



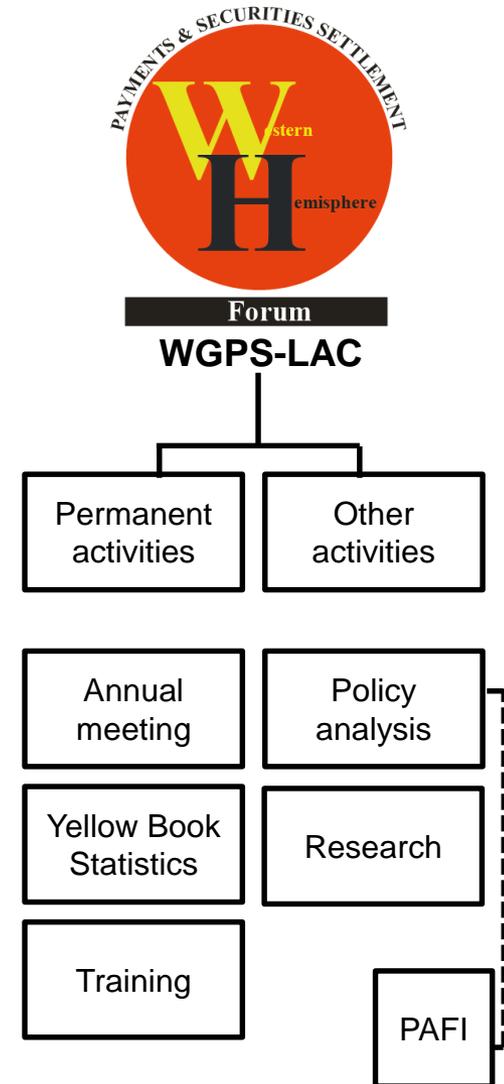
PAFI in Latin America and the Caribbean (LAC): Identifying Efforts and Gaps

Global Payments Week 2018

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Overview

- The Working Group on Payments Issues for Latin American and the Caribbean (WGPS-LAC) was established in 2001.
 - One of its main activities is to assist regional central banks in monitoring and analyzing international relevant policy development.
- The Subgroup on Payments and Financial Inclusion (SPIF) was established in 2014.
 - Goal: Identifying linkages between FI and RPS in LAC.
 - 2016 release: <http://cemla.org/PDF/forodepagos-TheRolePaymentSystems.pdf>
- The SPIF continued exploring how PAFI is being applied in LAC countries.
 - Goal: Measuring implementation efforts and gaps
 - 2019 release: coming soon



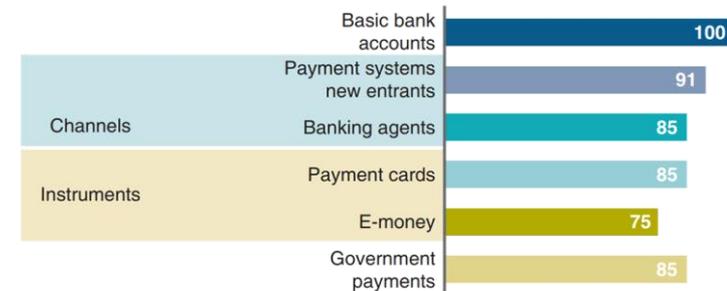
Main findings: 2016

- GP1: Commitment. Over 80% LAC central banks involved in FI strategies with existing related mandates (payments, financial literacy and consumer protection).
- GP2: Legal framework. Need for adaption of regulatory framework in light of greater responsibilities for central banks.
- GP3: Financial and ICT infrastructures. Interoperability issues. Low standardization in most RPS. PSP with heterogeneous access to systems.
- GP4: Payment product design. Transaction accounts are the most relevant RPS to advance FI in LAC. Market penetration, acceptance and usage will take time
- GP5: Readily available access points. Telcos and e-money companies, and agent banking network are gaining space. This provides broader scope for e-money and transaction accounts.
- GP6: Financial literacy. Highly relevant but it is part of a long-term strategy and thus its impact cannot be assessed at this rate.
- GP7: Large-volume, recurrent payment streams. Not investigated, but related research show important steps in terms of government payments. Remittances and public transportation remain pending.

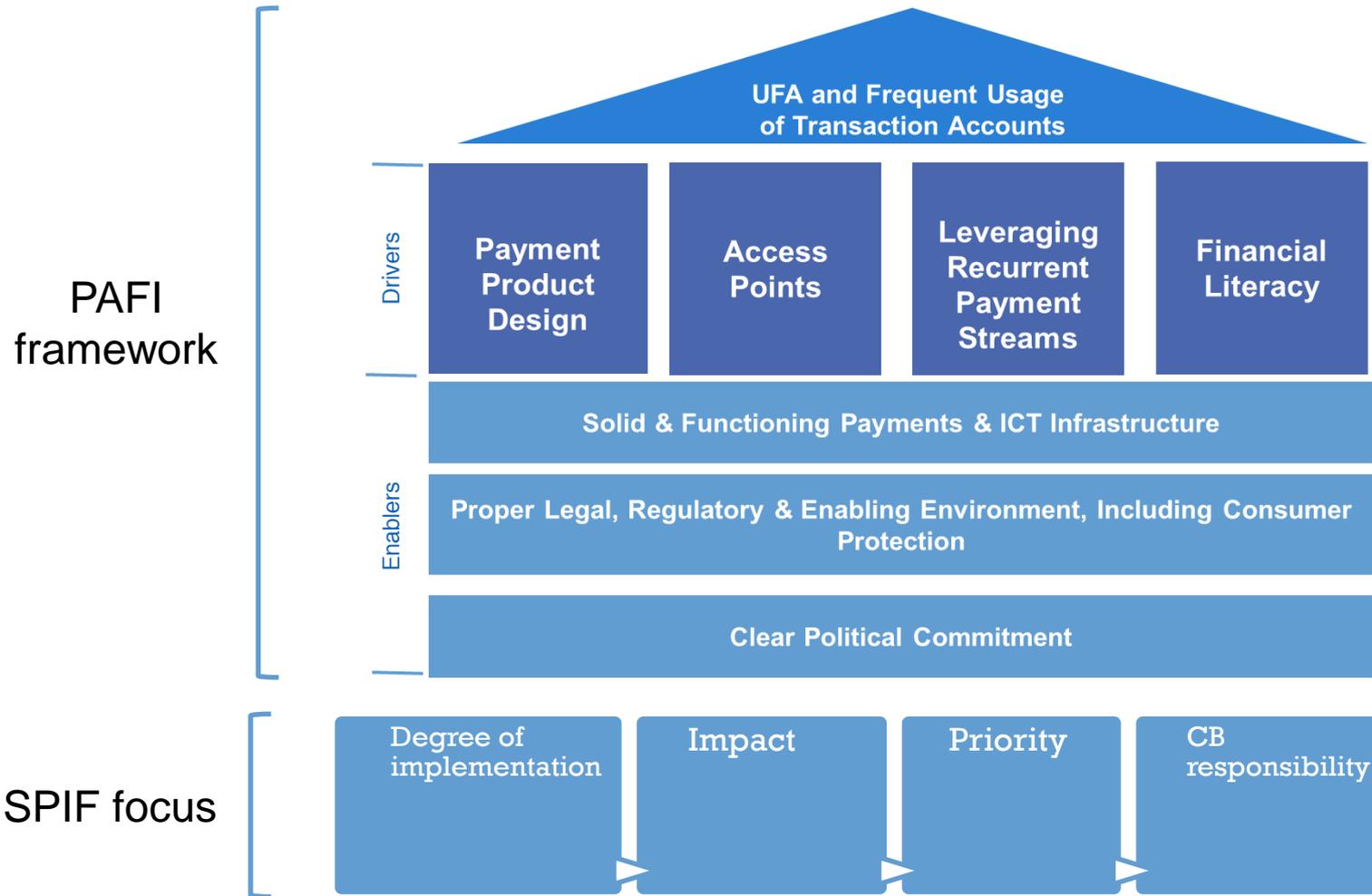
LEGAL FRAMEWORK FOR RETAIL SYSTEMS AND ELECTRONIC PAYMENT SERVICES AND NATIONAL FINANCIAL INCLUSION STRATEGIES
(response percentage)



ERPS RELEVANT ASPECTS OF THE PLANNING OF THE NFIS
(response percentage)

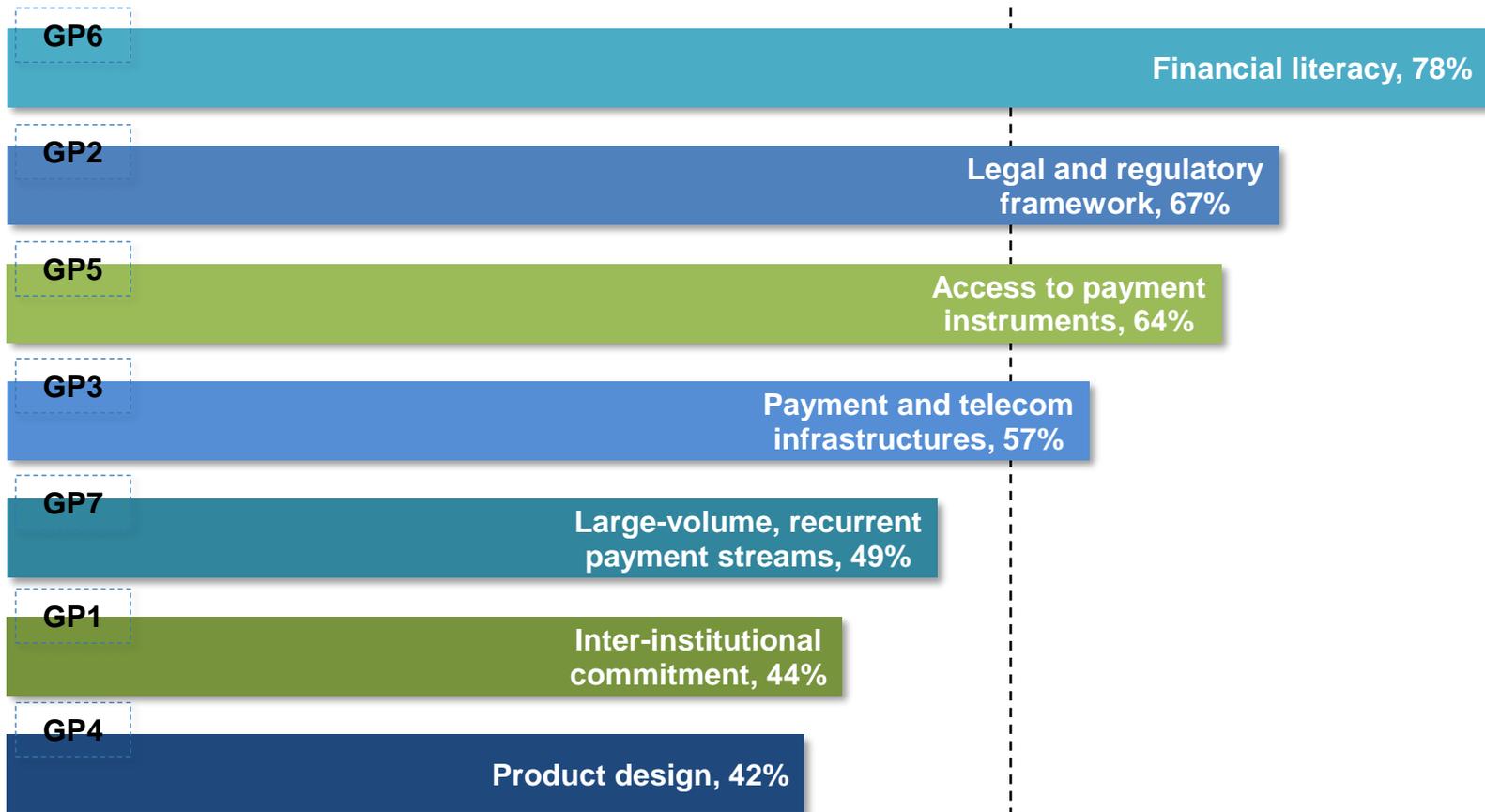


Assessing PAFI implementation



Implementing PAFI in LAC (1)

Degree of implementation of PAFI GP Regional average



Regional average: 55 %

Implementing PAFI in LAC (2)

Most important PAFI key actions

	Action	Relevance	Implemented
GP7	Some payment instruments (e.g. transaction accounts) are offered to address different purposes, such as public transportation, governmental support programs, payroll, among other.	78%	44%
GP2	The legal and regulatory framework stimulates the access and use of payment instruments such as transaction accounts.	78%	56%
GP2	The framework fosters sound risk management for the existing payment services providers.	78%	67%
GP5	PSPs adequately train their own front office staff to understand their transaction account customers, concerning ethnic, cultural or religious diversity.	75%	56%
GP3	Systems and platforms have measures to operate safely and efficiently, including aspects of operational continuity and prevention of cyber-attacks.	67%	67%

Implementing PAFI in LAC (3)

Less implemented PAFI key actions that are considered relevant

	Action	Relevance	Implemented
GP4	PSPs work to design products and business models to achieve economic, convenient (friendly) and viable instruments to offer.	78%	22%
GP4	PSPs offers to customers incentives to use those payment instruments that allows them receive or make recurrent payments. Incentives may be VAT refund or accumulation of redeemable points.	63%	33%
GP7	Public and private sector allocate the appropriate (human and financial) resources to support financial inclusion efforts.	55%	33%

Other interesting findings

GP related features	Degree of implementation
CB direct responsibility	Medium (65%)
Industry challenges	Medium (51%)
Short-term implementation	High (77%)
High impact	Medium (69%)

- Central Bank Responsibilities:
 - Regulatory aspects
 - Payment infrastructures
 - Literacy
- Implementation challenges: Almost all LAC countries consider that the main challenges are related to the market.
- Implementation time horizon: in average $\frac{3}{4}$ of LAC countries will be implementing the PAFI Principles in the short- or mid-term.
- Impact: Regardless the principle, most actions are classified as of high impact.

Final remarks

- PAFI framework is a useful tool to better understand the interplay of payments and financial inclusion from different perspectives.
- In Latin America and the Caribbean, the payments agenda remains challenging given the existence of certain structural gaps that are still under work by central banks and the payments ecosystem stakeholders.
- Financial inclusion is an important policy goal in most countries of the region to deal with economic informality and other key developmental breaches.
- key challenges:
 - Measuring and getting the right data.
 - Additional guidance. Better understanding of barriers to properly direct public and private efforts.