



Retail Payments Strategy

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Need for Strategic approach to Retail Payments

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*

**Source: Global Payment Systems Survey 2010*

Retail Payments Strategy- Background

- **Synthesize past work and develop a holistic framework to guide development of an efficient retail payment infrastructure.**
- **Efficient retail payment infrastructure is key to support:**
 - **Financial inclusion**
 - **Government payments**
 - **Remittances**
 - **Migration to electronic payments.**

Main Audience

- **Central Banks and Government Authorities**
- **World Bank Group Regions and country teams**
- **Other International Development Organizations**
- **Major Market Players**

Building on previous studies

- This study synthesizes the past research and publications on associated topics and builds on the experience gained by the World Bank Group in supporting payments system reforms.
 - “Policy issues for Central Banks in Retail Payments” – CPSS , 2003
 - “Guidance on National Payment Systems Development” – CPSS, 2006
 - “Retail Payment Systems to support financial inclusion” – CEMLA-WB, 2007
 - “General Principles for International Remittances” – CPSS-WB, 2007
 - “Balancing Co-Operation and Competition in Retail Payment Systems” – WB, 2008

CPSS Public Policy Goals for Retail Payments (2003)

Legal and Regulatory

Framework: Policies relating to efficiency and safety of retail payments should be designed to address legal and regulatory impediments to market development and innovation

Market Structure and

Performance: Policies relating to efficiency and safety of retail payments should be designed to address market conditions and behaviors

**Role of Central Bank
as an Overseer of
retail payments**

Standards and Infrastructure:

Policies relating to efficiency and safety of retail payments should be designed to address development of effective standards and infrastructure arrangements

Central Bank Services: Policies relating to efficiency and safety of retail payments should be designed to provide central bank services in the manner most effective for the particular market

World Bank Reform Agenda for Retail Payments (defined by PSDG in 2005)

- Central banks and all stakeholders in the retail arena must work together in a clear strategy to promote the intensive use of retail electronic payment instruments and reduce the importance of cheques.
- Central banks should take a leadership role to achieve the necessary agreements among banks and other participants – at least one ACH.
- Central banks should coordinate efforts under way in order to achieve a system that encompasses all relevant players and that processes as many services as possible, avoids duplications and operates on a full scale.
- Central banks and other relevant government agencies should foster coordination and communication to ensure that collection and disbursements of the public sector institutions that are major players in the payments system be processed electronically.
- Central banks, in coordination with other authorities, should ensure customers protection and foster a safe and efficient provision of remittances services in line with the CPSS-WB General Principles for International Remittance Services

Issues impacting adoption of Electronic payments

- **Access challenges** – Cost, Geographical, knowledge etc.
- **Lack of coherent national payment strategy**
- **Infrastructural shortcomings**
 - ACH, POS/ATM networks, Core banking solutions etc.
- **Inefficient electronic payment instruments**
 - Limited inter-operability, limited acceptance points, cost etc.
- **Customer attitudes & trust in electronic payments**

Framework for a Retail Payment Strategy

- **Public Policy Goals**
 - Promote Safety and Efficiency.
 - Broad based affordable access to electronic payment instruments.
 - Promote development of infrastructure – institution level and industry level.
 - Promote socially optimal usage.
- **CPSS-WB General Principles (GPs) for Remittances**
 - The issues impacting remittances and retail payments are similar.
 - The public policy goals for remittances and retail payments are similar.
 - Remittances is a type of Retail Payment.
- **GPs is a valid framework for retail payments as well.**

World Bank – CPSS 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

High level summary

Principle	Actions by Government and Private players
Consumer Protection , Transparency and access.	• Minimum standards for consumer protection and Transparency • Simple and quick dispute resolution • Enshrine customers right to financial access
Legal framework	• Law to address standard payment system issues • Regulations, guidelines to address specific aspects • Proportionate regulations for payment service providers • Enable innovation
Infrastructure	• Require at the minimum infrastructure level inter-operability • Create incentives for development of infrastructure • Fair and transparent access criteria for using infrastructure
Competition	• Encourage competition amongst providers and also payment instruments and mechanisms • Legal safe-guards against anti-competitive behavior • Ensure fair-access criteria • Ensure cross network acceptance of payment instruments
Risk Management and Governance – Inspire Trust.	• Minimum standards for data security, privacy, fraud and operational risk management • Effective mechanism to address settlement risks
Effective oversight of Retail Payment Systems	• Develop oversight policy inline with public policy goals • Undertake detailed retail payments stocktaking. • Identify and effect Interventions to address supply side and demand side barriers. • Promote collaboration and catalyze infrastructure development.

Contents of Retail Payment Strategy paper

- **Business case for Retail Payments**
- **Critical success factors for adoption of electronic payments**
- **Actions required for triggering retail payments development**
- **Policy guidance**
- **Implementation approaches**
- **Supporting Tools:**
 - **Methodology for Retail payments stocktaking.**
 - **Legal framework for innovative retail payment mechanisms.**
 - **Guidelines for national retail payments infrastructure development.**

Next Steps

- **Available for peer review April 2011.**
- **Publication in May 2011.**