



Principles for Financial Market Infrastructures (PFMIs), retail payments, and financial inclusion *

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** This presentation does not necessarily express the views of the CPMI or BIS*



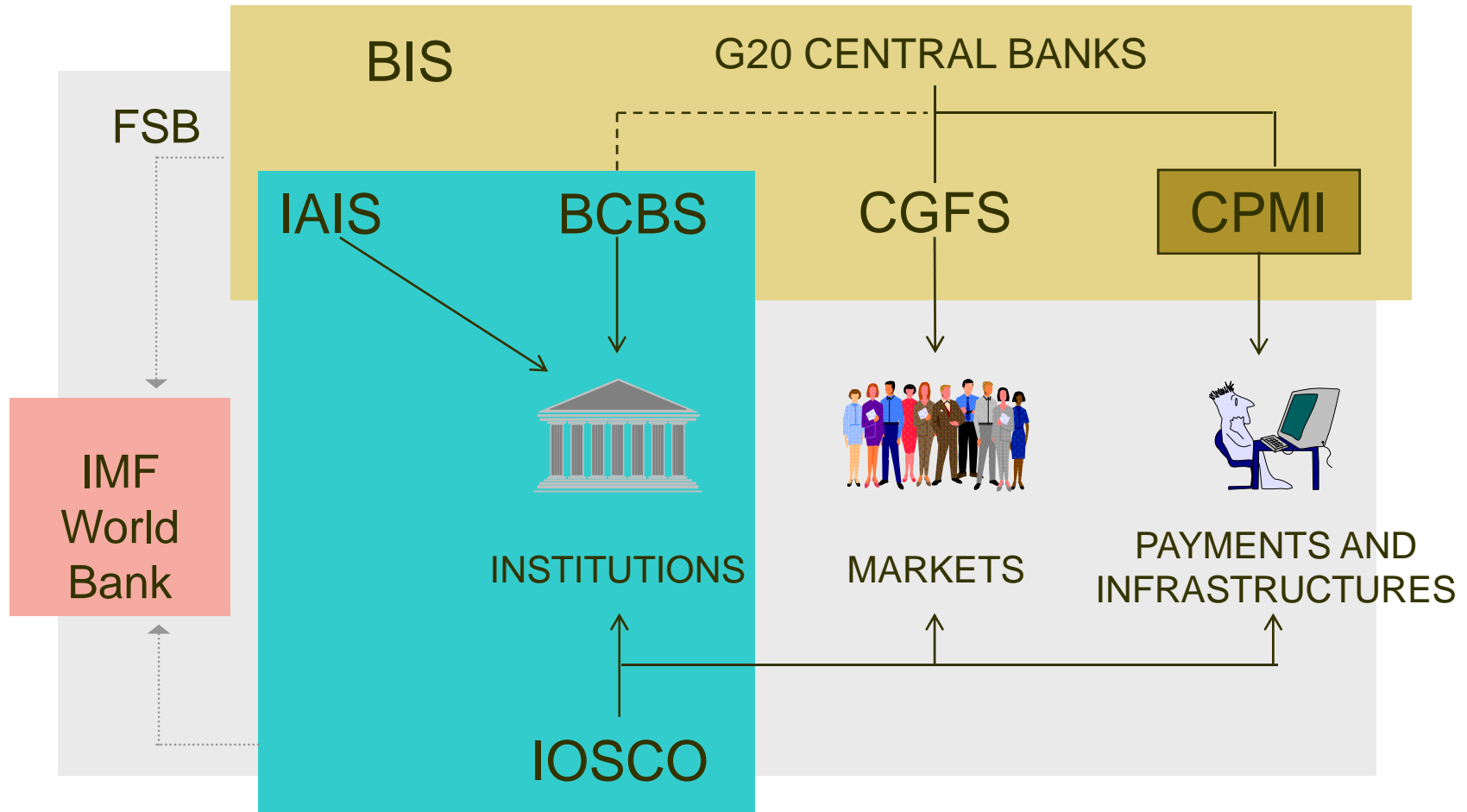
The Committee on Payments and Market Infrastructures

Mandate (revised September 2014)

- ⇒ To **promote the safety and efficiency of payment, clearing, settlement and related arrangements**, thereby supporting financial stability and the wider economy
- ⇒ The CPMI is a global **standard setting body** in the field of payments, clearing and settlement systems and related activities
- ⇒ It also serves as a **forum for central banks** to *monitor and analyse developments* in large value and retail payment, clearing and settlement arrangements, schemes and instruments both within and across jurisdictions
- Establishment in 1990 as *Committee on Payments and Settlement Systems* (until 1 September 2014)
- Hosted by the Bank for International Settlements in Basel), reporting to the Governors of the Global Economy Meeting



CPMI as a standard setting body



The PFMI: New global standards for FMIs

- Part of the post-crisis *G20 regulatory reforms*
- The PFMI were published by CPMI and IOSCO in April 2012, comprising of:
 - 24 Principles for FMIs
 - 5 Responsibilities for authorities
 - 5 Expectations for critical service providers
- Main goal of the PFMI is to improve the risk management framework and practices of FMIs and thereby augment the resilience of the financial system to negative shocks
- PFMI apply to systemically important (SI) FMIs
 - It is assumed that all CSDs, SSSs, CCPs and TRs are SI
 - Payment systems may or not be SI (e.g. retail systems)
- All FMIs are “encouraged” to observe the PFMI



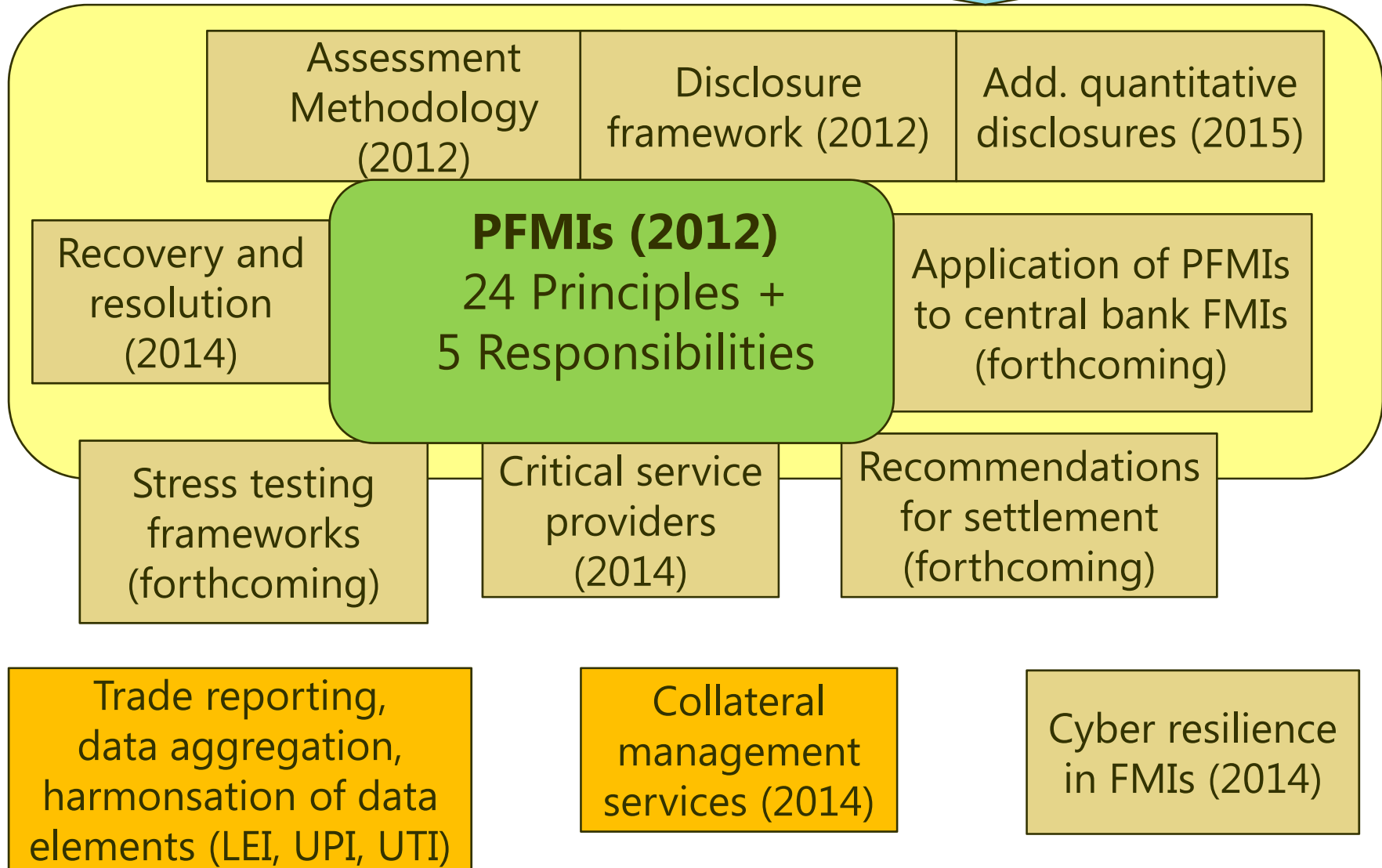
Status of the PFMI

- PFMI are *recognized international standards* applicable to FMIs:
 - international best practice ("*soft law*") for *all* jurisdictions
 - *commitment of members* of the relevant SSBs to implement
- IMF and World Bank rely on the PFMI in their FSAP and country assessment work
- Links of domestic FMIs with large foreign FMIs or participation of foreign banks will be influenced by the PFMI
 - e.g.: equivalence process in EU, BCBS QCCP framework
- Subject to *implementation monitoring* by CPMI-IOSCO (and FSB monitoring, IMF and World Bank FSAPs)
 - implementation may be rules-based, principles-based or a combination of both
 - focus on consistency of outcomes across jurisdictions

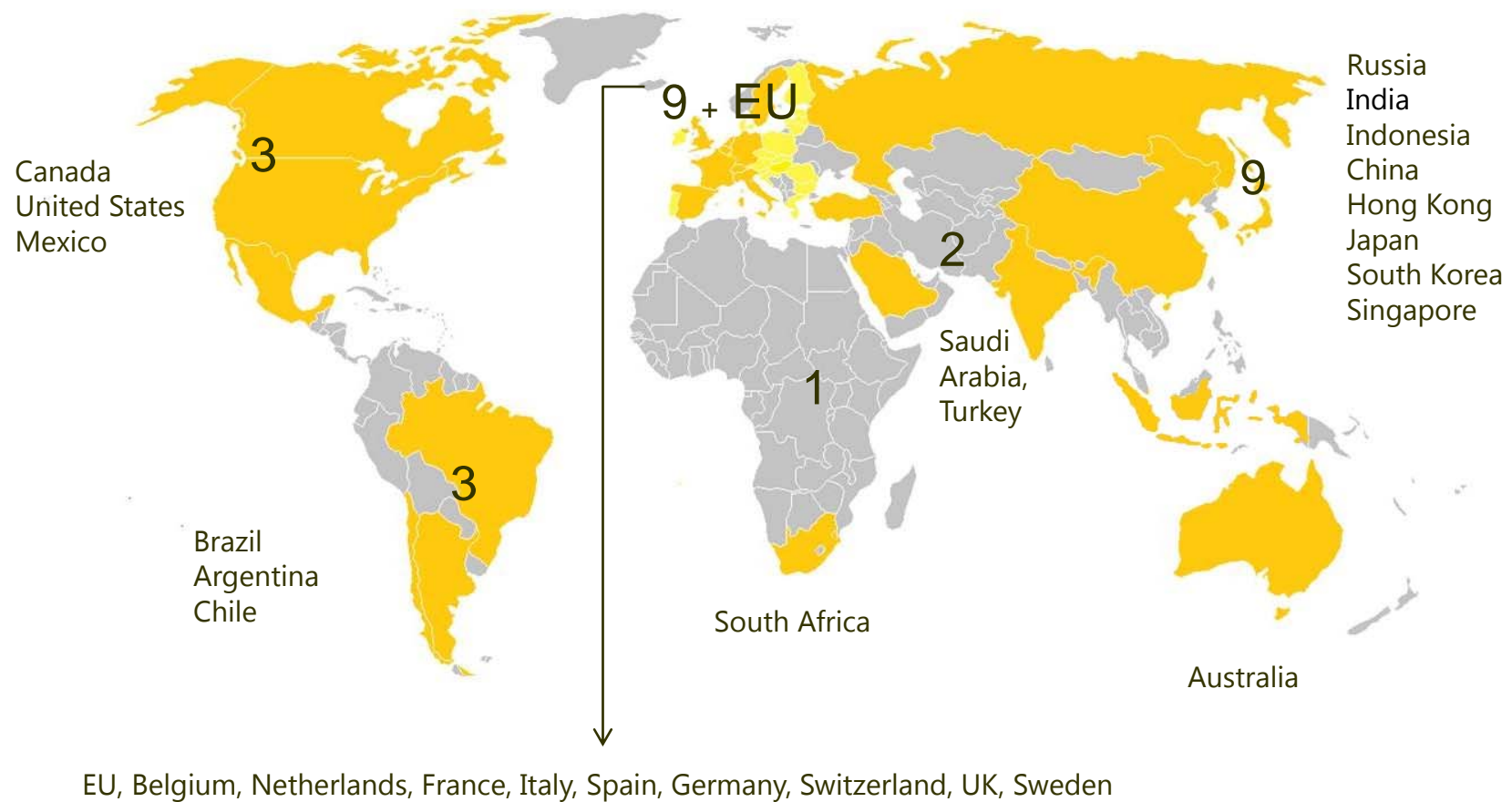


The PFMI's "ecosystem"

Implementation monitoring



CPMI/IOSCO/FSB member countries committed to adopt the PFMI

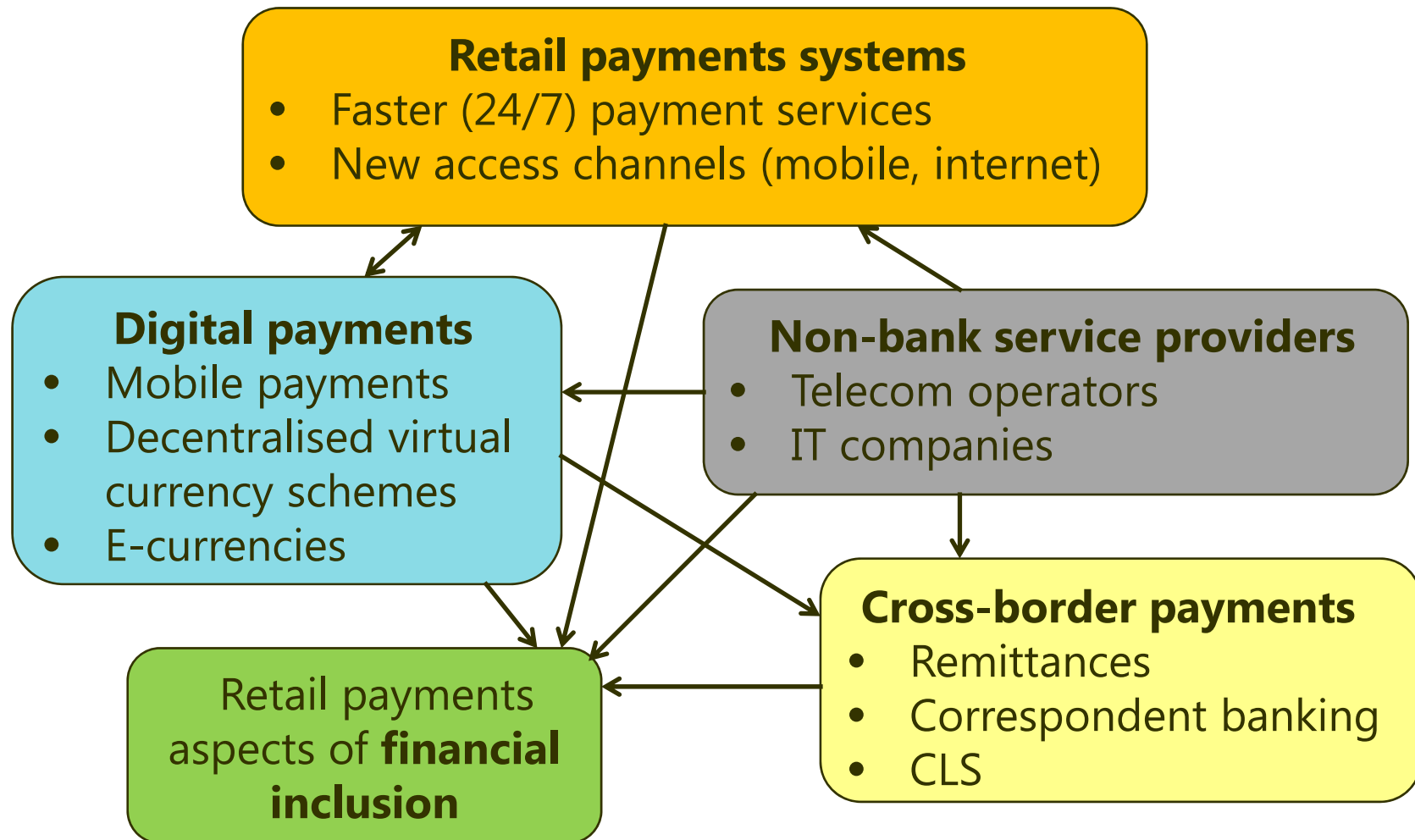


The CPMI and retail payments

- Description and statistics on payment and settlement systems – Red Books (not only retail)
- Guidelines, principles, best practices
 - General Principles for international remittance services (January 2007)
- Policy and analytical reports:
 - Retail payment systems in selected countries: a comparative study (September 1999)
 - Clearing and settlement arrangements for retail payments in selected countries (September 2000)
 - Policy issues for central banks in retail payments (March 2003)
 - **Innovations in retail payments (May 2012)**
 - **Non-banks in retail payments (September 2014)**
 - **New WG on developments in retail payments**



Current CPMI focus on (retail) payments



Innovations in payments

- *Dynamic market*, but few innovations have significant impact (so far), regional differences are likely to persist
 - Most innovations are national (role of *standardisation*?)
 - *Speed* is gaining importance in retail payments (real-time)
 - *Role of non-banks* is increasing
 - *Security issues* will become ever more critical
 - *Financial inclusion* is a driving force
- ⇒ *Regulation can be either driver or barrier*



How can innovations help include the excluded?

- *Traditional providers* (banks) often find no business case to serve some sectors with traditional payment instruments based in bank accounts
 - But *innovations* may change this perception (especially for new types of PSPs) as services might:
 - Rely on other *types of accounts* (eg payment accounts, prepaid accounts)
 - Reach underserved sectors of the population *without branches* (eg through agents)
 - Use new ways to *initiate transactions* and *simplify authentication* (eg through mobile devices, electronic IDs)
 - Innovations in these areas might help to make supplying services to underserved sectors attractive ; the demand already exists
 - This is particularly important in areas in which the services of the incumbents are unsatisfactory (eg certain cross-border remittances)
- ⇒ *Access to basic payment services* is a good *first step* towards the provision of more sophisticated services (deposits, credit, insurance)



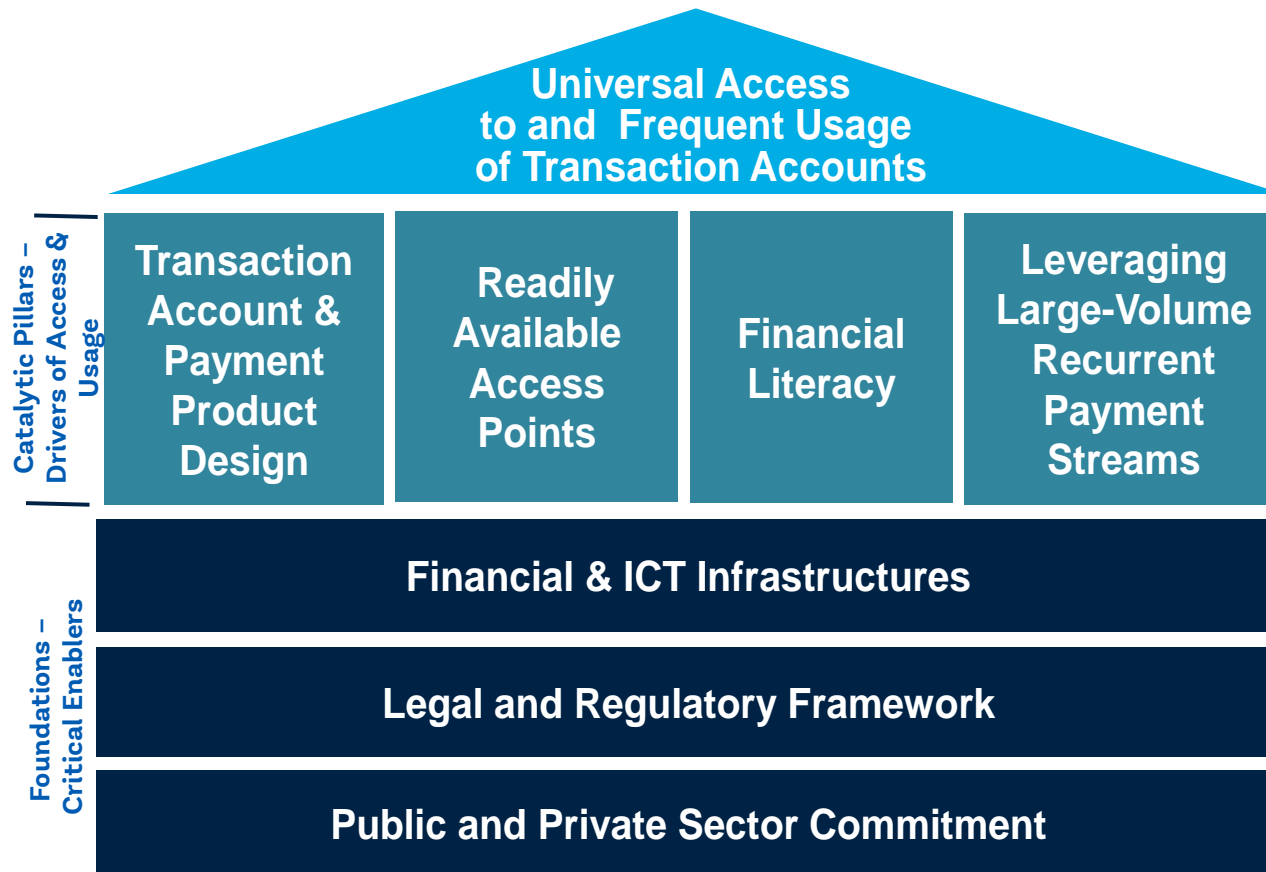
CPMI and Financial Inclusion Work

- CPMI has a long history of contributing to the global efforts for financial inclusion (eg General Principles for international remittance services (January 2007))
- In November 2013, CPMI and World Bank launched a *Joint task force on payments aspects of financial inclusion (PAFI)*
- Members of the Task Force include 20 CPMI central banks and international institutions (WB, AfDB, CEMLA, EBRD, IADB and IMF)
- The group is looking at issues that affect access and usage of payment services, and those that foster or impede the role of payment services as a gateway to broader financial inclusion



Payments Aspects of Financial Inclusion

- Analytical framework



Payments Aspects of Financial Inclusion

- Key conclusions of the PAFI Task Force:
 - Efficient, accessible, and safe retail payment systems and services are critical for greater financial inclusion
 - Transaction accounts are a cornerstone for the provision of cashless retail payment services.
- Report will contain *guidance* for authorities on augmenting financial inclusion by improving access to and usage of transaction accounts
- Target date for public consultation on report: *H2-2015*

