



Challenges in Retail Payment Systems

A World Bank Perspective

Joint ECB-OeNB Retail Payments Conference

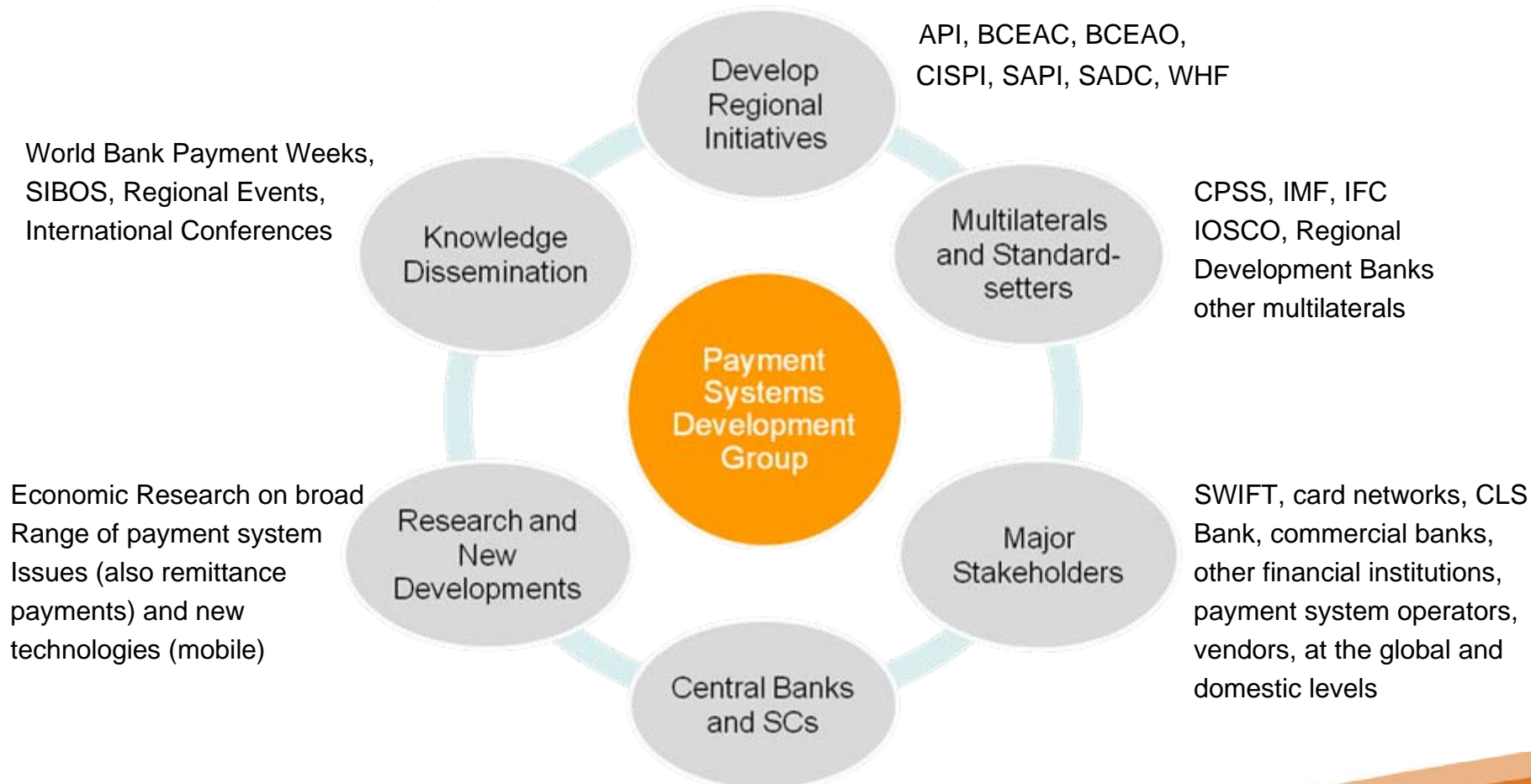
Vienna, May 12-13, 2011

Massimo Cirasino
Head, PSDG
The World Bank

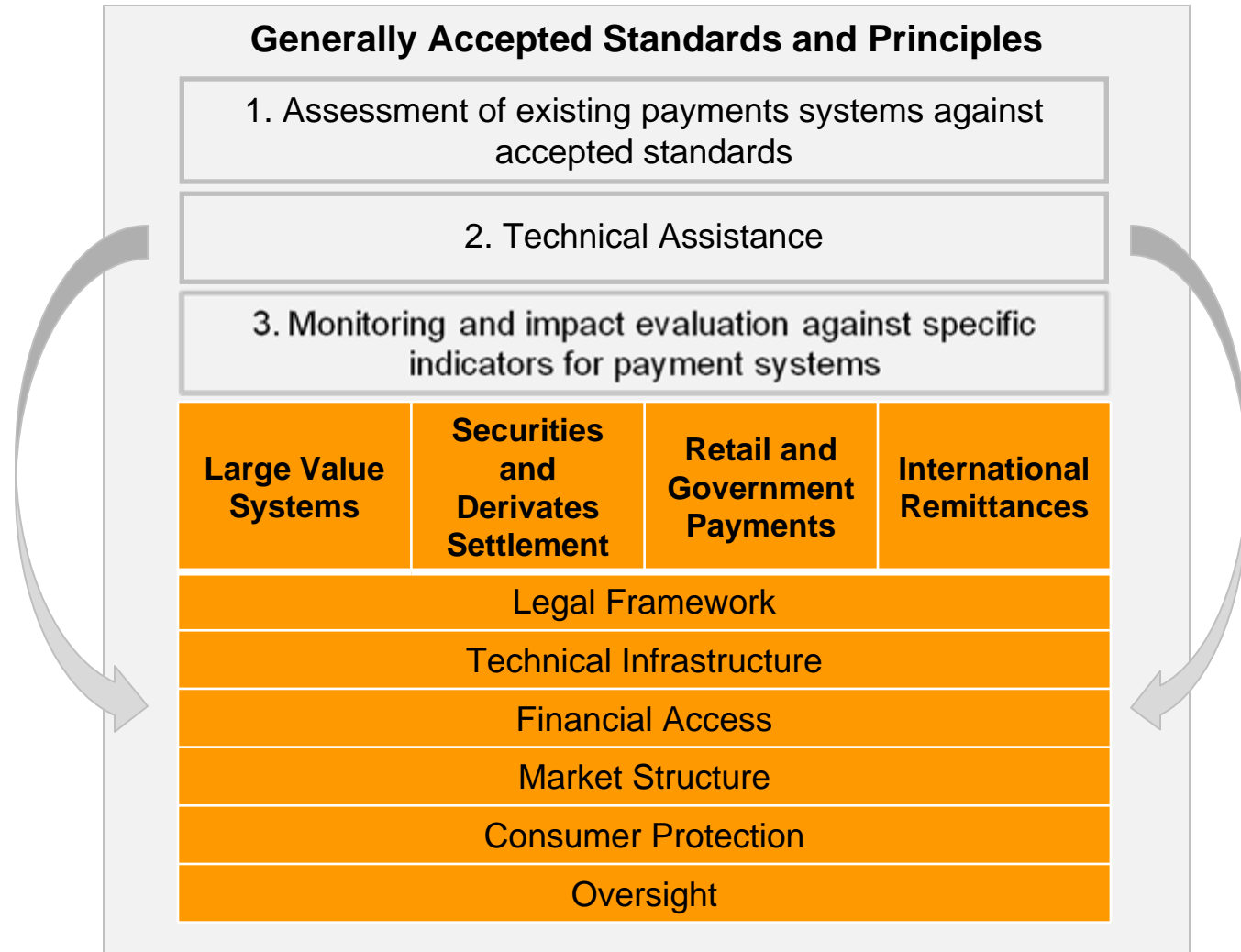


Payment Systems Development Group: Delivery Model

The Payment System Development Group is at the center of an international network, whose main objective is supporting countries to reform Payments, Remittances, and SSS (over 110 countries in 12+ years)



PSDG Methodology



15+ years of discussion and reforms have led to important progress worldwide with regard to Legal Framework and High-Value Payment Systems...

- *116 central banks report having an RTGS system*
- *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*

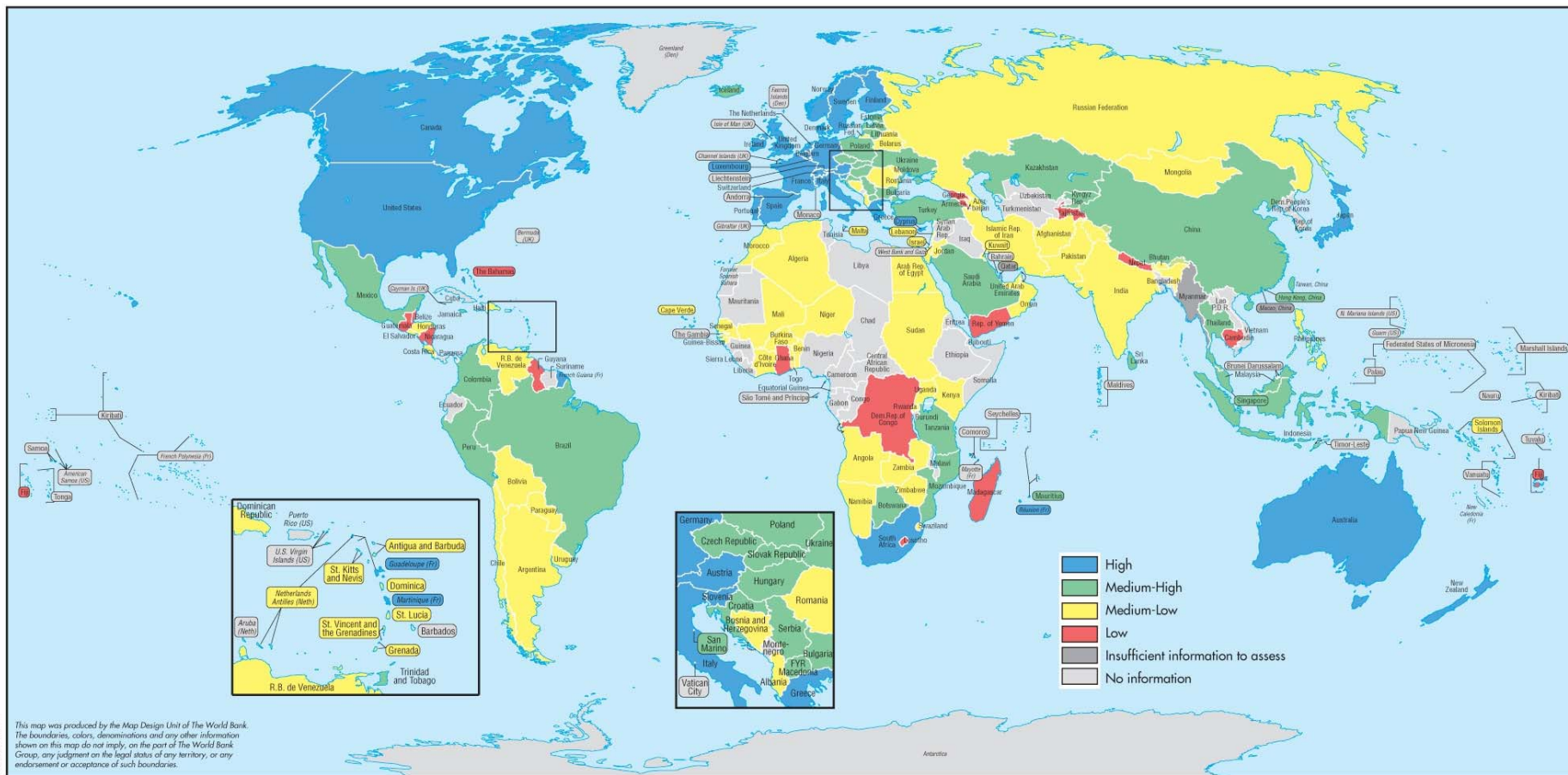
**Source: Global Payment Systems Survey 2008 and 2010*

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 interoperability, limited acceptance points, cost etc.*
- Customer attitudes & trust in electronic payments

RETAIL PAYMENT SYSTEMS

Subcomponent 1: Infrastructure and Policy



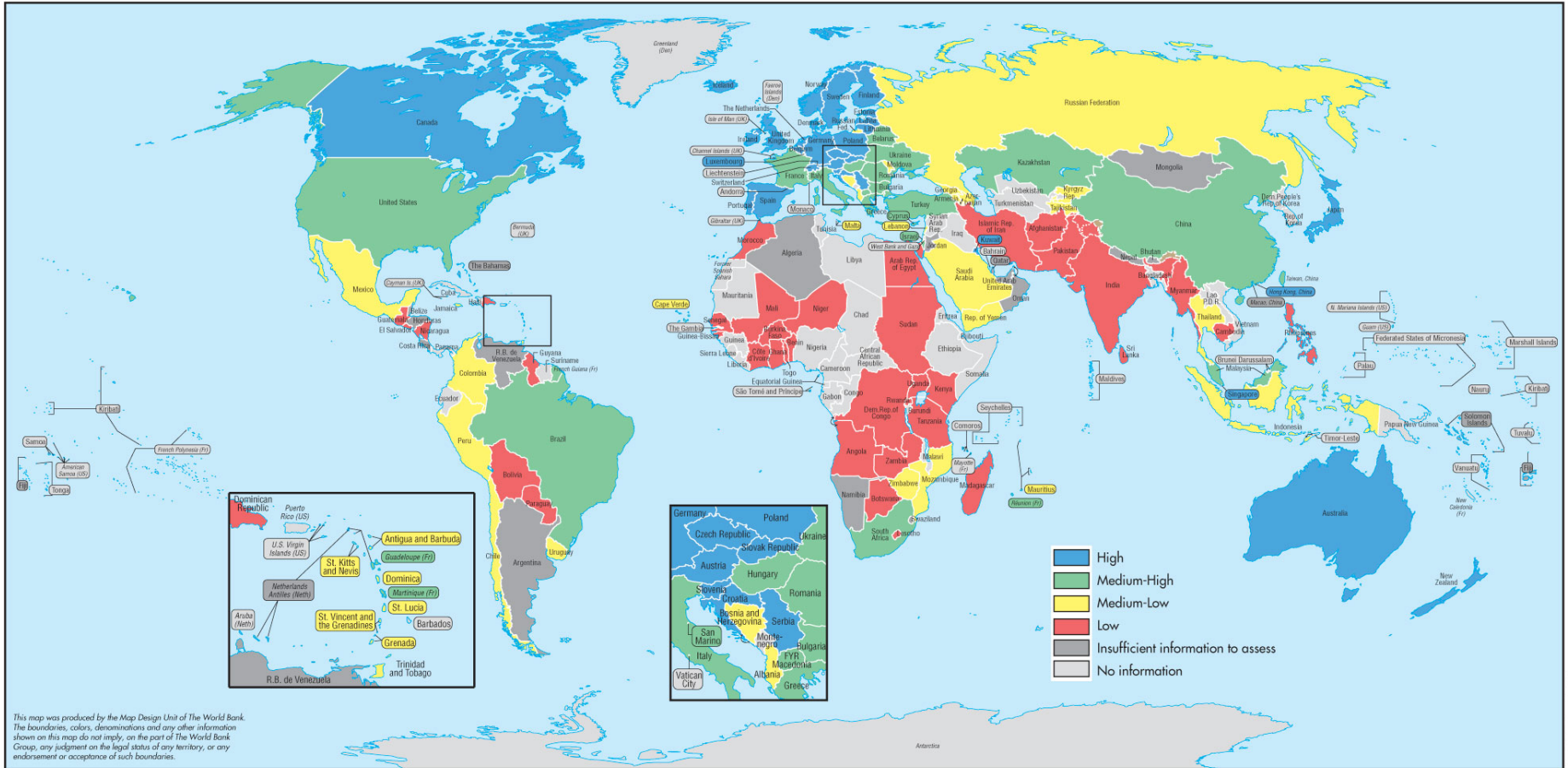
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MAY 2008

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RETAIL PAYMENT SYSTEMS

Subcomponent 2: Extensiveness and Inherent Efficiency of Retail Payment Instruments Used



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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

Balancing Cooperation and Competition in Retail Payments – 2009 WB Guidelines

- **Guideline 1.** Market complexities need to be recognized and analyzed in detail before any action is decided and implemented
- **Guideline 2.** Policy trade-offs are relevant in this domain. Therefore, policy priorities will have to be determined and the type of public intervention should depend on the main public objective(s) pursued
- **Guideline 3.** Effective Oversight of retail payment systems by the central bank is crucial to balance cooperation and competition issues
- **Guideline 4.** Institutional mechanisms to promote cooperation and information sharing are essential

2011 Retail Payments Strategy (upcoming) - 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
- Is addressed to Central Banks and Government Authorities, World Bank Group Regions and country teams, Other International Development Organizations, and Major Market Players
- Build on previous studies and experience gained by the World Bank Group and other institutions in supporting payments system reforms

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**

Contents of Retail Payment Strategy Paper

- Business cases for Retail Payments
- Critical success factors for adoption of electronic payments, including fostering access to the underserved and the unserved
- Actions required for triggering retail payments development
- Policy guidance
- Implementation approaches
- Supporting Tools:
 - ✓ *Methodology for Retail payments stocktaking (in cooperation with ECB and BCB)*
 - ✓ *Guidelines for government payments*
 - ✓ *Legal framework for innovative retail payment mechanisms*
 - ✓ *Guidelines for national retail payments infrastructure development*