NATIONAL RETAIL PAYMENT SYSTEM

57 Charter Anniversary Symposium
Rural Bankers Association of the Philippines
SMX Convention Center, Pasay City
10 November 2014
Agenda

I. Basic Understanding and Concepts of the National Payment System (NPS)

II. Current State of Retail Payment System in the Philippines

III. Proposed National Retail Payment System (NRPS)
I. Introduction to National Payment System
### Three layers of the financial architecture

#### 1. Store of value
- Cash
- Authorized depository accounts
- E-Money accounts

#### 2. Payment Instrument
- Cash
- Check
- Card Payments
- Electronic credit transfers
- Electronic debit

#### 3. Service Channels
- Cash Handling
- Branch
- ATM
- Agent
- Call Center
- IVR
- Mobile Phone
- PC
- POS

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**Bangko Sentral ng Pilipinas**
Payment System Participants

- Payment Originators
  - Sender of Funds
    - (Consumer)
    - (Business)
    - (Government)
  - Payment Originator's Financial Institution (Issuer)
  - Credit Cards
  - Credits/Debits
  - LVTS/Wire
  - CHECKS

- Payment Connectors
  - CASH
    - ATM/POS
  - Debit Networks
  - Credit Card Networks
  - EFT ACH
  - SWIFT
  - PCHC

- Payment Recipients
  - Recipient of Funds
    - (Consumer)
    - (Merchant)
    - (Business)
    - (Government)
  - Payment Recipient's Financial Institution

- Payment Enablers
  - Debit Networks
  - Credit Card Networks
  - EFT ACH
  - SWIFT
  - PCHC

Source: Derived from Deloitte (2010)
II. Current State of Retail Payment System in the Philippines
## Monthly Payment Transactions

<table>
<thead>
<tr>
<th>Payer</th>
<th>Transaction Volume (in million)</th>
<th>% Electronic Payments</th>
<th>Total Value (Php million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>17</td>
<td>54.0%</td>
<td>236,436</td>
</tr>
<tr>
<td>Business</td>
<td>603</td>
<td>1.0%</td>
<td>2,546,647</td>
</tr>
<tr>
<td>Individuals</td>
<td>1,914</td>
<td>0.3%</td>
<td>311,605</td>
</tr>
<tr>
<td>Development partners</td>
<td>6</td>
<td>59.0%</td>
<td>368</td>
</tr>
<tr>
<td>Total / Month</td>
<td>2,539</td>
<td>1.0%</td>
<td>3,095,056</td>
</tr>
</tbody>
</table>

Source: Better Than Cash Alliance
Access to finance scenario

37% of the 1,634 cities and municipalities do not have a banking office.

2 out of 10 Filipino households have a deposit account.

10.5% of adults had a loan in a formal financial institution in the past year.

Archipelagic barriers pose a big challenge to financial access.
Schematic of multiple operator clearing and settlement

Settlement

- In commercial entity (bank/non-bank)?
- In books of central bank?
- In commercial entity (bank/non-bank)?

Clearing

- Clearing switch 1
- Clearing switch 2

ACHs

- ATM
- POS
- Local Debit
- Int’l Debit
- Credit card
- Check
- RTGS
- EFT debit, credit

Individual Participants
Challenges to Existing System

• Interoperability limited to card-based ATM withdrawals and POS transactions
• Real-time Interbank Fund Transfer (IBFT) limited to banks within same consortium
• Low level integration across E-Money schemes
• Great number of financially excluded Filipinos
• Inefficient collection system of government dues and contributions
III. Proposed National Retail Payment System (NRPS)
GOAL - Establish a Sound, Efficient and Inclusive Retail Payment System

* Ensures transparency
* Enables effective and efficient interface and interoperability among players
* Fosters innovation and new business models
* Facilitates the provision of a wide range of products and services with needed certainty, affordability and trust
Single Switch Operator

- ACH participant group
- ACH multilateral agreement
- Clearing rules
- NPS ACH operator agreement
- Interchange multilateral agreement

ATM ACH
Debit Card ACH
Credit Card ACH
EFT Cred its ACH
EFT Debits ACH
Real-time low-value Push ACH
Agent CICO ACH

BSP
PHILPASS
SETTLEMENT

National Utility Clearing Operator (NUCO)
NRPS Governance Model

Payment Systems Act (Proposed)

PSMB Risk/Oversight

- ATM ACH
- Debit Card ACH
- Credit Card ACH
- EFT Credits ACH
- EFT Debits ACH
- Real-time low-value Push ACH
- Agent CICO ACH

e.g. South Africa, Canada, Namibia
National Retail Payment System

Bank Service
- Deposits
- Loans
- Bills Pay
- Investment
- Others

Person-to-Person Transfer

Remittance/Payroll

Utility Bills Payment

Purchase of Goods

Payment of Fare

Payment of School Fees

Payment of Taxes and Licenses

OFW... Saludo Kami Sa Iyo!

ACCREDITED REMCO OUTLET

National Retail Payment System
Programme Management Office

Steering Committee

Programme Management Office

- Governance and Risk Control Project Team
  - PSMB
  - ACH
- NUCO Project Team
- Interchange Project Team
THANK YOU

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