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PAYMENTS NEWS FOR THE CENTRAL BANK COMMUNITY

FEATURED ARTICLE
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The global spread of the coronavirus has cast the spotlight on central banks. Tasked with addressing heightened uncertainty in global financial markets, central banks across the globe have been busy developing a number of measures intended to cushion the impact of the crisis.

Headlines have chiefly focused on the various interventions undertaken by central banks to address the unfolding crisis, including stimulus packages, rate cuts, emergency lending programs, and increases to asset purchases.

But what about payments?

The coronavirus has impacted almost every facet of daily life, and payments have not been immune. The payments ecosystem, both physical and digital, has undergone serious changes in a short period of time. Central banks have imposed cash quarantines, they’ve delayed initiatives and incinerated banknotes, and they’ve issued countless public service announcements on cash and electronic payments.

And, as the European Central Bank (ECB) has pointed out, bad actors pose a threat, with phishing, scams, and cyber threats on the rise. But we’ve also seen some sparks of innovation, with more sure to come as we weather this storm.

With the global situation in flux and fresh news about the pandemic emerging every hour, our roundup cannot pretend to be an exhaustive list, but we hope it provides a window into the hard work being put in by central banks to protect consumers and businesses during this difficult time.

BAD ACTORS EMERGE

Inevitably, some bad actors are taking advantage of the uncertainty caused by the pandemic to engage in a range of criminal activities.

Mass staff absences and the use of open and unsecured home networks has opened up opportunities for cyber-criminals to attack financial institutions, according to the ECB. In a recent letter to Europe’s banks, the Chair of the ECB’s Supervisory Board, Andrea Enria, stressed the need for financial institutions to be extra vigilant about potential cyber attacks.

The letter warns of the “critical need” to plan for the impact of the pandemic. Among the other named risks are fraud and phishing attempts on consumers, as well as the strain on IT systems caused by a higher reliance on remote banking.

Criminals are not only exploiting online channels. Fraudsters posing as South African Reserve Bank (SARB) employees have been visiting private residences in attempts to “recall” so-called tainted banknotes from the public, leading SARB to issue a public warning that it is “NOT withdrawing banknotes and coin because of COVID-19.”

DIRTY CASH?

Concerns have been mounting over whether banknotes and coins are playing an active role in carrying and spreading the virus. At the moment the jury seems to be out on the dangers posed by physical currency, with some central banks advocating for contactless payments and others keeping the torch lit for cash as an inclusive payment option.

Some confusion on the topic arose earlier in the month due to misreporting in a widely shared article from a UK news outlet, which claimed that the World Health Organization (WHO) had warned against using banknotes.

In a retort published in MarketWatch, WHO spokeswoman Fadela Chaib said, “WHO did NOT say banknotes would transmit COVID-19, nor have we issued any warnings or statements about this. We were asked if we thought banknotes could transmit COVID-19 and we said you should wash your hands after handling money, especially if handling or eating food.”

Despite reassurance from WHO, some central banks have been taking public health precautions with cash. In mid-February, the People’s Bank of China ordered all banknotes collected by hospitals, wet markets, and buses in the hardest-hit regions to be removed from circulation and destroyed. All remaining banknotes are being disinfected using ultraviolet or heat treatments and stored for one to two weeks before recirculation.

Similarly, the Bank of Korea (BOK) not only announced that it would no longer accept banknotes and coins from abroad, but has also been superheating notes prior to releasing them into circulation. All cash coming to BOK from local banks will be kept in a safe for two weeks, “given that the virus usually dies out after nine days,” according to a BOK official.

Likewise, the Central Bank of Kenya is quarantining notes for seven days to “reduce the spread of coronavirus,” the Federal Reserve is secluding US dollars returning from Asia for 7-10 days, Central Bank of Kuwait has imposed a four-week banknote quarantine, and Magyar Nemzeti Bank is setting aside its forints for a two-week period.

INCLUSIVE PAYMENTS

Erring on the side of caution is commendable, but some central banks are concerned about what restricted access to cash and cash payments might mean for marginalised communities.

The Bank of Canada issued a statement on 18 March urging the nation’s retailers not to ban cash transactions over coronavirus fears. “Refusing cash could put an undue burden on people who depend on cash as a means of payment,” said the bank.
The Reserve Bank of New Zealand is also encouraging continued cash use—when accompanied by proper hygiene protocols. In a 19 March statement, Assistant Governor Christian Hawkesby said, “Businesses are not obliged to accept cash, but declining it may end up disadvantaging people who rely on its use. These people are more likely to be young, elderly, poor, disabled or financially excluded. Have respect and care for each other.”

Like Canada and New Zealand, Deutsche Bundesbank insists that cash payments pose no more of a threat to the public than a doorknob or other everyday objects. Executive Board Member Johannes Beermann said that the risk of picking up the coronavirus from cash is “extremely” minimal. “Banknotes and coins do not pose a particular risk of infection for the public,” he said.

REMOVING FEES, RAISING LIMITS

Many central banks have issued statements pushing for the use of contactless payment methods over cash to mitigate the spread of the virus, with some increasing daily limits on contactless cards and others lowering fees on mobile and contactless payment services.

Who has raised contactless limits and removed fees to encourage the use of digital payments?

Included among the many examples are the following:

- The Central Bank of Bahrain increased the volume limit on contactless transactions;
- The Bank of Ghana has removed mobile money fees and raised the daily transaction limit;
- The Central Bank of Ireland has temporarily suspended its contactless fees;
- The Central Bank of Kenya worked with Safaricom’s M-Pesa service to waive fees for some transactions; and,
- The State Bank of Pakistan has instructed (PDF) banks to waive all charges on fund transfers through online banking channels.

CASH VS. DIGITAL

And which banks have issued statements advocating for digital payments adoption during the pandemic?

In Iran, a country that has been hit particularly hard by the coronavirus, Health Minister Saeed Namaki has encouraged the public to reduce its use of paper money. As reported in Iran’s Financial Tribune, the Central Bank of Iran is now expanding the infrastructure for contactless payments via QR codes and e-wallets in an effort to limit the coronavirus outbreak via “circulation of banknotes among the public or exchange of debit cards in retail outlets.”

The Reserve Bank of India has urged the public to use digital payment methods and to “avoid using cash which may require going to crowded places for sending money or paying bills.” And as mentioned above, the Central Bank of Kenya has developed (PDF) measures to facilitate the increased use of mobile money and to “reduce the use of cash in the economy in the medium term.”

Banco de Portugal has issued (in Portuguese) clear guidance on using digital payments: “Given the evolution of the coronavirus epidemic and at a time when the adoption of containment measures is encouraged, Banco de Portugal advises that, whenever possible, citizens choose to make their purchases online. ... In face-to-face purchases, the use of contactless should be privileged.”

As final examples, the Central Bank of the United Arab Emirates has directed (PDF) citizens to choose contactless over cash “as a measure to protect the health and safety for UAE residents” and the National Bank of Ukraine (NBU) has recommended that citizens switch to non-cash settlements during quarantine. Like many other central banks, NBU will also be quarantining banknotes and subjecting them to “thermal stress” before being released into circulation.

WE WILL RECOVER, TOGETHER

It’s difficult to imagine what the world will look like when the outbreak subsides. As we pick up the pieces, we’ll likely find that the more cash-heavy economies have grown more comfortable with digital payments options. Consumers will likely have even more innovative payment methods to choose from—such as Alipay’s ambitious new “one-stop digital lifestyle platform” that will onboard 40 million service providers across China. And we envision that a number of central banks will accelerate their proposed central bank digital currency initiatives.

Until then, the CBPN team sends our best wishes for everyone’s continued good health and security.

-Brianna Erban, Senior Editor, Central Bank Payments News
The instant payment (IP) service successfully started in Hungary on 2 March. Most consumer and corporate individual credit transfers are now processed in a real-time manner, marking the arrival of a new era in the Hungarian retail payments market.

The IP development project, led by the Central Bank of Hungary (MNB) in cooperation with the GIRO clearinghouse, allows end-users to access an electronic payment alternative to cash basically in all payment situations. The project required substantial resources from market stakeholders as well; the introduction of the instant payments was the biggest one-time investment so far in the Hungarian banking sector.

As a result of the common efforts, the first achievements have already been seen. In the first two days of operation, almost one million instant payments were processed, more than forty percent of the total credit transfer transactions. This ratio is expected to increase after 1 September, when banks will be able to send standing orders and batched corporate transactions to the instant clearing as well.

A unique feature of the Hungarian IP model is that instant processing is mandatory for payment service providers (PSPs) by regulation (MNB decree). The main reason behind this is that according to MNB’s strategic goal, IPs are considered to be the “new normal,” i.e. the new basic-level electronic payment method.

The total PSP and client coverage also facilitates future service developments, since all participants can be sure that PSPs are able to credit the incoming IP transactions immediately on the beneficiary’s account. Individual electronically initiated credit transfers below the HUF 10 million value limit (approx. €30,000) must be processed within five seconds at a maximum.

The IP service operates on a continuous basis. PSPs must process transactions 24/7/365 with a maximum of 24 hours planned downtime in a year for the initiation of transactions, and no downtime for the processing of incoming instant payments. The Hungarian IP system has a prefunded liquidity management model, which means that the liquidity needed to cover the settlement of IP transactions has to be set apart in advance on a technical account in MNB. In order to support market participants, PSPs are able to offset their minimum reserves with their prefinanced IP liquidity.

Since MNB’s Real-Time Gross Settlement (RTGS) system does not operate on a 24/7 basis, banks could not top-up their previously prefunded liquidity on weekday nights, weekends, and holidays. This would imply stability risks since if a bank runs out of liquidity, their clients will not be able to initiate instant payments, regardless of whether they have the necessary funds. In order to mitigate this issue, MNB established a so-far internationally unique safety net, in which a collateralised instant credit is available to PSPs outside the operation hours of the RTGS. With this additional defence line of the MNB, banks can prefund additional liquidity in case of emergency even if their current accounts at the central bank are not available.

MNB considers the development of innovative payment solutions on the basis of the new IP infrastructure as a foremost priority. Therefore, the central infrastructure supports the request-to-pay service, which can be used in various payment situations like bill payments or P2P requests for money transfers.

In order to help users initiate IPs in a more convenient way, a central database was established for secondary identifiers (i.e. ‘proxies’ like telephone numbers, email addresses, and tax IDs), with which PSPs’ clients can initiate IPs without knowing the beneficiary’s IBAN number. Furthermore, in cooperation with the Hungarian banking sector, a detailed guideline was elaborated for IP processes in different payment situations, which can facilitate further market innovation. Another guideline was prepared for the domestic QR-code scheme.

For more on the payments landscape in Hungary, see this month’s feature article on page 26.

Stay tuned for a progress report on the new Hungarian IP platform in the May 2020 issue of CBPN.
Sandboxes Take Centre Stage

With increasing frequency, jurisdictions around the world are implementing fintech and regulatory sandboxes to meet the needs of an evolving digital payments landscape. This past month witnessed considerable activity on this front, as central banks, finance ministries, and other authorities announced sandbox-related news. From Spain to Sri Lanka and Bulgaria to Zimbabwe, we catch you up on the latest sandbox developments from across the globe.

REGULATIONS AND GUIDELINES

The National Bank of Georgia (NBG) has published a Draft Regulation on Establishing Regulatory Laboratory ( Sandbox) Framework. Per the national bank’s press release, the purpose of the sandbox is to “clarify if innovative financial services and/or products, created in terms of rapidly developing financial technologies, comply with the requirements set forth by the NBG within its supervisory mandate, to identify the need for new regulatory requirements, to test innovative financial products and facilitate their development in the market.”

Participation in the sandbox consists of three stages: idea testing, concept testing, and testing for product application in the real world. NGB accepted comments on the draft regulation until 13 March. The full regulation may be found here (PDF).

In Jamaica, the central bank issued (PDF) on 2 March its Fintech Sandbox Regulatory Guidelines. The Guidelines, which took effect on 16 March, overrode the earlier Guidelines for Electronic Retail Services. According (PDF) to the Bank of Jamaica, “Authorization to operate these services will only be granted to eligible applicants under the Fintech Regulatory Sandbox Guidelines.”

OPEN FOR BUSINESS

Sri Lanka’s Year of Digital Transactions continued as the Central Bank of Sri Lanka (CBSL) announced (PDF) that it was now accepting applications to join its new fintech regulatory sandbox. The sandbox, which began accepting applications on 17 February, will provide a safe space for selected innovators to test their products and services, without the risk of infringing on regulatory requirements.

In addition to the sandbox, other CBSL initiatives underway as part of its Year of Digital Transactions campaign, announced in early March, include a blockchain-based know-your-customer (KYC) solution and open banking.

IN THE WORKS

Zimbabwe could be on the cusp of establishing a sandbox of its own. Speaking recently at an economic forum, Josephat Mutepfa, Reserve Bank of Zimbabwe (RBZ) Deputy Director of Financial Markets and National Payments Systems said that RBZ is drafting a policy framework to regulate crypto assets. “We have already started to come up with a fintech framework because in regulation everything should be well structured. The framework, which is a regulatory sandbox, will be assessing the crypto-currency companies as to how they are going to operate,” he said.

The Qatar Central Bank (QCB) also recently revealed that it was preparing to launch a sandbox, part of its soon-to-be-unveiled fintech strategy. Unique compared to the sandboxes of many of its central bank counterparts, QCB Governor Sheikh Abdullah bin Saoud al-Thani indicated that Qatar’s sandbox would be devoted to computer security. Speaking at an event in Doha, the Governor said that the sandbox “will pave the way for a new era of financial services in the state of Qatar.” No date was announced for the launch of the sandbox.

Not to be outdone, the Balkans appear primed to welcome the region’s first regulatory sandbox. Known as the Sofia RegTech Sandbox, the project was announced in late February by Bulgarian Finance Minister Vladislav Goranov at the Annual FinTech & InsureTech Summit in Sofia. The Ministry, said Goranov, will be directly involved with the development and management of the sandbox. “Our goal is to bring together, through an open dialogue, our efforts in order to encourage and support financial technologies developed locally, while positioning Bulgaria among the leading countries in the sector of innovation,” he said.

And in Spain, the Council of Ministers has given its imprimatur to a bill calling for the creation of a sandbox. Part of the country’s effort to transform its financial services, the legislation, which must now get parliamentary approval, “establishes an adequate legal environment to guarantee that the innovative process in the financial field is carried out efficiently and safely for users.”

PACIFIC INNOVATIONS

Demonstrating that not all innovation occurs at the national level, the State of Hawaii has launched the Digital Currency Innovation Lab, a pilot program allowing digital currency issuers to operate in Hawaii without first obtaining a state money transmitter licence during the pilot period. Insights gleaned from the pilot will help guide the state’s future regulatory efforts regarding digital currencies. Applications to join the Lab will be accepted from 17 March to 1 May.

For a closer look at sandbox developments in the Pacific Islands, see our Spotlight article from the Alliance for Financial Inclusion on page 20.
Financial Innovation at Forefront in UK

Amid the dual tumults of Brexit and the global outbreak of Covid-19, the UK Government has been busy setting a clear trajectory for the future of innovative financial services and effective regulatory frameworks in the United Kingdom.

BUDGET 2020 UNVEILED

On 11 March, Chancellor Rishi Sunak unveiled his first Budget in the House of Commons. The Budget 2020 Policy Paper is notable for prioritising fintech and new payments innovations, such as central bank digital currencies (CBDC).

The budget evidenced a strong commitment to boosting the UK’s “global leadership” in the fintech sector with the announcement of a major fintech review to be led by Ron Kalifa, Chairman of payments firm Network International and a non-Executive Director at the Bank of England and Transport for London. The review will identify what the industry and government can do to best support growth and competitiveness to ensure that the UK maintains its leading role in the fintech space.

The government will also extend funding for the Fintech Delivery Panel, established in 2017, and says it plans to undertake a cross-UK tour to showcase a diverse range of fintech firms.

On the table as well are two consultations on crypto assets to be undertaken over the course of 2020. In a move to protect consumers and support innovation, the government will consult on a measure to bring selected crypto assets into scope of financial promotions regulation. Later in 2020, the government plans to consult on the broader regulatory approach to crypto assets, including new challenges emerging from stablecoins.

Also mentioned in Budget 2020 is the Bank of England’s recently released CBDC discussion paper, Central Bank Digital Currency: Opportunities, Challenges and Design. The discussion paper presents an approachable overview of CBDCs and invites feedback and ideas from the public, tech providers, the payments industry, financial institutions, and more until 12 June. The UK will continue to take a leading role in exploring digital currencies, according to the Budget statement, and the “wide-ranging opportunities and challenges they could bring.”

Finally, the government announced that HM Treasury, working alongside regulators and the Financial Policy Committee, will helm a comprehensive Payments Landscape Review. As part of the review, HM Treasury will soon publish a call for evidence on how the government, industry, and regulators can best support “a more innovative and resilient payments system” and ensure that the UK payments sector remains a world leader.

COORDINATION ON REGULATORY INITIATIVES

Alongside the new Budget, HM Treasury on 11 March published Financial Services Future Regulatory Framework Review (PDF), a response to the first phase of the UK Government’s long-term review into the financial services future regulatory framework launched in June 2019.

The first phase of the review considered the specific issue of coordination between UK regulatory bodies with responsibility for financial services regulation, with a view to improving the effectiveness of coordination in the future.

The paper gathers responses from stakeholders on how HM Treasury and the regulators can work together to coordinate and manage the overall impact of regulatory initiatives, and how that coordination could be made more effective.

As an initial step to improve the effectiveness of coordination arrangements, HM Treasury will roll out a new publication, the Regulatory Initiatives Grid (the Grid).

Set for launch this summer, the Grid will be published twice a year and will include all publicly announced supervisory or policy initiatives that will, or may, have a significant operational impact on firms. Each issue will set out an indicative timetable for each regulatory initiative.

The Grid will be managed by the newly established Financial Services Regulatory Initiatives Forum, comprising the UK’s top regulators—the Bank of England, Prudential Regulation Authority, Financial Conduct Authority, and the Payment Systems Regulator—and the Competition and Markets Authority (CMA).

As the next phase of the review, the government will publish a White Paper on Financial Services this spring, setting out how the review aligns with the government’s vision for the future of financial services.
Bank of Canada Deepens Inquiry into CBDC

Central bank digital currencies (CBDC) have been at the top of the central bank agenda for much of the past year. Along with a few others, the Bank of Canada (BoC) has been increasingly active in its CBDC explorations, as evinced by its recent publication of several CBDC-related papers and its membership in a select CBDC-focused group of central banks.

In January, Canada’s central bank announced its membership in a central bank group devoted to assessing issues related to CBDCs. Also counting as members the Bank of England, the Bank of Japan, the European Central Bank, Sveriges Riksbank, and the Swiss National Bank, the group “will assess CBDC use cases; economic, functional and technical design choices, including cross-border interoperability; and the sharing of knowledge on emerging technologies.”

February witnessed the release of three Staff Analytical Notes from BoC, with research addressing some of the most salient issues confronting the development and issue of a CBDC: monetary policy, monetary sovereignty, and the technological aspects to underpin a digital currency.

CBDC and Monetary Policy addresses what BoC considers the “two most important arguments from the perspective of the monetary policy objective of price stability,” with the Note concluding that a CBDC issuance is unlikely to improve the effectiveness of the central bank’s monetary policy.

The challenge to monetary sovereignty, on the other hand, is core to the central bank reaction to Facebook’s Libra initiative, announced in June 2019. CBDC and Monetary Sovereignty finds that the challenge presented by Libra and other privately issued digital currencies could potentially necessitate the need for a CBDC to ensure monetary sovereignty and financial stability.

CBDC and distributed ledger technology (DLT) are often mentioned in the same breath. In Technology Approach for a CBDC, however, BoC says “not so fast.” Arguing that the case for blockchain, because of its decentralised nature, is “not clear” and pointing out that other systems “have merits,” the central bank concludes that a CBDC should be designed with “cash-like properties.”

BoC has also examined the consumer side to issuing a CBDC in Demand for Payment Services and Consumer Welfare: The Introduction of a Central Bank Digital Currency. Experimenting with three possible CBDC designs, the Working Paper concludes that in order to fully supplant cash and debit cards as payment instruments, a CBDC must be more secure, cost-effective, and easier to use than any alternative.

Finally, BoC’s A Uniform Currency in Cashless Economy asks whether or not cash is necessary for a uniform currency. According to this Analytical Note, it is not.

Cash-Lite Kingdom: Saudi Arabia’s E-Payments Push

For a growing number of countries, interoperability is becoming a key cornerstone of mobile payments. Saudi Arabia is the latest country to announce that it will develop a unified national QR code, part of a joint partnership between Saudi Payments, a fully owned subsidiary of the Saudi Arabian Monetary Authority (SAMA), and global paytech company High-tech Payment Systems (HPS).

HPS and Saudi Payments will work together to develop a unified QR code scheme that will enable the Kingdom’s banks, e-wallet providers, and fintechs to transact seamlessly on an interoperable platform.

The goal, as the Saudi Gazette reports, is to develop an integrated payment environment that allows all parties to benefit from an open-loop payment ecosystem that is based on the latest messaging standards, i.e., ISO 20022.

In related news, SAMA has been busy in recent months with a number of new initiatives intended to achieve the objectives of the Kingdom’s Financial Sector Development Program, a core pillar of Saudi Vision 2030.

In the latest bid to boost the country’s digital economy, SAMA has published the Additional Licensing Guidelines and Criteria for Digital-Only Banks in Saudi Arabia. The document sets out the minimum requirements to be met for obtaining a digital-only banking licence in the Kingdom.

Further, SAMA announced in late February the licensing of two digital wallet companies, Bayan Payments and Halalah, following their successful graduation from the SAMA regulatory sandbox.

More recently, SAMA announced an update on the success of two experiments trialed in the sandbox, one providing the online opening of bank accounts and the other providing e-wallets to individual institutions and resident companies.

E-payments across the Kingdom have been steadily increasing, rising to 36.2 percent of all retail transactions in 2019, far exceeding the Saudi Vision 2030 goal of 28 percent for 2020.
Blockchain Not Suitable for Retail Payments, PBOC

"Not all projects need blockchain, and not all data needs to be chained." This is according to a recent report authored by key figures working out of the Digital Currency Research Institute at the People’s Bank of China (PBOC). The report, The Development and Management of Blockchain Technology (in Chinese), takes a closer look at the pros and cons of leveraging blockchain in financial services.

The report finds that blockchain technology is not currently suitable for use in high-value payment systems, but may be suitable for application to lower concurrency requirements for settlement, trade finance, and property rights transfer.

Although PBOC’s Digital Currency Electronic Payment (DCEP) initiative is not explicitly mentioned in the report, it has been made clear that blockchain will not solely underpin the country’s long-awaited digital currency. Among the many issues identified in the report, the overall performance, security, and scalability of blockchain are too limited to meet the demands of the banking sector.

“It is currently not recommended to transform traditional payment systems based on blockchain," say the authors, who also declare that blockchain is not yet suitable for high concurrency scenarios such as traditional retail payments.

According to a source quoted in the Global Times, work on PBOC’s digital currency initiative has now been delayed from the first quarter due to the coronavirus pandemic. But the launch will “probably go ahead as planned as the country’s central bank has the technological base, resources and abundant talent to catch up with the process,” the source confirmed.

Riksbank Starts Testing E-Krona

It’s a big step forward for Sweden’s e-krona with the recent Sveriges Riksbank announcement that it is forging ahead with a pilot project, backed by Accenture using R3’s Corda network. The pilot aims to develop a proposal for a technical solution, based on distributed ledger technology (DLT), for the country’s longstanding CBDC initiative.

The pilot will see the Riksbank and Accenture developing a test environment where simulated users can hold e-kronor in a digital wallet and make payments, deposits, and withdrawals via a mobile app. A digital krona, says the Riksbank, should be simple and user-friendly, and should fulfil critical requirements for security and performance.

The e-krona pilot runs until end-February 2021, with the option to extend and further develop the technical solution. The Riksbank emphasises that there is “currently no decision on issuing an e-krona” and that the main aim of the pilot is to increase knowledge of a central bank-issued digital krona.

Separately, the Riksbank is proposing an amendment to the Sveriges Riksbank Act that would enable Sweden to host a Bank for International Settlements Innovation Hub. A petition has been submitted (PDF) to the Riksdag (the Swedish Parliament) with broad support from Swedish authorities, organisations, and other stakeholders. The approval would allow the Riksbank to finance the activities of international organisations, if these are connected to the Riksbank’s activities.

Do you have any news to share with CBPN?

Contact us at cbpn@currency-research.com
At a Glance

Artificial Intelligence

European Commission Proposes AI, Data Strategies

European Commission (EC) President Ursula von der Leyen assumed her role late last year with a bold vision of Europe’s digital future. “By 2050,” she said, “Europe will be a leading digital power.” To help shape this digital future, EC recently published the White Paper on Artificial Intelligence and the European Data Strategy, both described as the “first pillars of the new digital strategy of the Commission.”

The White Paper proposes policy options intended to optimise AI’s benefits and address its challenges across a number of areas, including financial services. EC is inviting comments from stakeholders to develop its AI strategy, with the ultimate goal of promoting Europe’s innovation capacity “while supporting the development and uptake of ethical and trustworthy AI across the EU economy.” The consultation is open until 19 May.

The Data Strategy lays out a framework for policy measures and investments to drive the data economy from 2020 to 2025. The vision includes a common European financial data space that would stimulate innovation, market transparency, and sustainable finance, as well as access to finance for European businesses and a more integrated market.

Cards

Visa Coming to Sudan

Long isolated economically, Sudan appears primed to introduce Visa payment systems into the country. Three commercial Sudanese banks—Bank of Khartoum, Qatar National Bank, and United Capital Bank—have been granted approval by the Central Bank of Sudan (CBSO) to work with Visa, with several others reportedly awaiting approval.

According to Omer Omerabi, General Manager of Electronic Banking Services, which operates an electronic payment network on behalf of CBSO, Visa cards are likely to be issued within the next month. Visa’s appearance in Sudan is a “huge step toward the reintegration of Sudanese banks with the global financial and banking system,” Omerabi said.

Central Bank Digital Currency

Sand Dollar Pilot Extends to Abaco

Following a December launch in Exuma, the Central Bank of The Bahamas (CBOB) has extended the pilot of its Sand Dollar digital currency to Abaco. The digital Bahamian dollar is anticipated to reduce service delivery costs, increase efficiency, improve financial inclusion, and perhaps most notably following the destruction caused by November’s Hurricane Dorian, is expected to boost the country’s resilience and disaster recovery planning efforts.

The Sand Dollar was introduced into what Governor John Rolle called “post-Dorian Abaco” in late February. “Abaco symbolizes one of the main reasons why it is important to modernize our domestic payments system and to make it more resilient to the setbacks that will occur from time to time from natural disasters,” Rolle said.

The Sand Dollar will be rolled out throughout all islands in The Bahamas by the second half of 2020.

For more details, see Project Sand Dollar: A Bahamas Payments System Modernisation Initiative (PDF).
A Digital Bahraini Dinar?

Could the Kingdom of Bahrain be next in line to issue a central bank digital currency (CBDC)? As reported last month, Central Bank of Bahrain (CBB) Governor Rasheed Al Maraj showed enthusiasm for piloting the new CBDC Policy-Maker Toolkit developed by the World Economic Forum.

Now the Governor has revealed that CBB has already conducted a study on the possibility of issuing a digital currency of the Bahraini dinar.

“Given the special nature of this project,” said Governor Al Maraj, “the CBB is keeping a close follow-up on all requirements to ensure all measures to be taken are safe prior to the launch of digital currency.”

Proceed Cautiously with DXCD, Says IMF

The International Monetary Fund (IMF) is urging the Eastern Caribbean Union (ECCU) to proceed cautiously on its digital currency pilot project. Writing in a Staff Report following the conclusion of its Article IV consultation with the ECCU, the Fund praised the innovation emerging from the Eastern Caribbean Central Bank (ECCB) but stressed that central bank authorities should “fully implement safeguard measures to contain various risks, including those related to financial intermediation, financial integrity, and cybersecurity.”

The ECCB inaugurated a pilot of its digital currency, known as DXCD, in March 2019 in response to the high cost and low efficiency of ECCU’s payments services. This initial development and testing phase will be followed by a subsequent controlled roll-out of DXCD from April to September 2020 in four countries within the currency union.

Ukraine Hosts CBDC Conference

In late February, the National Bank of Ukraine (NBU) hosted a one-day gathering in Kyiv to discuss CBDCs. The event, Central Bank Digital Currencies: New Opportunities for Payments, was attended by leading representatives from multiple central banks, all of whom are actively engaged in research into a central bank-issued digital currency.

NBU Governor Yakiv Smolii opened the event, describing in detail NBU’s e-hryvnia journey that started in 2018. Smolii remarked that NBU, which has completed its e-hryvnia pilot, has not yet ruled out the possibility of issuing a CBDC. He added that NBU will be “ready to return to this matter when we are convinced that not only can it be technologically feasible, but also that it will not interfere with the pursuit of our mandate as a central bank, which is to ensure price and financial stability.”

Ultimately, said the governor, the most important question a central bank can ask itself is “Does my country need digital currency?”

Bank of Russia Mulls Ban on Cryptos

Could crypto clarity be on the horizon for Russia? In an interview with local media outlet Interfax, the director of the Bank of Russia’s (BOR) legal department said that pending legislation, On Digital Financial Assets, would impose a ban on the issuance and circulation of crypto assets.

“The legalization of the issue, and most importantly, the organization of cryptocurrency circulation, is an unjustified risk. Therefore, the bill directly formulates a ban on the issue, as well as on the organization of circulation of cryptocurrency, and introduces liability for violation of this ban,” said BOR’s Alexey Guznov.

The pronouncement comes on the heels of the central bank’s revelation in February that it had successfully piloted a project in its regulatory sandbox allowing for the tokenisation of various assets. That same month it was announced that the sale and purchase of crypto assets would be considered “suspicious.”

Russia’s crypto legislation was first introduced in January 2018 and has since undergone numerous revisions. Also in Russia, the central bank has proposed an increase in the amount that can be transferred in its Faster Payments System (FPS). The recommended increase, from six hundred thousand to two million rubles, is anticipated to allow customers to make larger cashless purchases for goods through the FPS.

Cryptos

India’s High Court Reverses Crypto Ban

India’s Supreme Court has invalidated the country’s prohibition on crypto activity. In April 2018, the Reserve Bank of India mandated that all financial institutions cease dealing in crypto assets within three months. That decision, per a three-judge ruling from the high court, was seen as unconstitutional and lacking proportionality.

Though welcomed by India’s crypto community, the Reserve Bank has said that it will challenge the ruling, which it deems necessary in order to ensure the integrity of the financial system.

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The UK’s Financial Conduct Authority (FCA) has released a summary of the biggest cybersecurity issues identified by its Cyber Coordination Groups (CCGs). The CCGs, made up of over 175 firms from across the financial services industry, are tasked by FCA to share knowledge and experiences in cybersecurity and operational resilience.

Each quarter the CCGs, each representing a different financial services sub-sector, meet to discuss various cybersecurity issues and explore potential ways of resolving common problems. In Insights from the Cyber Coordination Groups, the FCA summarises the output from these conversations under four main themes: cyber risks, identity and access management, third parties and supply chain, and malicious emails.

The summary of the CCG discussions offers valuable insights into the most significant cyber risks that UK firms are witnessing and the measures that have been implemented to mitigate these risks.

ECRB Members to Share Threat Info

The Euro Cyber Resilience Board for pan-European Financial Infrastructures (ECRB) has established an initiative aimed at sharing cybersecurity threat information to protect the savings of European citizens.

The principal objectives of the undertaking, known as the Cyber Information and Intelligence Sharing Initiative (CIISI-EU), are threefold: protect the financial system by preventing, detecting, and responding to cyber incidents; facilitate information sharing between financial infrastructures; and to raise awareness of cyber threats.

ECRB Chair and ECB Executive Board Member Fabio Panetta said, “This is the first time that major financial infrastructures, Europol and the European Union Agency for Cybersecurity (ENISA) have jointly taken steps against cyber risk. We hope this will be an inspiring model for other jurisdictions to tackle one of the biggest threats of our time. Cybercriminals are increasingly stealing money, and therefore sharing information will help us to prevent attacks and ultimately protect people’s money.”

The ECB has announced that it will publish the CIISI-EU framework in the coming months.

Kuwait Unveils Cybersecurity Framework

The Central Bank of Kuwait (CBK) in mid-February announced the completion of a new cybersecurity framework. Intended to help fortify Kuwait’s financial sector against cyber threats, the framework consists of six integrated initiatives and targets improved resilience and coordination among participants in Kuwait’s banking sector.

Announcing the completion of the framework, CBK Governor Dr. Mohammad Y. Al-Hashel remarked on the efforts of the central bank’s Information Security Working Group, in coordination with Kuwait’s commercial banking sector, to bring the framework to fruition.

This framework “outlines the requirements regulated entities must fulfil to improve their capabilities, readiness, cooperation, information sharing and standardization. CBK commits to providing the necessary support, supervision and regulation to promote the realization of this objective,” he said.

The complete Framework can be found here (PDF).

FCA Publishes Insights from Cyber Coordination Groups

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Digital Currency

FSB Focuses on Stablecoins, Cross-Border Payments

Ahead of the G20 meetings in Saudi Arabia, Financial Stability Board (FSB) Chair Randal K. Quarles penned a letter to finance ministers and central bank governors outlining key areas of focus for the Saudi Arabian G20 Presidency. Acknowledging the rapid changes and challenges confronting the global financial community, Quarles emphasised, among other things, the close linkages between stablecoins and cross-border payments. Regarding the former, FSB will issue a draft report on regulatory issues in April, while a roadmap for improving cross-border payments will be delivered in October.

Blockchain Provider Selected for Marshallese SOV

SFB Technologies, chosen by the Government of the Marshall Islands to oversee the nation’s digital currency initiative, has announced that the blockchain underpinning the Marshallese Sovereign (SOV) will be developed by tech firm Algorand. Touted as the world’s first national digital currency, the SOV is expected to circulate alongside the US dollar.

Remarking on the selection of Algorand, SFB Co-Founder and CTO Jim Wagner said, “The company has already powered several mainstream use cases and thanks to its unique features the platform has the functionality required to issue, manage and distribute the SOV on a global level. This partnership ensures that the SOV will be built on a scalable and secure platform.”

The SOV was first announced by the Government of the Marshall Islands in February 2018.
Digital Payments

Digital Payments Skyrocket in Indonesia

Since Bank Indonesia (BI) introduced its National Non-Cash Movement (GNNT) in 2014, the country has made massive inroads into transforming the way people make payments. Firmly on track to achieve its vision of becoming Southeast Asia’s digital payments hub, BI Senior Deputy Governor Destry Dadmayanti recently said that digital retail payments are growing in dominance, rising by 173 percent in a one-year period.

E-money transactions reached Rp 15.8 trillion (€978.6 million) in January 2020, nearly tripling last year’s Rp 5.8 trillion (€356.2 million). Non-bank fintech has taken a dominant position in the Indonesian payments landscape, with consumers gravitating to e-wallets and other e-money platforms as payment options. Contributing to the growth of digital payments is the newly launched national QR code standard, QRIS, which has been used by approximately 2.7 million merchants across the country as of February.

Financial Inclusion

Côte d’Ivoire: Interoperability for Financial Inclusion

The Government of Côte d’Ivoire recently announced the implementation of interoperable digital financial services (DFS), as part of the regional financial inclusion strategy led by the Central Bank of West African States (BCEAO). The interoperability of DFS, including mobile money and mobile banking, will allow any customer to send money to any other financial service, rather than being limited to transactions with recipients using the same service provider.

The Ivorian government seeks to achieve a 60 percent financial inclusion rate by 2024, as set out in its 2019-2024 national financial inclusion strategy. Financial inclusion rates in West Africa remain among the lowest in the world and the majority of West Africans do not hold a bank account or use mobile banking. Find out more about digital financial services in Côte d’Ivoire in this CGAP article.

Financial Inclusion Units Mandatory for Egyptian Banks

The promotion of financial inclusion has taken top priority for the Central Bank of Egypt (CBE) in recent years, in line with Egypt’s Sustainable Development Strategy 2030 (PDF). To ensure that the topic remains firmly on the radar of the nation’s financial institutions, a recent CBE circular (in Arabic) obliges banks operating in the Egyptian market to establish independent departments focusing on financial inclusion.

The Middle East North Africa Financial Network (MENAFN) explains that these departments will handle coordination on financial inclusion both internally and externally, within the bank’s various units and with CBE respectively. The financial inclusion units must be established within each bank no later than mid-May. CBE says that the decision seeks to remove obstacles hindering banking services and products from reaching all segments of society.

IMF, AFI Discuss Inclusive Fintech Collaboration

The respective heads of the International Monetary Fund (IMF) and the Alliance for Financial Inclusion (AFI) convened recently to discuss how the two organisations could expand their collaboration on a number of policy themes. In addition to issues of gender and green finance, leveraging fintech for financial inclusion was top of mind for IMF Managing Director Kristalina Georgieva and AFI Executive Director Dr. Alfred Hannig.

Acknowledging the potential of fintech as a societal “equalizer,” bringing millions of the most underserved individuals out of poverty, the two directors also stressed the need to mitigate against possible risks inherent in fintech innovations.

For more on how the Alliance for Financial Inclusion is working to foster inclusive innovation, see the Spotlight article on page 20 from the AFI’s Eliki Vula Boletawa on the PIRI Regional Sandbox Roadshow.

World Bank Supports Nigerian Digital ID Project

The World Bank has approved Nigeria’s Digital Identification for Development Project, a development initiative intended to empower citizens, expand the digital economy, and help lift millions out of poverty, among other goals.

In a statement, the World Bank said the Development Project “will support the National Identity Management Commission to increase the number of persons who have a national identification number (NIN) reaching about 150 million in the next couple of years.” The Project is also focused on bolstering data and privacy protections for Nigerian citizens.

Elsewhere, the Central Bank of Nigeria’s (CBN) cashless policy is nearing implementation. Effective from 31 March, the commencement of CBN’s policy, intended to foster increased financial inclusion, was declared in a September 2019 circular Re: Implementation of the Cashless Policy.
IN THE NEWS

New Payments Platform Appears Before Fintech Committee

Following its written submission in December 2019, in which it provided insights on platform access and functionality, New Payments Platform Australia (NPA Australia) participated in a public hearing before the Select Committee on Financial Technology and Regulatory Technology. NPP Australia CEO Adrian Lovney delivered an opening statement to the Committee before answering questions. Read Lovney’s full opening statement here (PDF).

The Select Committee on Financial Technology and Regulatory Technology was established by the Australian Senate in September 2019 to conduct a comprehensive inquiry into Australia’s fintech and regtech environments.

For more detail on fintech happenings in Australia, see page 5 of our February issue.

Mexico to Amend Fintech Law, Delay Open Banking Rules

Mexico’s Fintech Law, which launched in March 2018 and took effect this year, is already in need of revision according to David López Campos, Technical VP of the National Banking & Securities Commission (CNBV). The revisions are anticipated to level the playing field for banks and non-banks and to prevent arbitrages between the different sectors.

The Fintech Law is a landmark piece of legislation that seeks to firmly position Mexico as a fintech leader. It aims to foster increased competition and financial inclusion, while additionally setting out protections for fintech consumers. Currently, Mexico’s fintech sector is the second largest in Latin America, just after Brazil.

López Campos also revealed that the secondary regulations on open banking will be delayed by one year and are now expected in the first quarter of 2021. Open banking is anticipated to roll out in two phases, with the first phase involving a regulatory sandbox to test Open APIs. Read more about open banking in Mexico here.

Korea’s FSC Issues Fintech, Digital Finance Policy

South Korea’s Financial Services Commission (FSC) has issued (PDF) its Fintech & Digital Finance Policy for 2020. The Policy, announced on 25 February, identifies five key policy areas of focus for 2020. These include advancing digital finance; promoting the data economy; cultivating new fintech industry and services; working on regulatory reform in fintech and digital sectors; and strengthening the foundation for innovation.

Guidelines & Regulations

RBI Issues Guidelines on Regulating Payment Aggregators, Gateways

How to successfully regulate intermediaries like payment aggregators (PAs) and payment gateways (PGs) operating in the online payments space? Following a 17 September discussion paper on the topic, the Reserve Bank of India (RBI) recently released a set of guidelines for regulating PAs and PGs that facilitate online payments.

The discussion paper had proposed three options for how to approach regulation in this space: zero regulation, limited regulation, or full and direct regulation. The latter approach has been favoured by RBI, with the decision to regulate in entirety the activities of PAs. Since the new guidelines consider PGs to be technology providers or outsourcing partners of banks or non-banks, RBI will provide them with baseline technology-related recommendations.

The guidelines come into effect on 1 April.

Infrastructure & Modernisation

China’s Top Regulators Unveil Regulation Plan

Six of China’s top financial regulators have released a new joint plan for improving the regulation of the country’s core financial infrastructure systems. On 4 March, the People’s Bank of China (PBOC), the National Development and Reform Commission (NDRC), the Ministry of Finance, the China Banking and Insurance Regulatory Commission (CBIRC), the China Securities Regulatory Commission (CSRC), and the State Administration of Foreign Exchange (SAFE) jointly issued Work Plan for the Overall Regulation of Financial Infrastructure (in Chinese).

PBOC will work closely with various departments and localities to kick off the first phase of the Plan. According to the apex bank, the Plan will serve to unify regulatory standards, improve market entry regulation, and optimise infrastructure arrangements, while also working towards the development of a financial infrastructure system that is "advanced and reliable and rich in flexibility."
RBNZ Launches New Settlement System

New Zealand has achieved a major milestone in its Payment Systems Replacement Project. Touted as a “future-proofed payment settlement system,” the Reserve Bank of New Zealand (RBNZ) announced the launch of a new payments platform that will replace the previous inter-bank settlement system and central securities depository.

Replacing the 20-year old system is a new platform consisting of ESAS 2.0 and NZClear 2.0. Real Time Gross Settlement and Central Securities Depository applications provided by SIA.

The result of a payment and settlement systems review completed in 2014, the new platform’s impact is expected to be transformative. “Our members now have access to far more modern, future-proofed and leading edge systems for them to manage their day-to-day interactions with the Reserve Bank,” according to Assistant Governor and Chief Financial Officer Mike Wolyncewicz.

Instant Payments

Brazil’s Central Bank Sets Stage for Instant Payments Launch

A mid-February announcement from Banco Central do Brasil (BCB) revealed that the bank will be launching an instant payments platform in November 2020. The centralised and sole settlement infrastructure of the new Brazilian Instant Payment Scheme, known as PIX, is the Instant Payment System (SPI) that will be operated and managed by BCB.

The press release notes that mandatory participation in PIX is expected of all financial and payment institutions with more than 500,000 active customer accounts that are licensed by BCB. The platform will be available around the clock and will allow for the immediate transfer of funds. Transactions can be carried out by mobile, ATM, or online banking with a QR code or basic information, such as a phone number or email.

“In line with the ongoing technological revolution in the banking industry,” says BCB, “PIX will encourage digitization of payments and enhance financial inclusion, while reducing operational risk and the difficulties related to the use of cash.”

BCB’s recently launched (in Portuguese) standardised QR code, the BR Code, will be incorporated into the forthcoming instant payments system. The BR Code is intended to unify mobile payments across Brazil and will become mandatory in September 2020.

Curaçao and Sint Maarten Begins Switch to Instant Payments

The Centrale Bank van Curaçao en Sint Maarten (CBCS) has contracted equensWorldline to introduce an Instant Payments (IP) CSM on top of their current clearing & settlement system. Once implemented, all interbank payments in Curaçao, Sint Maarten, and Bonaire will be processed within ten seconds around the clock, 365 days per year.

CBCS is among the first institutions to introduce a direct dual currency system, using both Antillean Guilders and US Dollars, and to process dollars instantly. The IP platform will be rolled out in two phases. Phase 1 involves the development of the basic IP infrastructure, while Phase 2—already designed by CBCS and equensWorldline—will expand online and in-store Instant Payments with P2P (person-to-person), P2B (person-to-business), and P2G (person-to-government) payments.

“The developments surrounding Instant Payments are in line with our goal to modernize the infrastructure and stimulate economic development in Curaçao and St. Maarten,” said CBCS Executive Director Leila Matroos-Lasten. “With the introduction of Instant Payments, we are preparing ourselves for future developments in the world of payments.”

Also in the Caribbean, the Central Bank of Aruba’s similar instant payments project, I-Pago, recently went live.

‘Anor’ Instant Payments to Roll Out in Uzbekistan

Uzbekistan is another country that has embraced the ‘need for speed’ in payments. As announced in early March, the Central Bank of Uzbekistan (CBU) has established a new instant payments platform called Anor.

The Anor platform enables interbank money transfers between legal entities and individual entrepreneurs in real time. The system will be operational 24/7/365, without breaks on weekends and holidays. CBU first tested the Anor system in late 2019 with a number of the country’s commercial banks. The pilot was then launched on 18 February, with more than 1,000 payments made to date totaling almost 20 billion soums (€1.9 million). CBU is gradually rolling out phased implementation of the system to all of the country’s banks.

In related news, CBU has also introduced its new unified QR code service for mobile payments.

Interoperability

SWIFT Extends ISO 20022 Migration Deadline

In response to community feedback, SWIFT is extending the ISO 20022 migration deadline from November 2021 to end-2022. The end date to decommission the legacy SWIFT MT standard in order to enable full ISO 20022 for cross-border payments remains November 2025.

SWIFT decided on the migration delay to allow banks to “adopt at their own pace, and reduce the total industry costs of realising the benefits of ISO 20022 together with the new platform.” SWIFT emphasises that the work already undertaken by the community for ISO 20022—including data remediation, channel improvements, and back-office processing—is not wasted and “will play a critical role in enabling future innovation by banks.”

SWIFT support for market infrastructure ISO 20022 migration initiatives, including TARGET2 and Eurosystem Market Infrastructure Gateway (ESMIG), the new RTGS at the Bank of England, and others, is not affected by the extension.
Bank of Ghana’s Cashless Push Advances

Ghana’s cashless push was furthered by the recent announcement from Vice President Dr. Mahamudu Bawumia that the nation’s universal QR Code would soon go live. The QR Code, Bawumia suggested, would have a catalytic effect. “This is why I am excited about what we are about to launch in two weeks. The universal QR Code; this is what will get us there. The universal QR Code will allow us to use our mobile phones, whether it is a yam phone or smart phone to make payments.”

Expected to debut in late March, Ghana’s QR Code was initially anticipated to be operational by December 2019.

Separately, the Bank of Ghana (BOG) has established an eight-member Payment Systems Advisory Committee intended to advise BOG on regulation, oversight, and other matters germane to the healthy functioning of the country’s payment systems, which have undergone remarkable evolution in recent years.

Announcing the establishment of the Committee, BOG Governor Ernest Addison remarked, “Importantly, the government’s quest to formalise the economy through digitisation places the payment system at the core of the national development agenda. Indeed, the payment system has become the central focus for delivering several digital products including pension, insurance, credit, investments, and savings.”

Serbian Shoppers Use Mobile to Pay

Instant mobile payments are now a reality in Serbia. On 27 February, the National Bank of Serbia (NBS) unveiled its instant payments Serbia (IPS) QR Code. Point-of-sale QR Code transactions can now be made using a mobile application that utilises one of two payment methods, known as IPS Show and IPS Scan respectively. According to NBS, the app is available in both Google Play and the App Store.

The first mobile transaction was made by NBS Governor Jorgovanka Tabaković, who commented on the significance of the occasion. “27 February will be remembered as the day when people in Serbia could start using their mobile phones to pay for their shopping.”

BOT, NBC Launch Interoperable QR Code

A year in the making, the Bank of Thailand (BOT) and the National Bank of Cambodia (NBC) have announced the launch of the Interoperable QR Code linking cross-border retail payments. Effective 18 February, Cambodian tourists in Thailand can use their mobile applications to scan the QR Codes of Thai merchants. Thai tourists will be able to purchase goods in Cambodia beginning in the third quarter of 2020. Participating banks include Siam Commercial Bank in Thailand, and in Cambodia Aceleda Bank, Cambodia Commercial Bank, and Foreign Trade Bank of Cambodia.

BOT Governor Dr. Veerathai Santipraphob reflected on the likely benefits for both nations. “The development of interoperable infrastructure which connects payment systems of Cambodia and Thailand will benefit our people of both countries by allowing them to make cross-border payments by scanning QR Codes through their mobile applications. This service will encourage the cross-border payment and digital payment of people of both countries.”

The launch of the Interoperable QR Code is the direct result of a Memorandum of Understanding signed in February 2019 by BOT and NBC, designed to foster collaboration on payments and financial innovation.

CBSL to Develop Open Banking Framework

Sri Lanka’s “Year of Digital Transactions” continues with another notable announcement from the Central Bank of Sri Lanka (CBSL). In early March the central bank revealed that it was seeking to develop an open banking framework to broaden financial access and drive fintech innovation in the country.

To generate broad support and engagement, the central bank has announced that it is initiating a participatory approach and is inviting the public and all relevant industry stakeholders to provide insight on the development of an open banking framework. The public consultation will remain open until 3 April, with interested parties encouraged to submit their views to openbanking@cbsl.lk.

Bank Negara Malaysia Issues New Virtual Banking Framework


The updated Exposure Draft incorporates a simplified regulatory framework during a licensed digital bank’s “foundational phase,” defined as the initial three to five years of operation. The simplified framework, which includes capital adequacy and liquidity requirements, is intended to lessen the regulatory burden on new entrants while simultaneously ensuring financial stability.

The consultation period for the Exposure Draft will be open until 30 April. The complete Framework is available here (PDF).
IN BRIEF

AFRICA
Pay on Demand: The Digital Path to Financial Inclusion in Africa, a new report from Mastercard, explores how pay on demand digital solutions can drive financial inclusion and spur economic growth across Africa.

Visa has entered into a partnership with Nigeria-based mobile payments firm Paga. With more than 14 million Nigerian accounts, the Paga platform allows users to transfer money, make payments, and shop online via its mobile app or agent network. By tying Visa credentials to Paga accounts, users can now transact wherever Visa is accepted.

AMERICAS
The Federal Deposit Insurance Corporation’s FDiTech lab recently published a guide to help American fintechs and other financial service innovators partner up with banks. Conducting Business with Banks: A Guide for Third Parties is designed to help third parties understand the environment in which banks operate and to navigate the requirements unique to banking.

ASIA
Autoriti Monetari Brunei Darussalam (AMBD) has opened up a new call for applications to enter the AMBD Fintech Regulatory Sandbox. The sandbox was first opened in February 2017 to facilitate the development of fintech in Brunei Darussalam.

The trading and holding of crypto assets will now be officially regulated in South Korea. After two years of deliberation, the country’s National Assembly has unanimously passed the amendment to the Act on Reporting and Use of Specific Financial Information. Full compliance is expected by September 2021.

Nepal’s central bank has lifted a domestic ban on China’s two leading mobile payments providers, Alipay and WeChat Pay. Nepal Rastra Bank now allows both platforms to legally operate in the country for the benefit of Chinese tourists.

EUROPE
The European Central Bank (ECB) has opened a public consultation on a draft Regulation amending the Regulation on payments statistics. The review will reflect recent developments in payment systems and seeks to keep ECB’s statistics fit for purpose. The consultation closes on 9 April.

Mastercard is opening its first European Cyber Resilience Centre in Waterloo, Belgium. The Centre is expected to enhance collaboration between the public and private sectors, as well as regulatory bodies, to support cyber resilience across the European payments ecosystem.

Following broad consultation, the UK’s Payment Systems Regulator (PSR) has issued revisions to its 2016 “day one” Directions to ensure they remain proportionate and relevant, and adequately reflect current developments in the market and any changes to legislation.

The Vatican is joining the global chorus calling for the responsible use of artificial intelligence (AI). According to Reuters, Vatican officials are planning to release the Rome Call for AI Ethics, a document that seeks to promote privacy, fairness, transparency, and “the needs of all human beings” in applications of AI technology.

MIDDLE EAST
The Central Bank of the Kingdom of Bahrain and the Arab Monetary Fund (AMF) will include the Bahraini Dinar as a settlement currency on the new Buna regional payments platform. The Bahraini national currency joins US dollars, the euro, the Jordanian dinar, the Saudi riyal, and the UAE dirham on Buna.

The Dubai International Financial Centre (DIFC) FinTech Hive, the first and largest fintech accelerator in the Middle East, Africa, and South Asia region, is expanding its premises to triple the size to accommodate the exponential growth in the region’s fintech sector.

Dubai Economy has formed a Know-Your-Customer (KYC) consortium in partnership with six commercial banks in the United Arab Emirates. The KYC Blockchain Consortium will ensure more efficient and secure onboarding and exchange of digital customer information via blockchain-based distributed technologies, a regional first.

WeChat Pay is making inroads into the Middle East with a new agreement between MEA’s digital commerce leader Network International and China’s Tencent Holdings. Merchants across UAE will soon be able to provide the mobile payments service WeChat Pay to consumers visiting from China.

GLOBAL
The Celso Foundation has announced the fifty founding members of the Celso Alliance for Prosperity. The Alliance is being called a rival effort to Facebook’s Libra and boasts a number of Libra Association members as founding members. The ambitious goal of the Alliance is to bring organisations together to “help with the shared vision of making digital assets more accessible and useful in the real world” in order to drive global financial inclusion and prosperity.

Speaking of Libra, Facebook is reportedly shifting its plans for the proposed stablecoin due to regulatory scrutiny and political pushback. Facebook is now planning to offer users digital versions of government-backed currencies in addition to the Libra stablecoin when it launches the Calibra digital wallet in October 2020.

The Consultative Group to Assist the Poor (CGAP) has released a slide deck on the topic, Digital Banks: How Can They Deepen Financial Inclusion? The presentation casts light on the digitalisation of banking, describes the three new business models, and hypothesises about the potential impact of digital banks on financial inclusion.

A new book, Fintech, Regtech y Legaltech: Fundamentos y desafíos regulatorios (Fintech, Regtech and Legaltech: Fundamentals and Regulatory Challenges), examines the main regulatory foundations and challenges of new technologies in the world of law and finance. In Spanish only.

J.P. Morgan’s Global Research Team has released a new 74-page ‘perspectives’ paper, Blockchain, Digital Currency and Cryptocurrency: Moving into the Mainstream? (PDF)
The latest appointments, retirements, and promotions in payments. Let CBPN know if there’s been movement in your department and we’ll include the news in our next issue.

Marlene Amstad has been elected Chairwoman of the Financial Markets Supervisory Authority (FINMA) effective 1 January 2021. Amstad, who will succeed Thomas Bauer when the latter retires on 31 December, currently serves as FINMA’s Vice Chair.

Andrew Bailey took over as Governor of the Bank of England on 16 March. Previously Chief Executive Officer of the UK’s Financial Conduct Authority, Bailey replaces Mark Carney, who held the central bank’s top spot for seven years.

The Bank for International Settlements (BIS) announced on 19 February that Andrew McCormack and Morten Bech had been chosen to head the newly established Innovation Hubs in Singapore and Switzerland, respectively. McCormack comes to BIS from Payments Canada, where he has served since November 2018 as Chief Information Officer. Bech joined BIS in 2011, serving since May 2016 as Head of the Committee and Market Infrastructures Secretariat. Both will assume their new positions in April.

The European Commission has appointed John Berrigan Director-General of the Directorate General for Financial Stability, Financial Services and Capital Markets Union (FISMA). Previously Deputy Director-General of DG FISMA, Berrigan has served as Acting Director-General since the start of 2020.

On 1 March, Tracey Black succeeded Gerry Gaetz as President and CEO of Payments Canada, the latter having occupied that role since 2013. Filling Black’s former role of Executive Director of Modernization is Andrew McFarlane, who joins Payments Canada following eight years with Accenture. For more on Canada’s modernization efforts, see Black’s feature article in our November 2019 issue.

Ángel Estrada García has been appointed Director General of Financial Stability, Regulation, and Resolution by the Executive Commission of Banco de España. Estrada García, who first joined the central bank in 1990, replaces Jesús Saurina as Director General.

The U.S. Faster Payments Council has announced that Kimberly Ford will be stepping down as Executive Director effective 6 May. Ford became the Faster Payments Council’s first Executive Director on 24 June 2019.

Diego Labat, an economist and current director of state-owned ANCAP, has been appointed Interim President of Banco Central del Uruguay. Labat replaces Alberto Graña, who has retired due to age.

Latvijas Banka Chairman of the Board Māris Kālis was appointed Deputy Governor on 5 March. Kālis, whose five-year term commenced on 13 March, replaced former Deputy Governor Zoja Razmusa.

Mastercard Chief Product Officer Michael Miebach has been named the company’s President, part of a transition that will see him taking over as CEO on 1 January 2021. Miebach will replace Ajay Banga as CEO, with the latter becoming Mastercard’s Executive Chairman.

Sheldon Mills has been tapped by the UK’s Financial Conduct Authority (FCA) to serve as Interim Executive Director of Strategy and Competition. Mills succeeds Christopher Woolard, who was named Interim Chief Executive in late January. The appointment took effect on 16 March.
On 21 February, the Financial Crimes Enforcement Network (FinCen) announced the appointment of Michael Mosier as Deputy Director and Digital Innovation Officer.

Raynold Moveni has been named Deputy Governor of the Central Bank of Solomon Islands (CBSI). Prior to his appointment as Deputy Governor, Moveni served as Chief General Manager for the Financial Systems Regulation Department. The six-year term took effect on 30 January.

The five-year term of Nepal Rastra Bank Governor Chiranjibi Nepal expired on 17 March. Deputy Governor Chintamani Shiwalakoti will serve as Acting Governor until a successor is appointed.

International Monetary Fund (IMF) Managing Director Kristalina Georgieva has proposed the appointment of Geoffrey Okamoto as the Fund’s First Deputy Managing Director. Currently the Acting Assistant Secretary of the Treasury for International Finance and Development, Okamoto would succeed David Lipton, who stepped down at the end of February. If approved by the IMF’s Executive Board, the appointment will take effect on 30 March.

The State Bank of Pakistan has promoted former Deputy Director Sharoon Rasheed to the role of Joint Director of the Payment Systems Department. See Rasheed’s January 2020 feature article on Pakistan’s digital transformation.

Upon the expiration of his contract in April, Bank of Jamaica (BoJ) Senior Deputy Governor John Robinson will depart the central bank. A 36-year BoJ veteran, Robinson has served as Deputy Governor since 2011.

Formerly the Head of the Payment Systems Oversight Unit at Azerbaijan’s Financial Market Supervisory Authority, Tamerlan Rustamov has joined the Bank of Baku OJSC as Deputy Director of the Payment Systems Department.

Antoinette Sayeh has rejoined the IMF, assuming the role of Deputy Managing Director. Director of the Fund’s African Department from 2008 to 2016, Sayeh served most recently as a Distinguished Visiting Fellow at the Center for Global Development.

Resignations at the Bank of Mauritius have resulted in an overhaul to its top leadership:

- Harvesh Kumar Seegolam, formerly Head of the Financial Services Commission, has been appointed Governor. He replaces Yandraduth Googooly, who resigned in February.

- Mardayah Kona Yerukunondu was named First Deputy Governor as a replacement for Renganaden Padayachy, who departed the central bank to become Finance Minister.

- The position of Second Deputy Governor is now occupied by Hemlata Sadhna Sewraj-Gopal. She succeeds Mahendra Vikramdass Punchoo.

Assistant Governor K M Mahinda Siriswardana has been elevated by the Central Bank of Sri Lanka to the role of Deputy Governor. A veteran of numerous positions with the central bank, Siriswardana also served previously as the IMF’s Alternate Executive Director for India. The appointment took effect on 12 February.

Citing health reasons, Reserve Bank of India (RBI) Deputy Governor NS Vishwanathan will retire on 31 March, three months earlier than initially anticipated. Vishwanathan joined RBI in 1981.

In late March, Sudan’s Prime Minister appointed Mohamed al-Fatih Zainelabidin as Governor of the Central Bank of Sudan and named Mohamed Ahmed Bushra Badawi as the bank’s Deputy Governor.
The world has gone digital and the fourth industrial revolution is upon us, with technology no longer just a tool to improve how we do things but instead one that is infused into all that we do. New business models in financial technology (FinTech) are focusing on superior customer experiences, leveraging on low, marginal cost infrastructure, such as mobile, to provide both individuals and businesses with opportunities to access and actively participate in an inclusive, equitable, digital and empowering financial economy.

Even so, there is no doubt that leveraging digital financial services (DFS) and FinTech for financial inclusion goals comes with new risks. These include risks stemming from unfair and unmonitored lending practices and others related to the analysis of big data or increased systemic vulnerabilities due to threats of cybersecurity.

Yet, on the whole, there are strong reasons to believe that—if effectively supervised—DFS will strengthen both financial stability and financial integrity.

**INCLUSIVE FINTECH**

The Alliance for Financial Inclusion (AFI) is the world’s leading organization on financial inclusion policy and regulations, a member-owned network of developing and emerging countries that work together to achieve greater financial inclusion by promoting and developing evidence-based policy solutions. The network applies a cooperation model that embraces a bottom-up approach to policy formulation and implementation.

A strong example of AFI’s cooperation model is the Pacific Islands Regional Initiative (PIRI). Within PIRI, financial regulators in the Pacific are recognizing that disruptions in financial technology offer great opportunities for developing and emerging economies to significantly drive the uptake of DFS.

PIRI was created in 2014 at the AFI Global Policy Forum (GPF) in Maputo, Mozambique and was officially launched in Dili, Timor-Leste in 2015. It is made up of members from the central banks of Fiji, Samoa, Solomon Islands, Vanuatu, Papua New Guinea, Timor-Leste, Tonga and Seychelles.

Although PIRI member countries are at varying stages of development, each has made notable progress in their financial inclusion journey. Having links to AFI and its extensive network of central banks and monetary authorities has benefited members in the Pacific through knowledge sharing and smart policy development for the region.

**A WORLD-FIRST REGIONAL SANDBOX**

To discuss how disruptions in FinTech are opening up opportunities to promote DFS usage and address various challenges, members from the Pacific and other small island states met at the 2018 PIRI Leaders’ Roundtable held in Apia, Samoa. This led to the launch of the Apia Action Plan on FinTech for Financial Inclusion in the Pacific Islands, which strengthened their determination and affirmed their commitments to FinTech.

One of the first activities under the regional workstream was a training event on FinTech for financial inclusion. It focused on emerging FinTech innovations in the Pacific and small island states and corresponding responses in the form of regulatory sandboxes and other innovative regulatory approaches.

The training also explored the setting up of a regional regulatory sandbox, which received the support of members from across the globe who felt that the Pacific was rightly placed—both from a policy and market perspective—to test such an approach. This was because of the many commonalities in culture, geography, socio-economic development and, most importantly, challenges related to financial inclusion.

Members also acknowledged that working as a regional block would be beneficial to both regulators as well as FinTech companies and service providers. In this context, leaders from the Pacific provided their in-principle approval to establish a regional regulatory sandbox.

**THE REGIONAL SANDBOX HITS THE ROAD**

During the FinTech training event, members developed an outline of the proposed regional regulatory sandbox. At the same time, a technical sub-group consisting of members from PIRI member countries was formed to develop the sandbox guidelines. Once completed, these guidelines were presented and endorsed along with a tentative implementation plan at the PIRI Leaders’ Roundtable at the 2019 AFI GPF in Kigali, Rwanda.

The technical subgroup and AFI management unit were then tasked with taking forward the implementation plan and operationalizing the sandbox, starting with an implementation roadshow.

The roadshow comprised several in-country visits by AFI’s management unit with the intent of engaging with each of the seven participating AFI members, as well as other stakeholders such as telecommunications authorities, government ministries, public and private sector stakeholders, trade unions and associa-
A TEST-BED FOR INNOVATION

The establishment of a regional regulatory sandbox will be an excellent platform for PIRI member countries to leverage regulation by allowing for new FinTech innovations to be trialed in a secure environment. This would ensure that they have the necessary Know Your Customer (KYC), cybersecurity, risk management frameworks—including anti-money laundering and countering the financing of terrorism (AML/CFT)—data privacy and sanction provision requirements that allow for the delivery of affordable, safe and efficient financial services to the unbanked.

PIRI members have undertaken the unprecedented move to create a regional regulatory sandbox that encourages the development of innovative financial technology solutions and fosters financial inclusion in the region. Members acknowledge that the sandbox is a framework that encourages innovators to establish themselves in the region.

Having passed the necessary criteria, the innovators can be housed within the national sandbox to ensure the achievement of maximum benefits from synergies, especially in regulatory assessments and FinTech product trials.

NEXT STEPS FOR THE SANDBOX

The regulatory sandbox will allow financial services providers and innovators to experiment with innovative financial services in a live production environment bounded by clear parameters, appropriate safeguards and defined spaces and duration. This is to contain the consequences of failure and to maintain the safety and soundness of domestic financial systems.

Following the successful regional regulatory sandbox implementation roadshow across the member countries, members have agreed to proceed with the initiative.

Mechanisms will be established within their jurisdictions to facilitate the operation and support of the regional sandbox by actively collaborating with broader stakeholders, establishing technical and in-country implementation mechanisms, and instituting a regional steering committee to provide guidance and oversight with the operation of the regional regulatory sandbox.

The regulatory sandbox is expected to go live by June 2020.
By Michaella Allen, Senior Research Analyst and Barry Cooper, Technical Director, Cenfri (Centre for Financial Regulation and Inclusion)

CBDC—The Next Frontier of Mobile Money?

Many discussions around retail central bank digital currency (CBDC) today revolve around ambitious policy-focused use cases. Most recently, in the face of potential competition from a growing assortment of innovative private crypto-assets like Bitcoin and stablecoins such as Facebook’s Libra, central bankers around the world have been consumed with the possibility of implementing CBDC as a solution to regain control over their national money supply.

CBDC has also been championed as a power tool for an array of economic policy use cases. These use cases range from improving the targeting efficiency of monetary policy and streamlining national payment systems to enhancing the traceability of illicit flows and enabling the final push towards cashless societies.

However, the relevance of CBDC for consumer financial needs remains unclear. This lack of clarity stems from the fact that despite the broad ambitions of its proponents, most notably in terms of digitising cash, limited consideration has been given to how retail CBDC could practically incentivise the use of digital payments for improved financial inclusion, particularly when private crypto-assets are yet to achieve mass appeal.

Moreover, how could CBDC circumvent the potential digital financial exclusion that may result from its introduction? These questions are especially relevant for developing countries in regions such as sub-Saharan Africa (SSA) where, although more than 450 million adults possess a mobile phone subscription and over 50 percent of the population own a mobile money account, cash firmly remains king for nearly 60 percent of people paying for regular expenses like utility bills.

It is exactly this level of digital financial readiness, however, that begs the following questions: a) Why hasn’t the mobile money model completely succeeded in SSA? and b) Is there a potential use case for retail CBDC to help overcome its constraints for greater usage and improved contribution to financial inclusion?

In this article, we set out to understand the current major barriers to mobile money in SSA and the transformative impact retail CBDC could have on financial inclusion if applied through mobile money networks.

MOBILE MONEY AS A GATEWAY

Mobile money has been the gateway to formal financial services for millions across SSA. As a service, mobile money provides the ability to access financial services and conduct financial transactions using a mobile phone or other digital device. It does so by enabling customers to go to an agent and exchange cash for electronic value (in the form of e-tokens) that can be stored in an electronic wallet (e-wallet) that is hosted by a mobile money operator (MMO) scheme.

This value can then be utilised to transact with other e-wallet holders using either the same or a different MMO scheme and platform. The cash value within these e-wallets is held in an escrow account, backed by a partner commercial bank, which can be accessed by customers to withdraw or cash out by exchanging e-tokens for physical cash at an agent. These mobile-money rails therefore allow customers to transact over distance in e-money, usually by entering the recipient’s mobile number, without the need for a bank account.

In SSA, the success of mobile money is clear. The bank account penetration rate is still well below 40 percent, but the growth of mobile money has been considerable, particularly in reaching previously unbanked populations.

Figure 1: Mobile-money account registration and active use trends in SSA between 2015 and 2018

1 CBDC can be designed as either a wholesale or a retail currency. CBDC in its retail form is most similar to physical cash, given its design to reside within either an e-wallet or an account and to be utilised for frequent and relatively low- to medium-value transactions. In its wholesale form, CBDC represents central bank money that is used to facilitate wholesale payments on national payment systems such as the current real-time gross settlement system.
This growth is illustrated in Figure 1 above by the increase in registered mobile money accounts—from 223 million in 2015 to nearly 400 million in 2018. In terms of mobile money use, the number of active 90-day mobile money accounts has also grown impressively from around 84 million to nearly 146 million between 2015 and 2018.

Despite these gains, shortcomings in the fundamental design of mobile money make it an imperfect digital substitute for cash. These design limitations are evident in three key areas:

i. Although mobile money e-tokens can be transferred between individuals and exchanged for cash, the value of e-tokens is not denominated in national sovereign currency on a one-to-one basis in the same way that cash is. This implies that one e-token cannot easily be interchanged with the e-tokens of a different provider, or directly with cash. A real-life example: a consumer buying groceries by tendering physical cash could not be expected nor compelled to receive change in e-money tokens from any given mobile money scheme. There are notable examples of e-money being discounted by consumers in favour of hard currency precisely because it is not the same instrument with the same value or risks.

ii. Unlike cash, which enjoys universal acceptance, mobile money e-tokens are often only accepted by the provider or scheme and selected merchants/suppliers, thus limiting its usefulness for consumers. Additionally, the unique value of e-tokens makes it inappropriate for consumers to compare the value of different goods or services priced in different e-tokens and impractical to have stores of different e-tokens to accommodate a variety of merchants.

iii. Unlike cash, mobile money is not backed or issued by central banks but rather private MMOs. This characteristic creates a key distinction between how consumers view mobile money relative to cash and how easily it can be supplied by MMOs in given markets. More specifically, consumers may be more cautious with a mobile money instrument than a state-guaranteed one. This type of reaction lowers levels of consumer trust and limits usage of, or any reliance by a consumer on, that instrument.

Overall, these limitations imply that mobile money is neither a direct digital substitute nor a replacement for cash, but rather a unique, non-interoperable alternative payment instrument.

MOBILE MONEY CONSTRAINTS

In its current form, mobile money faces a myriad of constraints preventing it from being a cost-effective and broadly adopted solution for consumers. These constraints can be broadly grouped into two main categories: consumer/demand cost drivers and provider/supply cost drivers.

According to the 2017 Global Findex Survey, as Figure 2 shows, only 34 percent of adults in SSA report having made or received a digital payment in the last year. This suggests that, while mobile money has made notable inroads in some countries and certain use cases (particularly peer-to-peer remittances), the majority of the SSA population still use cash for everyday expenses.

For mobile money, one of the largest barriers is a lack of trust and understanding or awareness regarding its use. Its lack of central bank backing and unreliable acceptance at different agents or vendors particularly reinforce low trust in mobile money among both low-income and middle-income earners. Furthermore, agents are more concentrated in urban areas, implying that the already financially constrained rural population are required to travel far to cash in or cash out (CICO), if they are able to receive at all.

Value chains are also not yet sufficiently digitised to incentivise the acceptance of e-money at all points. The digital ecosystem remains shallow and dependency on cash remains high. For many consumers, shallow ecosystems can result in high CICO transaction costs in terms of not only time and effort to travel to CICO points, but also monetary expenses such as fees. These costs have the potential to inhibit the number of active consumers of a MMO scheme and the number of consumer interactions within such mobile money agent networks.

In support of the above, two recent GIS studies undertaken by Cenfri indicate that the MMO agent ecosystem expands the financial service reach by no more than five kilometres from a traditional brick-and-mortar financial institution.

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2 Mobile money schemes are essentially closed loop as their instruments are not interchangeable. The instruments and schemes can be made to appear interchangeable through complex clearing and settlement mechanisms to switch instruments.
Mobile money, unlike cash, is also subject to an array of e-money and other regulations that can hinder both the incentive to use and the business case to provide the service. These regulations necessarily stem from the inherent risks mobile money schemes pose to the broader stability of the financial system, as well as monetary policy, given its co-circulation with central bank money (i.e. physical cash) and its potential to undermine the integrity of the system. This is due to the potential for internal operational failure, security threats and susceptibility to disproportionate taxation, among other reasons. Examples in SSA include:

- The imposition of mobile money taxation on mobile transfers (e.g. Kenya and Uganda)
- Rules-based customer due diligence and know-your-customer procedures that limit access for consumers and impose high compliance costs for providers
- Stringent licensing and partnership requirements
- Regulatory uncertainty between different regulators within the digital payment space (e.g. delegation of power between Communications Authorities and Central Banks)

Supply cost drivers are among the most severe constraints faced by MMOs. In addition to the burden of onerous regulation, supply cost drivers can range from poor national infrastructure such as underdeveloped electricity, roads and network coverage, to high operational costs relating to the management of agent network systems and the maintenance of liquidity for both e-money and the transportation of cash. In addition to these, one of the most constraining costs for suppliers relates to the clearing and settling of mobile money transactions.

As illustrated in Figure 3, in order for an MMO to reconcile a transfer between two individuals on its own closed-loop network, a range of costs are incurred due to the multitude of sequential steps and third-party intermediaries that are involved in the reconciliation of a single transfer. These intermediaries can include agents, commercial banks, and the local or regional automated clearing house (ACH), as well as the central bank itself. The costs these actors resultantly impose can range from cash to mobile money schemes and ACH reconciliation costs. These costs, both in terms of time and money, are often passed on to consumers through higher transaction fees.

For MMOs seeking to facilitate transfers across different networks, these costs can be even greater. This stems from the fact that although all mobile money schemes may be functionally the same, the design of each provider’s token is fundamentally different, thus requiring bespoke channels to clear and settle payment between different providers via standard, stepwise national legacy payment systems.

As a result, additional costs relating to e-money accounts and regional bank payment reconciliation may be added on top of existing closed-loop costs. These costs can disincentivise MMOs to support mobile money interoperability to the detriment of consumer convenience and/or can lead to higher costs for consumers to transact.

CBDC AS A STREAMLINING SOLUTION

Retail CBDC can offer a streamlining solution to these MMO reconciliation costs. The essential value of retail CBDC is its ability to act as a direct digital substitute for cash, given its denomination on par with national sovereign currency and status as a universally accepted legal tender within a jurisdiction. Where retail CBDC could therefore feasibly play a role is in the reduction of clearing and settlement reconciliation costs. This could be achieved by underpinning or defining all mobile money schemes and value in terms of a retail CBDC.

The universal acceptance of CBDC would enable the clearing and settlement of a multitude of uniquely defined mobile money

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3 Short for “electronic money,” e-money is stored value held in the accounts of users, agents and the provider of the mobile money service. Typically, the total value of e-money is mirrored in (a) bank account(s), such that even if the provider of the mobile money service were to fail, users could recover 100 percent of the value stored in their accounts. That said, bank deposits can earn interest, while e-money in most schemes cannot (GSMA, 2010).
schemes to be standardised for providers, thus facilitating interoperability between different instruments and channels. This would enable MMOs to send and receive CBDC from any MMO, financial institution or point-of-sale facility with greater ease.

Moreover, the existence of a commonly defined mobile money instrument would effectively reduce not only the number of third-party intermediaries involved in reconciliation processes for providers, but would also reduce the complexity and cost of these processes.

Figure 3 highlights these cost savings through the elimination of actors such as the ACH and the central bank, as well as their associated steps and costs typically involved in both closed-loop and open-looped reconciliation processes. Reducing the complexity of such processes could benefit providers further by lowering settlement risks inherent to stepwise payment systems.

For providers, lower costs and risks to mobile money could ease operational constraints and support investment into more innovative product value-add and delivery.

For consumers, greater interoperability between different mobile money schemes could have the additional effect of increasing the convenience of sending money across platforms at greater speeds and lower transaction costs, thereby encouraging more active consumer use. These gains may, in turn, allow for improved consumer utility by enabling more frictionless and near-instantaneous micropayments, as well as additional mobile money use cases to rival the appeal of physical cash.

CBDC can strengthen mobile money offerings in SSA, but an enabling environment is needed to minimise its risks for exclusion. Mobile money has made inroads into digital payments across SSA, but providers continue to struggle to make a profitable business case. MMOs face numerous barriers to providing mobile money, ranging from context and regulation to driving use among low-income populations.

However, an assessment of how well CBDC could address these constraints reveals that, although it is by no means a silver bullet for financial inclusion, by reducing provider constraints relating to reconciliation costs, CBDC could play an enabling role for providers to offer more affordable and innovative mobile money services.

Other benefits of retail CBDC for mobile money may include faster transaction speeds, greater trust in mobile money and improved convenience or utility to transact across providers to increase active consumer use relative to cash.

However, it is important to recognise that the application of CBDC itself could also introduce or reinforce barriers to mobile money use in SSA. Among others, these barriers could include strengthening digital inequality gaps or incentivising additional rent-seeking costs by providers if interoperability becomes perceived as a threat to business profits.

Therefore, in order for an inclusive CBDC roll-out and digital ecosystem to be established, policymakers and regulators will need to think carefully about structural issues such as access to digital identity and infrastructure, but also regulating for innovation and the contextual realities that may undermine the value of CBDC for consumers and businesses. If these considerations are effectively taken into account, whether through test-and-learn approaches or tailored country diagnostics, CBDC could indeed represent the next frontier for mobile money and unlock its original goal to financially include the unbanked in SSA at an unprecedented scale.

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**ABOUT CENFRI**

**Cenfri** is a global think-tank and non-profit enterprise that bridges the gap between insights and impact in the financial sector. Cenfri’s people are driven by a vision of a world where all people live their financial lives optimally to enhance welfare and grow the economy. Its core focus is on generating insights that can inform policymakers, market players and donors who seek to unlock development outcomes through inclusive financial services and the financial sector more broadly.

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1 This comes from its ability to replace these intermediaries with algorithmic protocols or governance rules to trigger reconciliation through some form of automatic consensus among participants. This is in contrast to the step-by-step procedures within legacy systems that require intermediaries to clear and settle payment sequentially (Cooper et al., 2019).
Recent Evolution of the Retail Payments Market in Hungary

By László Kajdi, Senior Economic Analyst, Magyar Nemzeti Bank

Over the last decade, the Hungarian payments market has gone through a major development, and the use of electronic payment methods is constantly growing. The Central Bank of Hungary (MNB) actively contributed to the favourable processes in line with MNB’s payment strategy. MNB defined two main goals for the payments market: on one hand to provide an electronic payment option in all payment situations, on the other hand to promote the use of these cashless payment methods. In order to reach these goals, MNB stepped up as coordinator and regulator, and also actively used the advantages coming from the sole ownership of the market’s central participant, the GIRO clearinghouse.

Like in most countries, cash transactions constitute the majority of retail payments in Hungary; however, MNB’s data and analyses indicate that in the major fields, the gap between the European Union average and Hungary is disappearing.

The MNB defined indicators for three key areas of the payments market signal steady improvements in recent years (Table 1).

The three MNB defined indicators are:

1. Regarding the use of credit transfers, no significant lag can currently be identified. Further, following the mandatory introduction of instant payments in 2020, the turnover of credit transfers is expected to rise steeply.

2. The field of electronic retail payments also showed major advancements in the last couple of years, which can be mainly attributed to the soaring popularity of contactless card payments among Hungarian consumers.

3. A key focus in the mid-term is perhaps related to the electronic payment of regular bills, where a Hungarian peculiarity, the paper-based postal payment orders (so-called “yellow cheques”) are the most widely used payment method. The introduction of instant payments and request-to-pay services can greatly help to transform manual processes to electronic solutions.

Table 1: Changes in Indicators Measuring the Level of Development of Hungarian Payments Compared to the EU

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Calculation Method</th>
<th>Hungary</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit transfers</td>
<td>Annual value of credit transfers / GDP</td>
<td>14.2</td>
<td>14.5</td>
</tr>
<tr>
<td>Electronic payment of retail purchases</td>
<td>Annual value of purchases conducted with payment cards and other electronic solutions / Annual household consumption</td>
<td>14.6%</td>
<td>17.2%</td>
</tr>
<tr>
<td>Electronic payment of utility bills and other service changes</td>
<td>Estimated annual number of direct debits and other electronic bill payments / Estimated annual number of bill payments</td>
<td>25.4%</td>
<td>33.3%</td>
</tr>
</tbody>
</table>

Source: MNB, preliminary data for 2019
Although cash in circulation is undergoing an increasing trend in Hungary, this can be attributed mainly to the growth in cash demand for savings purposes due to low interest rates, while the ratio of cash usage within all payment transactions has been decreasing steadily for years.

Since almost all merchants must report the payment transactions by different payment methods to the Hungarian Tax Authority, a rather detailed and robust database is available on retail transactions, with almost four billion transactions annually. According to this dataset, it can be clearly seen that the Hungarian payments market shows improvements; although cash usage is still quite frequent, its ratio is constantly decreasing. While in 2015, 90 percent of all transactions were cash payments, this ratio decreased to below 84 percent in 2018.

**DYNAMIC INCREASE IN CARD PAYMENTS DURING RECENT YEARS**

The different electronic payment methods are becoming increasingly popular among consumers. The number of credit transfers is ascending by approximately 5 percent year-on-year. This figure is expected to grow more significantly after the introduction of instant payments in early March 2020.

The usage of direct debits is expanding more moderately (by 3-4 percent), which explains the wider gap compared to the EU average in electronic bill payments (see Table 1). The main driving force of the payments market’s development was the significant 20-25 percent annual growth of payment card transactions. This favourable change has several underlying reasons, such as the regulation of interchange fees, the launch of a national POS-terminal programme, and the spread of contactless technology.

Interchange fees were limited in Hungary one year before the European Multilateral Interchange Fee (MIF) regulation was introduced, thereby decreasing card acquiring burdens of retailers. According to MNB data, after the regulation was introduced the merchant fees dropped from around 1.1 percent to 0.8 percent of the card payment turnover value on average.

Nevertheless, smaller retailers’ relative acquiring costs to turnover remained significantly higher compared to large merchant chains, which limits the further expansion of the card acceptance network. One solution for this is the national POS-terminal network extension programme of the Hungarian Ministry of Finance, which was elaborated based on the experiences of MNB’s country-level pilot programme, and also greatly fostered the establishment of new card acceptance points.

Within this programme, retailers that did not previously accept cards can obtain contactless POS-terminals for a reduced, maximum 1 percent merchant fee.

Both the interchange fee regulation and the POS network extension programmes contributed significantly to the increase in the number of terminals from around 110,000 in 2016 to the current 145,000 level.

The other factor that supported the frequent usage of payment cards was the prevalence of contactless technology both at the issuer and the acquiring side. Fast and convenient contactless card payments have become immensely popular among Hungarian consumers and more than 90 percent of transactions were carried out in this way at the end of 2019. This was facilitated by the fact that almost 84 percent of cards are contactless, while 88 percent of domestic POS-terminals enable this technology.

**INNOVATIVE PAYMENT SOLUTIONS ARE CHANGING THE CURRENT LANDSCAPE**

Besides the traditional methods, innovative payment solutions are emerging and gradually gaining space in the Hungarian payments landscape. Almost all Hungarian banks provide card-based mobile payment applications either in cooperation with bigtech service providers or by their own internal development. These solutions enable both physical point-of-sale and in-app payments, offering both contactless and QR-code data entry methods.
In 2019, the number of such card-based mobile application transactions reached almost 30 million. This is a small value compared to the more than 990 million total number of card purchases made with domestically issued cards; nevertheless, the growth of card-based mobile app transactions was almost four times that of the previous year. This highlights the potential of the Hungarian market to rapidly change consumer payment habits and embrace the use of innovative solutions by a large share of the population.

Concerning credit transfers, MNB has initiated fundamental changes over the last couple of years that are expected to dramatically increase uptake. Intraday clearing was introduced in Hungary in 2012, which was a major shift compared to the previous t+1 processing time of credit transfers.

In order to have a direct influence on the payments market's developments, MNB acquired 100 percent of the GIRO clearinghouse's shares in 2014. In this new position, MNB reduced the clearing costs of banks by almost a third to diminish the processing costs of credit transfers. In 2015, the number of intraday clearing cycles was doubled from 5 to 10 and the operational hours of GIRO were expanded, with the aim to promote wider usage of credit transfers.

As a result of these developments, MNB analyses have shown that domestic credit transfers are processed within two hours on average. The earlier start of the first clearing cycle by one hour supports the faster processing of those transactions that were initiated on the previous day after the cut-off time, while the expansion of the cut-off time at the end of the day by 30 minutes is especially favourable to corporate clients, who have more time to settle their financial liabilities.

**INSTANT PAYMENTS ARRIVE IN HUNGARY**

Following the aforementioned steps, MNB launched a new initiative in 2016 to introduce instant payments (IP) in Hungary. The main purpose was to create a level playing field to boost market competition and innovation. The service successfully started in Hungary on 2 March.

In order to reach the goals laid out for the initiative, a crucial element was to ensure total coverage of the service, i.e. all clients on the payer side can be sure that the beneficiary side will be able to handle the incoming transactions and credit the accounts immediately. This was achieved in a so-far unique manner, since it is mandatory by regulation (MNB decree) for payment service providers to participate in the instant payment system from the first day.

The IP service's central infrastructure will be interoperable for different types of participants. Besides the traditional players, payment initiation service providers and merchants will also have the opportunity to connect with the service directly. Since different fintech solutions are rapidly gaining ground in Hungary, incumbent banks also had to start developments in order to maintain their competitiveness. Thus, the introduction of instant payments will result in new business opportunities for banks and other service providers, as well as innovative solutions for end-users.

In addition to the fast processing time (max. five seconds), another fundamental element of the IP service is that it will operate on a 24/7/365 basis, unlike the current processing of credit transfers. Banks are permitted only 24 hours of downtime in a year for the initiation of transactions and no downtime for the processing of incoming instant payments.

After the introduction of instant payments in Hungary, the new request-to-pay (R2P) service will also be available. The R2P service is anticipated to facilitate higher usage of cashless payment methods for bill payments and more.

All the mentioned cornerstones of the Hungarian instant payment service were designed to encourage the domestic payments market to step into a new era, where users can access fast, innovative, and interoperable electronic payment solutions in all payment situations. As a result of these developments, MNB expects the ratio of electronic payment methods usage in Hungary to rise up to 45-50 percent by 2030.

Read more about instant payments in Hungary on page 5 of this issue and stay tuned for a progress report from Magyar Nemzeti Bank in our May 2020 issue.
FSI POLICY IMPLEMENTATION MEETINGS
The Financial Stability Institute (FSI) of the Bank for International Settlements (BIS) will hold the following policy implementation meetings in Basel over 2020: BCBS meeting on anti-money laundering and correspondent banking from 13-14 May; use of innovative technology in financial supervision (suptech) from 3-4 June; ASBA-CEMLA meeting on the latest developments on cyber security regulation and supervision (to be held in Santiago de Chile) on 15-16 July; and the CPMI meeting on innovative payment systems from 15-16 September. For more, see the 2020 program (PDF).

NEW YORK FED RESEARCH CONFERENCE ON FINTECH

INTERNATIONAL CONFERENCE ON ECONOMICS AND FINTECH
The EU’s FINancial Supervision and TECHnology Compliance Project is holding its first International Conference on Economics and FinTech on 21-23 April in Athens, Greece. (postponed)

WFP CONFERENCE ON NEXT STEPS FOR DIGITAL PAYMENTS IN THE UK
On 19 May, the Westminster Forum Projects (WFP) hosts Next Steps for Digital Payments in the UK—Innovation, Inclusion, Security and Regulation.

PAYMENTS CANADA SUMMIT
Held from 25-27 May in historic Montreal, Quebec, the Payments Canada Summit is Canada's largest payments conference. The agenda explores a broad spectrum of issues and topics that influence the future of payments policy, products, services, and processing. (cancelled)

SNB AND CIF CRYPTOASSETS AND FINANCIAL INNOVATION CONFERENCE
The Swiss National Bank (SNB) and the Center for Innovative Finance (CIF) of the University of Basel will host the joint Cryptoassets and Financial Innovation conference, to be held in Zurich on 29 May. (cancelled)

GERZENSEE WORKSHOP ON MONEY, BANKING, PAYMENTS AND FINANCE
The Study Center Gerzensee, a foundation of the Swiss National Bank, will host (PDF) the 2020 Summer Workshop on Money, Banking, Payments and Finance on 10-12 June. See coronavirus updates for the Study Centre here.

CENTRAL BANK PAYMENTS CONFERENCE 2020
The fourth installment of the Central Bank Payments Conference (CBPC) is heading to Cape Town, South Africa. From 22-25 June, an international cadre of payment system executives, leaders, and senior experts will gather to discuss the most relevant concerns, challenges, and opportunities facing central banks. (postponed)

BUNDESBANK PAYMENT AND SECURITIES SETTLEMENT SYSTEMS WORKSHOP II
Deutsche Bundesbank offers the second level of this five-day course on payment and securities settlement systems for mid- and senior-level central bankers from 22-26 June. The deadline for applications is 1 May.

BUNDESBANK EXPERT PANELS
From 26-27 August, Deutsche Bundesbank will assemble an expert panel to discuss innovations in the field of cashless payments. Then from 29 September to 1 October, an expert panel will gather (PDF) to examine fintech and its impact on central banking.

CEBRA ANNUAL MEETING
The Central Bank Research Association’s (CEBRA) 2020 Annual Meeting will take place at the London School of Economics and Political Science from 1-3 September. Day one features a high-level policy discussion on the future of money and payments, including debate on CBDCs and payment systems.

ARTIFICIAL INTELLIGENCE IN INDUSTRY AND FINANCE
The Zurich University of Applied Sciences (ZHAW) hosts the 5th European Conference on Artificial Intelligence in Finance and Industry on 3 September in Winterthur, Switzerland. The event will highlight recent developments in the role of AI technology in finance.

BANK OF FINLAND ECONOMICS OF PAYMENTS X CONFERENCE
The Bank of Finland will host the 10th Economics of Payments X (EOP-X) conference in Helsinki on 2-3 September. A call for papers has been issued, with an emphasis on topics relating to payments or financial market infrastructures. Submissions will be accepted until 15 April. The EOP-X conference will be organised back-to-back with the 18th Bank of Finland Simulator Seminar on 4 September.

FINANCIAL INNOVATION: IMPLICATIONS FOR COMPETITION, REGULATION, AND MONETARY POLICY
The Bank for International Settlements, together with the Bank of England and the Centre for Economic Policy Research, will jointly host a two-day workshop on financial innovation, regulation, competition, and monetary transmission from 24-25 September in Basel.

EUROPE GLOBAL PAYMENT SUMMIT
The Europe Global Payment Summit is moving to Madrid for 2020. From 28-29 October, leading payments professionals and key policymakers will come together to explore key topics in the ever-evolving payments/transaction space.
CASHLESS

India’s digital revolution is highlighted in the Reserve Bank of India’s Assessment of the Progress of Digitisation from Cash to Electronic, Issued on 24 February.

Published in early March, the Bank of Canada Analytical Note A Uniform Currency in a Cashless Economy explores the implications of a cash-free society.

CARDS

The European Commission has published a Study on the Application of the Interchange Fee Regulation, which finds that interchange fees on card-based transactions have declined by 35 percent. Issued on 11 March, the study was carried out by Ernst & Young and Copenhagen Economics A/S.

CBDC

Though no plans are currently in place to issue a CBDC, the Bank of Canada (BoC) recently published two papers dealing with central bank digital currency. The timely Contingency Planning for a Central Bank Digital Currency was issued on 25 February, while Demand for Payment Services and Consumer Welfare: The Introduction of a Central Bank Digital Currency was published on 1 March.

In addition, BoC also released three Analytical Notes on CBDC in late February. These include: CBDC and Monetary Policy; CBDC and Monetary Sovereignty; and Technology Approach for a CBDC.

Central Bank Digital Currency: Central Banking for All? (PDF), an academic paper published by the Becker Friedman Institute of the University of Chicago, explores the implications of an account-based CBDC.

Published under the aegis of the Groupe de Recherche en Droit, Economie et Gestion (GERDAG), the monetary policy implications of CBDC issuance are explored in Macro and Micro Implications of the Introduction of Central Bank Digital Currencies: An Overview (PDF).

Central Bank Digital Currency: Opportunities, Challenges and Design, a Discussion Paper from the Bank of England, is a notable and accessible addition to the growing body of literature on CBDCs. Issued on 12 March.

CONSUMER BEHAVIOR

The Reserve Bank of Australia has published Consumer Payment Behaviour in Australia, which sets out the main findings of the 2019 Consumer Payment Survey (CPS). The CPS focuses on consumers’ use of cash, cards, and other electronic payment methods and channels.

On 3 March, the Central Bank of Malta released an Analysis of the Payment Habits in Malta, the results of a 2018 survey on the payments behavior of 500 Maltese households.

CRYPTOS, DIGITAL CURRENCIES & STABLECOINS

Published on 6 March by Banque de France, Stablecoins: A Brave New World? assesses the risks that global stablecoins introduce for financial stability and monetary policy and how central banks, regulators, and the private sector can address them.


The Central Bank of Jordan has offered its contribution to the extant literature on crypto assets. Cryptocurrencies (in Arabic) was released by the central bank on 5 March.

One in a series of blockchain-related thematic reports, the European Union Blockchain Observatory & Forum, a European Commission initiative, has prepared Blockchain and the Future of Digital Assets (PDF). Issued on 19 February.

Garth Baughman and Jean Fleming, both of the Federal Reserve Board of Governors, study the Global Demand for Basket-Backed Stablecoins (PDF). Published on 16 March.

From Italy’s University of Pavia comes an examination of basket-based stablecoins in Libra or Librae? Basket Based Stablecoins to Mitigate Foreign Exchange Volatility Spillovers.

CYBERSECURITY

The European Systemic Risk Board has published Systemic Cyber Risk, a report detailing how a cyber incident, were it to evolve into a systemic cybercrisis, could ultimately threaten financial stability. Published on 19 February.

Similarly, a Bulletin from the Reserve Bank of New Zealand, issued on 25 February, examines the Cyber Incident Cost Estimates and the Importance of Building Resilience for the country’s financial sector.

DATA

A timely contribution from the European Commission, A European Strategy for Data (PDF), outlines policy measures for the data economy for the next five years. Issued on 19 February.

DIGITAL IDENTITY

In response to the increasing number of digital financial transactions and the need to “know your customer,” the Financial Action Task Force has produced a Guidance on Digital ID that will assist relevant entities in determining the appropriateness of digital ID in their customer due diligence practices.

DIGITAL PAYMENTS

Devoted entirely to the fast-evolving payments landscape is the Bank for International Settlements’ recently published Quarterly Review, March 2020. Notable entries include: Innovations in Payments; On the Global Retreat of Correspondent Banks; Payments Without Borders; and The Technology of Retail Central Bank Digital Currency.
DISTRIBUTED LEDGER & BLOCKCHAIN

Study on Blockchains – Legal, Governance and Interoperability Aspects (SMART 2018/0038), produced on behalf of the European Commission, provides evidence for the development and deployment of a blockchain framework throughout the EU.

The current state of blockchain technology is examined in a new report, The Development and Management of Blockchain Technology (in Chinese), from the Digital Currency Research Institute at the People’s Bank of China.

FINANCIAL INCLUSION


A recently published Technical Note by the Consultative Group to Assist the Poor (CGAP), The Use of Agents by Digital Financial Services Providers, explores how an agent-centric regulatory framework can foster financial inclusion.

Jointly produced by the Bahrain Fintech Bay and the Jordan Fintech Bay, MENA Financial Inclusion Report 2020 focuses on financial inclusion developments—both regional and global—with an emphasis on next steps to ensure greater inclusivity.

FINTECH

Central Banks and Fintech Data Issues (PDF), from the Bank for International Settlements’ Irving Fisher Committee on Central Bank Statistics, highlights the findings of the Committee’s 2019 survey featuring responses from 61 countries. Issued in late February.

The Dubai Financial Services Authority released on 9 March Innovation Programme Progress Report, a reflection on lessons learned since the 2017 launch of its Innovation Testing Licence Programme.

Thomson Reuters Regulatory Intelligence has released the fourth annual Fintech, Regtech and the Role of Compliance Report, an examination of the impact of technological innovations on compliance.

The IMF’s 2020 Article IV Consultation Staff Report on Malaysia devotes considerable space to Malaysia’s burgeoning fintech sector. Published on 28 February.

INFRASTRUCTURE

A trio of Discussion Papers emerged this past month from Payments Canada. These include:

- How Much Liquidity Would a Liquidity-Saving Mechanism Save if a Liquidity-Saving Mechanism Could Save Liquidity? A Simulation Approach for Canada’s Large-Value Payment System;
- Is There Anybody Out There? Detecting Operational Outages from LTVS Transaction Data; and,
- Shallow or Deep? Detecting Anomalous Flows in the Canadian Automated Clearing Settlement System Using an Autoencoder.

INTEROPERABILITY

ISO 20022 Migration for the Australian Payments System – Conclusions Paper, the third and final paper on industry adoption of ISO 20022 messaging standards, was issued on 26 February by the Reserve Bank of Australia and the Australian Payments Council. This Conclusion Paper follows the Issues Paper from April 2019 and a Responses and Options Paper produced in September 2019.

OPEN BANKING

A brief from the Federal Reserve Bank of Boston examines the current state of open banking in the United States. Developments in Open Banking and APIs: Where Does the U.S. Stand? was issued on 17 March.

Who Would You Like to Hear From?

Is there a central bank or other organisation you would like to see profiled in CBPN? Let us know at cbpn@currency-research.com.
TALKING POINTS
A roundup of the latest speeches on payments issues impacting central banks.

FEBRUARY

Bank Negara Malaysia
Project Greenback 2.0 Kota Kinabalu Welcoming Remarks, Delivered by Assistant Governor Fraziali Ismail on 14 February.

Bank of Canada
Money and Payments in the Digital Age, Delivered by Deputy Governor Timothy Lane on 25 February.

Bank of England
It’s Time to Talk About Money, Delivered by Deputy Governor, Financial Stability Sir Jon Cunliffe on 28 February.

Bank of Japan
Central Bank Digital Currency and the Future of Payment and Settlement Systems, Delivered by Deputy Governor Masayoshi Amamiya on 27 February.

Board of Governors of the Federal Reserve System
Direction of Supervision: Impact of Payment System Innovation on Community Banks, Delivered by Governor Michelle W. Bowman on 27 February.

Central Bank of Barbados
Financial Inclusion and the Financial Sector, Delivered by Governor Cleviston Haynes on 21 February.

European Central Bank
Protecting the European Financial Sector: The Cyber Information and Intelligence Sharing Initiative, Delivered by Member of the Executive Board Fabio Panetta on 27 February.

Federal Reserve Bank of Cleveland
Modernizing Our Payments System, Delivered by President and CEO Loretta J. Mester on 14 February.

International Monetary Fund
Keynote Address on Central Bank Digital Currency, Delivered by Deputy Managing Director Tao Zhang on 28 February.

National Bank of Ukraine
Central Bank Digital Currencies: New Opportunities for Payments, Delivered by Governor Yakiv Smolii on 21 February.

Reserve Bank of India
Banking Landscape in the 21st Century, Delivered by Governor Shaktikanta Das on 24 February.

Saudi Arabian Monetary Authority
The Kingdom Moving Towards Becoming a Leading Center for Innovation in the Financial Technology Sector, Delivered by Governor Ahmad bin Abdul Karim Al-Kholifey on 25 February.

MARCH

Bank of Ghana
Inauguration of Payment Systems Advisory Committee, Delivered by Governor Ernest Addison on 5 March.

Bank of Ghana
The Role of Regulators in Advancing Financial Inclusion and Innovations, Delivered by Governor Ernest Addison on 10 March.

Banque de France
What Financial Sovereignty in a Digital World? Delivered by First Deputy Governor Denis Beau on 3 March.

De Nederlandsche Bank
How to Make Open Finance a Success: Lessons from PSD2, Delivered by Executive Board Member Olaf Sleijpen on 3 March.

Financial Conduct Authority
ABOUT CBPN

Central Bank Payments News (CBPN) is a monthly e-publication dedicated to informing the worldwide central bank payments & market infrastructure community of the most relevant and timely payments issues impacting the central bank today. With a unique and in-depth payments focus tailored to a central bank perspective, CBPN is an independent and comprehensive source of intelligence that helps readers navigate a rapidly changing payments landscape.

CBPN is published by Currency Research, the independent knowledge-based organization and leading global resource for central banks, their suppliers, and the related supply chain for currency and payment systems.

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