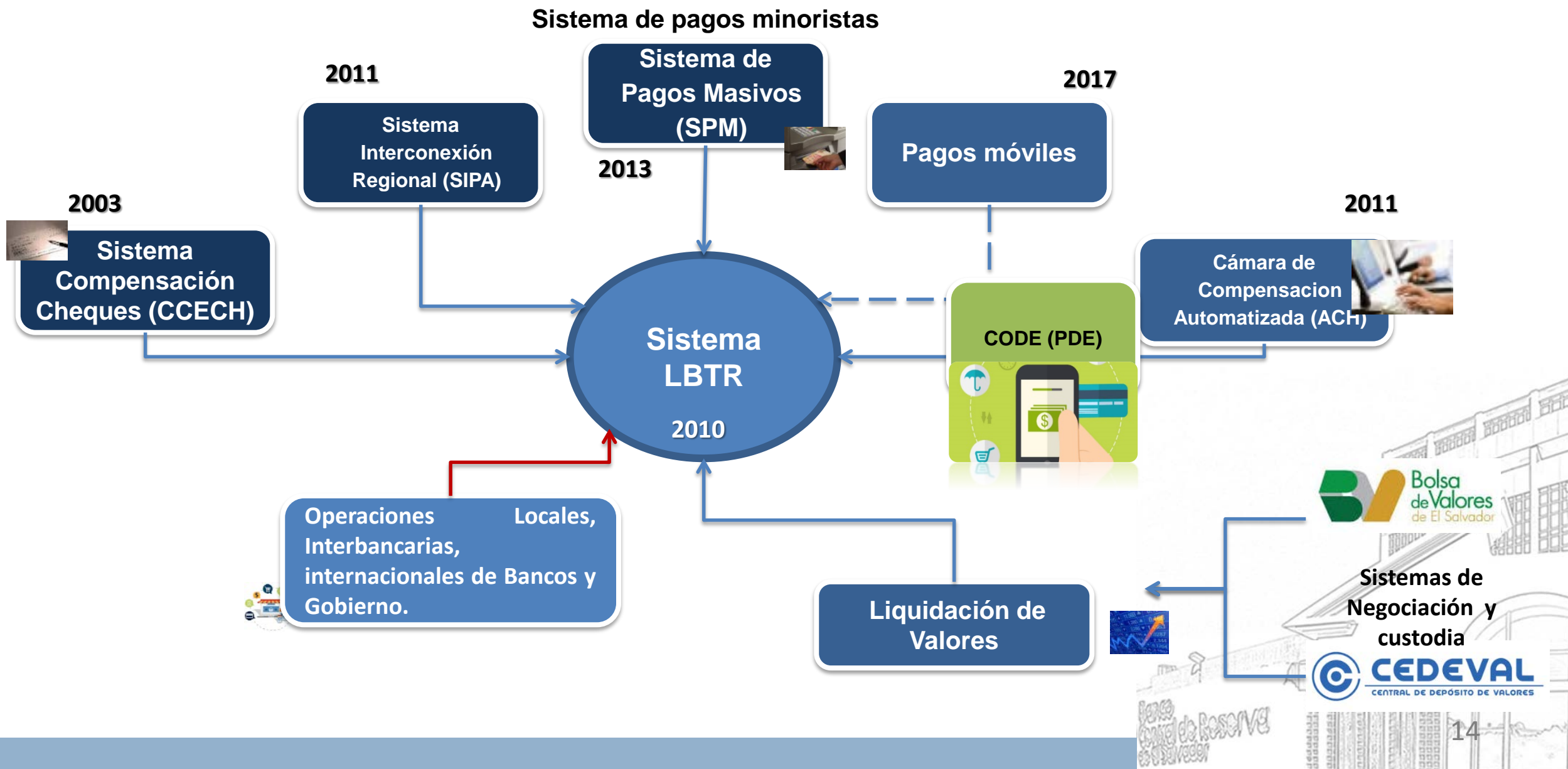
Characteristics (SASR):

- Offered by Banks, Cooperative Banks, and Savings and Credit Societies.
- A Savings Account per Institution.
- Gain Customer Interests.
- 20% Reserve of Liquidity in the Central Bank and
- Guarantee of the IGD.
- Post-anchoring.

- Opening Requirements: DUI and Income Statement Form
Limits. Balance: US \$ 1,200.00 (4 SM),
Limit per Transaction: \$ 300 (1 SM) and Monthly Transactions: \$ 1,200.00 (4 SM),



Provide a secure and efficient payment system for the benefit of users of financial services



Electronic Money System



Banco Central de Reserva de El Salvador



CODE

• Solicitud de Disminuir el Dinero Electrónico y Cuenta de deposito.

• Solicitud de Incremento del DE

➤ Instructivo para la administración y Funcionamiento del Sistema de Pagos Masivos



SPM



Incrementos del DE



Inicio de Disminución en cuenta de Deposito



Cuenta de Deposito del PDE en BCR



LBTR

- Reglamento del sistema de Liquidación Bruta en Tiempo Real (LBTR)
- Instrucciones para el Sistema de Liquidación Bruta en Tiempo Real (LBTR)



Incrementos en cuenta de deposito



PDE

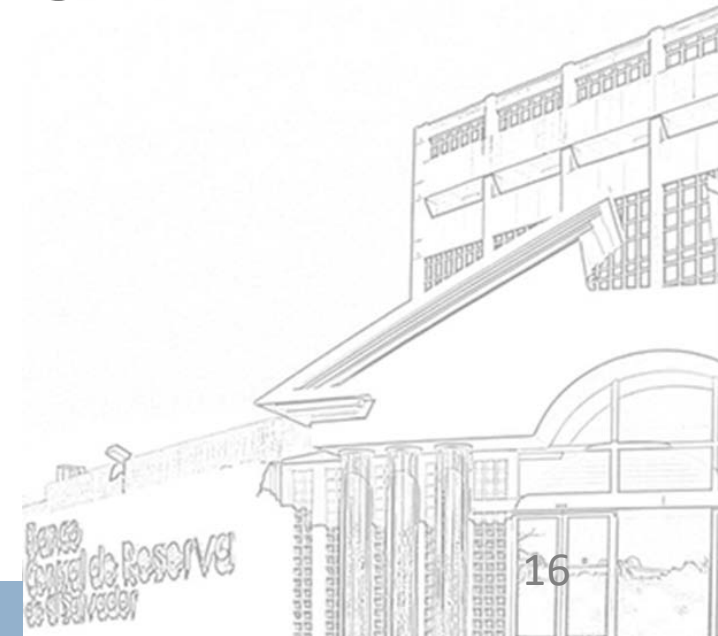


IFI'S

CODE: Control de Dinero Electrónico
PDE: Proveedor de dinero Electrónico

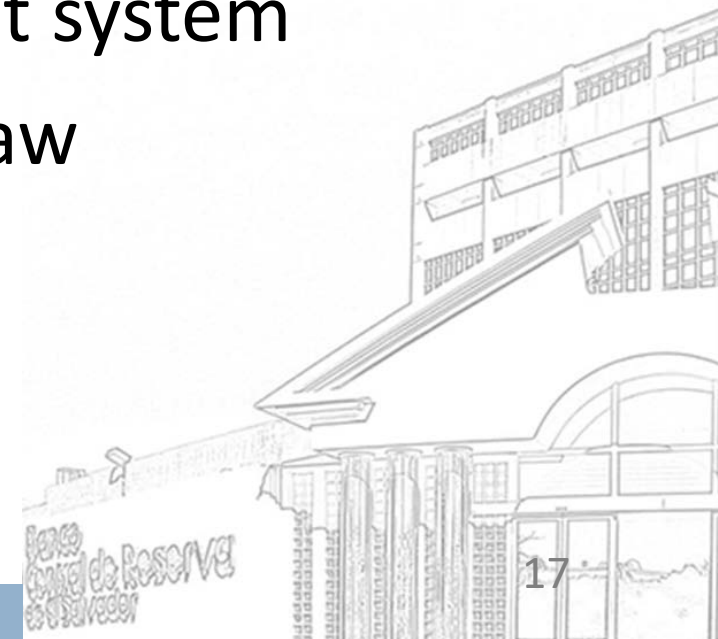


Lessons Learned and Challenges



Lessons Learned and Challenges

- Interoperability
- Financial education
- Informal sector
- Strategy for modernizing the national payment system
- Securities Payment and Settlement Systems Law
- Oversight: Payment Instruments and Services





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