Objectives

- Detailed analysis of central bank experiences in conducting stocktaking exercise for retail payments

- In particular, emphasis on following aspects
  - Initial motivations for conducting stocktaking
  - Public policy objectives that support business case for stocktaking
  - Process for conducting stocktaking exercise
  - Handling of outcomes including payment systems reform

- Based on experiences of certain central banks, develop standardized methodology for stocktaking which can be used by other central banks
Scope for Retail Stocktaking Exercise

- Collaborate with representatives from Banco Central Do Brasil (BCB) and European Central Bank (ECB) to develop discussion paper for exercise.

- Document in detail BCB and ECB experiences including:
  - Motivations for conducting stocktaking
  - Building business case within central bank
  - Planning and organization of stocktaking including involvement of broader financial sector
  - Process for collection of information from financial institutions
  - Data analysis process
  - Key learnings from diagnostic
  - Implementation of reforms

- Review of other central bank experiences – Australia, India, etc.

- Develop standardized methodology and incorporate in discussion paper developed by PSDG World Bank with BCB and ECB.
Overview of Brazilian Experience (1)

Motivating Factors

- After implementation of reforms for large value payment systems by 2002, focus on improving safety and efficiency in retail payments
  - broaden the population access to electronic payment services
- BCB focused on known issues in retail payments
  - Lack of interoperability in infrastructures (ATM and POS network)
  - Heavy usage of paper based payment instruments
- Better understanding needed before implementing reforms however BCB mandate limited to banks only

Build Business Case

- Prepare concept note for stocktaking exercise and obtain approval from BCB board
- Conduct site visits to other central banks in order to see first hand examples of similar policy reforms
Overview of Brazilian Experience (2)

- Planning and Organization
  - Develop scope for stocktaking exercise including qualitative and quantitative questionnaires
  - Develop guidelines for data collection and validate with banks and payment service providers
  - Identify “right” contacts within financial institutions and send questionnaires in 2003 requesting 5 year data

- Data Analysis
  - Develop rigorous process for data management
  - One year for data analysis

- Develop final Report in 2005
- Develop key learnings from first diagnostic including better data collection methods and classification of payment instruments
- Launch second diagnostic in 2006 with proposal of reforms by 2009
Overview of European Experience (1)

- Background
  - As part of Eurosystem’s catalyst function, ECB seeks to promote overall market efficiency for payments, clearing and settlement
  - Financial integration and development: complementary elements in promoting efficiency
  - Introduction of TARGET and EURO1 systems in 1999 to settle large value payments
  - Lack of integration in retail payment and securities sectors meant inefficiencies and high transaction cost; especially for cross border transactions

- Public Policy Objective: establish area-wide integrated euro payment and settlement services that address issue of market fragmentation and where market participants are
  - Subject to single set of rules
  - Have open and equal access to payment and settlement services
  - Treated equally when using these services
Overview of European Experience (2)

- Other supporting measures by the ECB
  - Facilitating discussion and cooperation between all stakeholders on European level
    - European Payments Council, European Association of Clearing Houses, European Association of Corporate treasurers, etc.
    - Contact Group on Euro Payments Strategy, SEPA High Level Meeting, SEPA Council

- Implementation of Public Policy Goals:
  - Promotion of technical standardization in payment processing
    - Adoption of IBAN, ISO20022 XML and harmonized business practices for credit transfers and direct debits
    - Standardization of bank/bank and bank/customer domains
    - Standardization of card payments – migration to EMV, POS and ATM terminals
  - Ensuring proper monitoring and planning by collecting accurate statistical data
    - Blue book publication / Statistical data warehouse
    - SEPA indicators
  - Key legal acts within EU to facilitate integration and legal certainty
    - E-money directive
    - Regulation on cross border payments in the community
    - Regulation on information on the payer accompanying transfers of funds
    - Payment services directive
    - Settlement finality directive
Guidelines for Central Banks to Conduct their own Stocktaking Exercises (1)

- Identify public policy goals relating to retail payments
  - Safety and efficiency in retail payments
  - Improved access for participants and users of retail payments
  - Consumer protection and financial literacy

- Identify scope for stocktaking – will depend on pressing issues within retail payments environment of country
  - Legal and regulatory environment
  - Lack of adequate retail payments infrastructure
  - Standards and interoperability in retail payments
  - Fees, transaction costs and other inefficiencies
  - Conduct of banks and payment service providers (e.g. anti-competitive)
  - Constraints in development of innovative payment instruments
Guidelines for Central Banks to Conduct their own Stocktaking Exercises (2)

- Planning and organization for stocktaking
  - Background research and study tours
  - Concept note, terms of reference or business case
  - Senior management approval
  - Identify resources within central bank
  - Communication of intent to FIs and PSPs and identify resources
  - Methodology/procedures for data collection, storage and analysis

- Data analysis and reporting
  - Qualitative and quantitative analysis
  - Findings, conclusions, recommendations of diagnostic

- Implementation of policy measures
  - Timeline for implementation of measures
  - Buy-in from all stakeholders
  - Post-mortem and next steps
Project Timeline

- Concept Note – completed
- Initial Draft – by end-November 2010
- Peer Review – December 2010
- Final Draft – by February 2011
- Dissemination – prior to Payment Week in Rio De Janeiro in March 2011