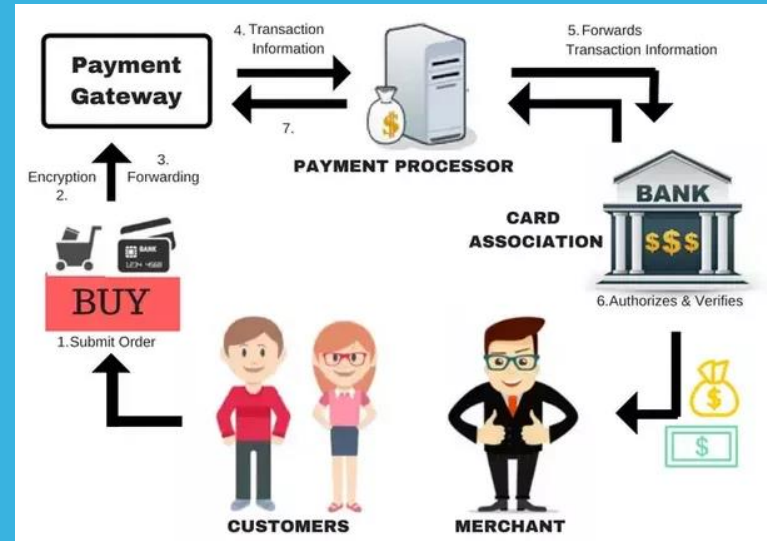


RETAIL PAYMENT OVERVIEW

UNDERSTANDING THE CONCEPT



OVERVIEW

Regulatory framework


Business arrangements involved

Great opportunity

Technology



OBJECTIVES

- ✓ Provide better understanding
 - ✓ Point in the right direction
 - ✓ To help answer the “how?” question
- 

As to the question of “WHY”?



WHY JOIN THE RETAIL PAYMENT SYSTEM?

Being a business decision...

- each bank should find their own reason,
- do their own financial projections,
- and see if it fits in their own mission and vision for the bank



FOR QCRB

- **The future of retail banking**
- **New business opportunity for fee-based income**

GENERATIONAL FACTOR

- Silent Generation 73 – 90
- Baby Boomers 54 – 72
- Generation X 38 – 53
- Millennials 22 – 37
- Generation Z 18 – 22

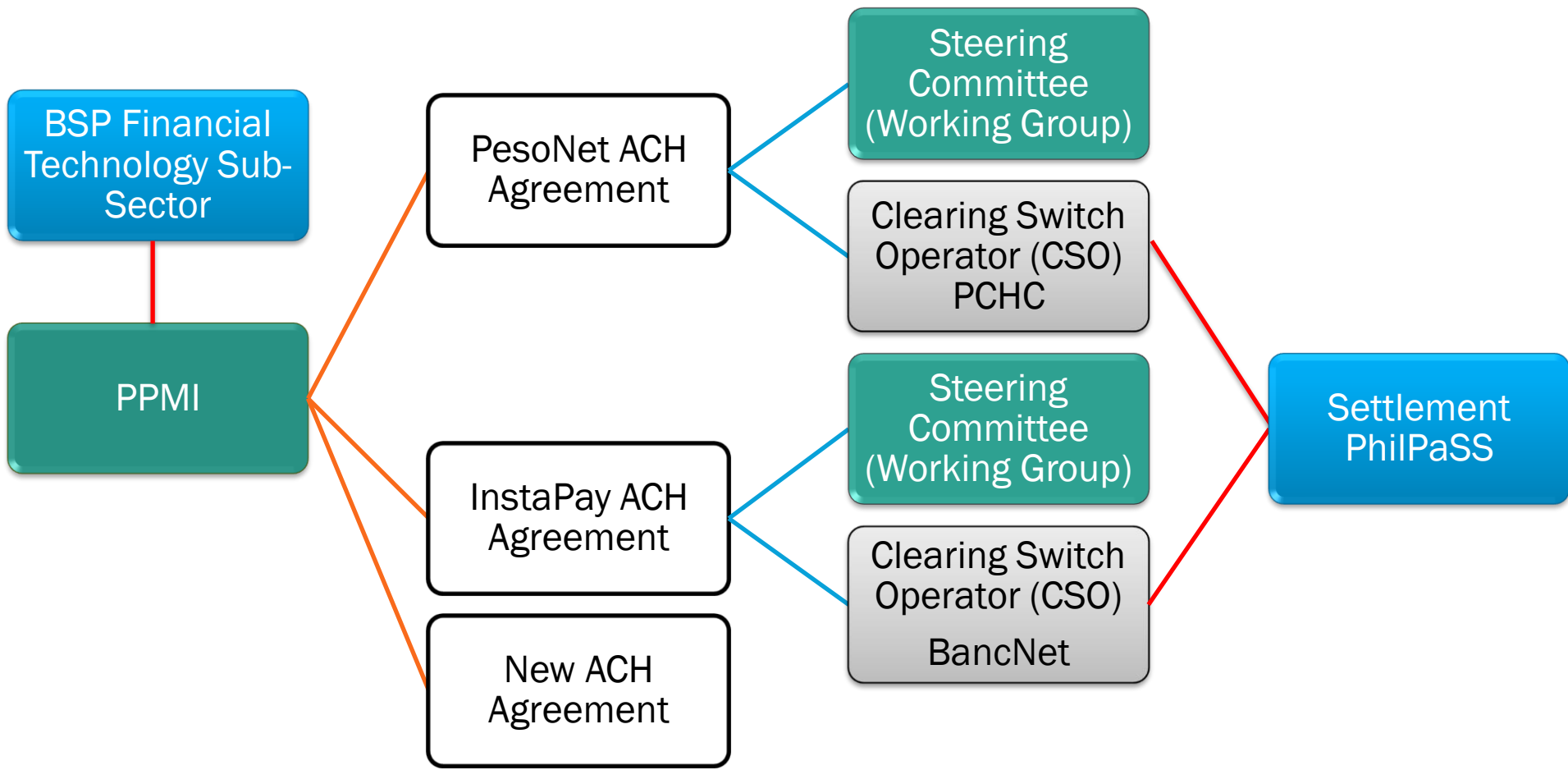
CIRCULAR 980 SERIES OF 2017
Approved November 06, 2017

Adoption of the National Retail Payment System (NRPS) Framework

NRPS FRAMEWORK

- Key Principles
- Self-Governance
- Multilateral Agreements
- Formulation of Clearing Rules
- Switch Operator
- Settlement





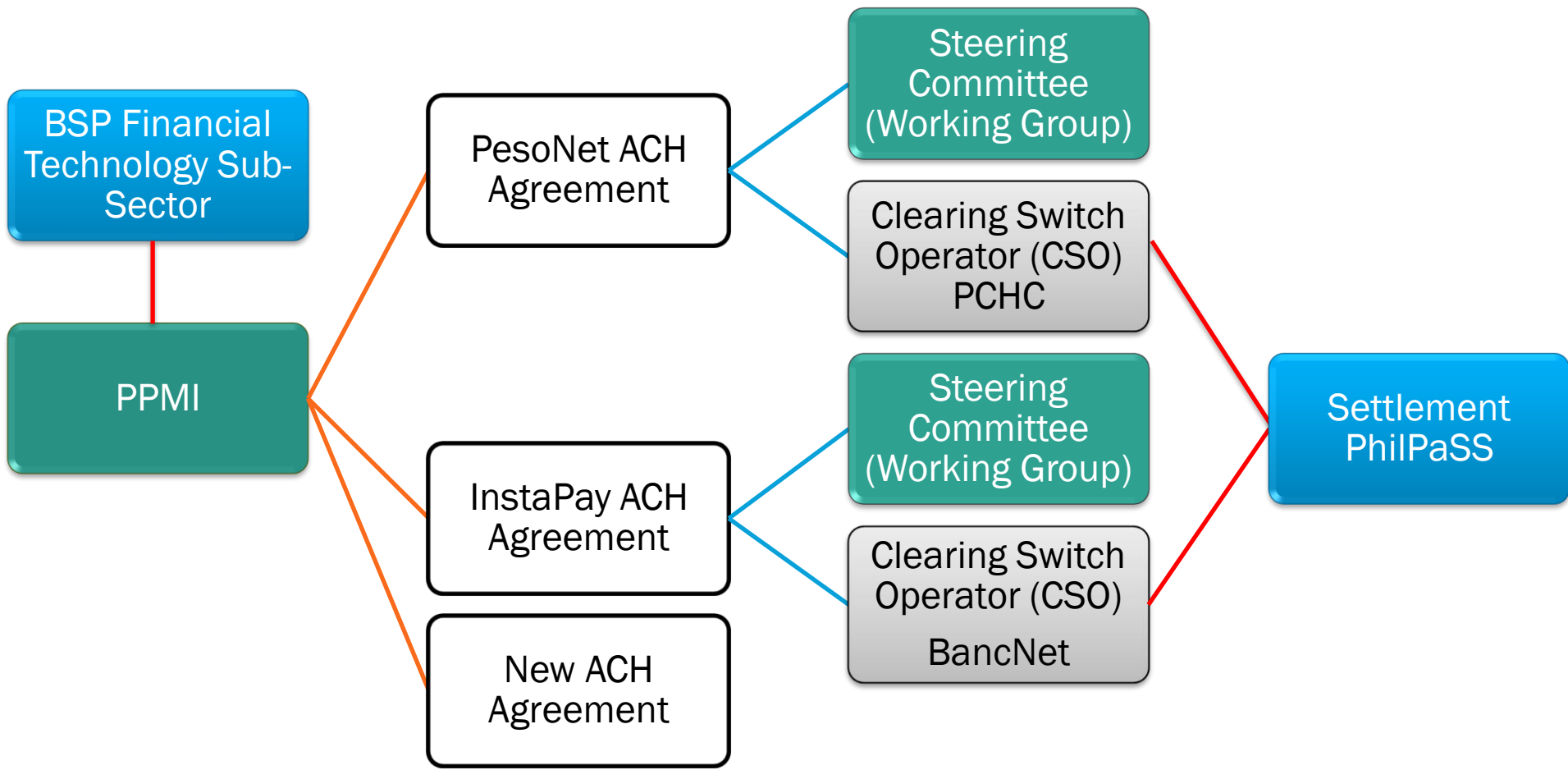
Authority to engage in Electronic Banking services



BSP - FINANCIAL TECHNOLOGY SUB-SECTOR

Payment System Oversight Department (PSOD)


Core IT Specialist Group (CITSG)

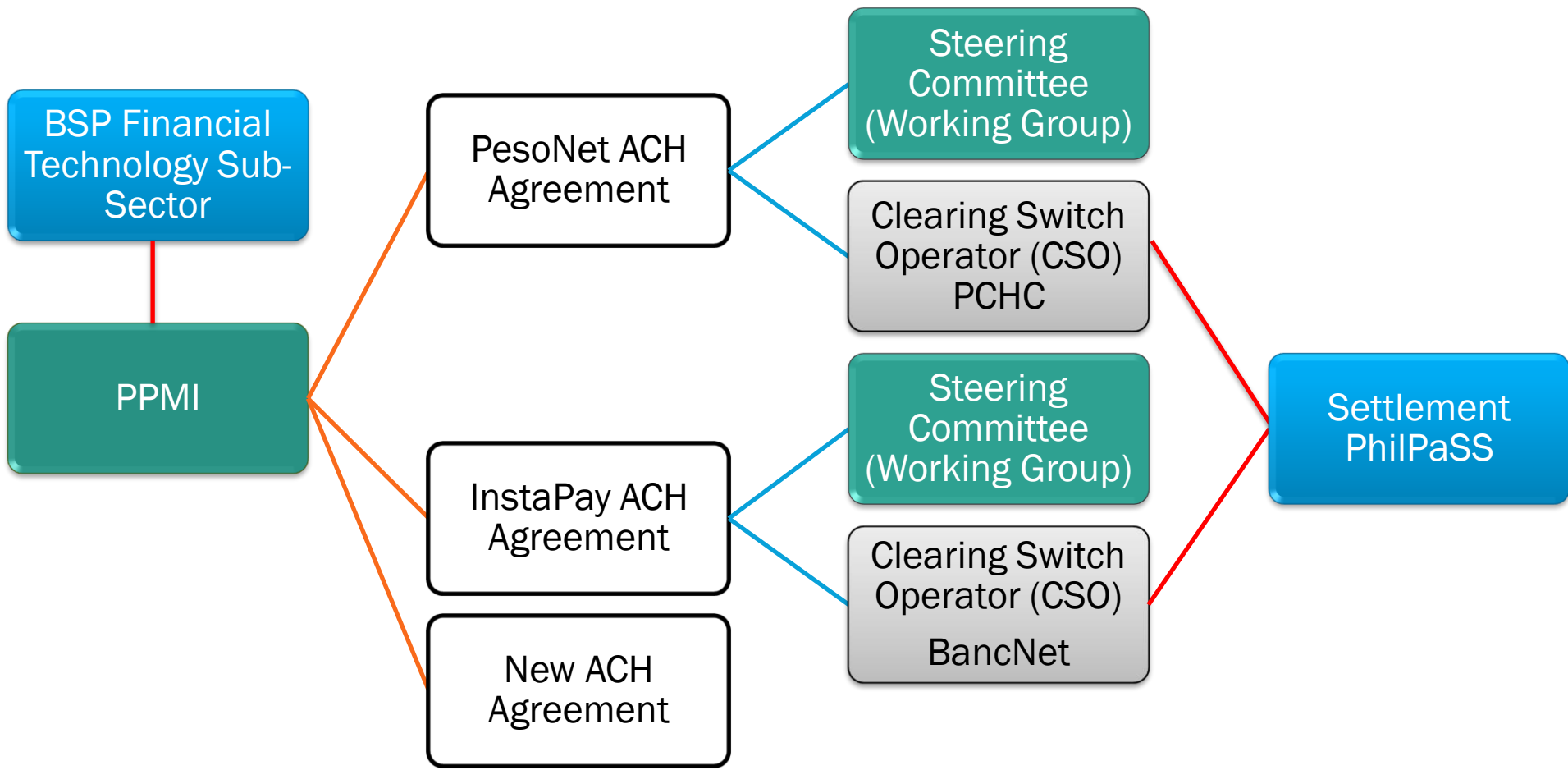


PAYMENT SYSTEM MANAGEMENT BODY

- Philippine Payment Management, Inc. (PPMI) – is an industry-led self-governing body that is duly recognized and overseen by the Bangko Sentral.
- Recognized by BSP to develop and enforce rules and agreements pertaining to members' clearing and settlement activities in accordance with the NRPS Framework and BSP regulations.
- *In the absence of a PSMB, the functions of providing sound governance to the retail payment system participated in by BSFIs shall be discharged by the Bangko Sentral.*

PPMI MEMBERSHIP

- **Application requirements & procedures**
 - **Joining fee**
 - **Membership dues**
- 



What is an Automated Clearing House (ACH)?



WHAT IS AN AUTOMATED CLEARING HOUSE?


It's NOT a "house".

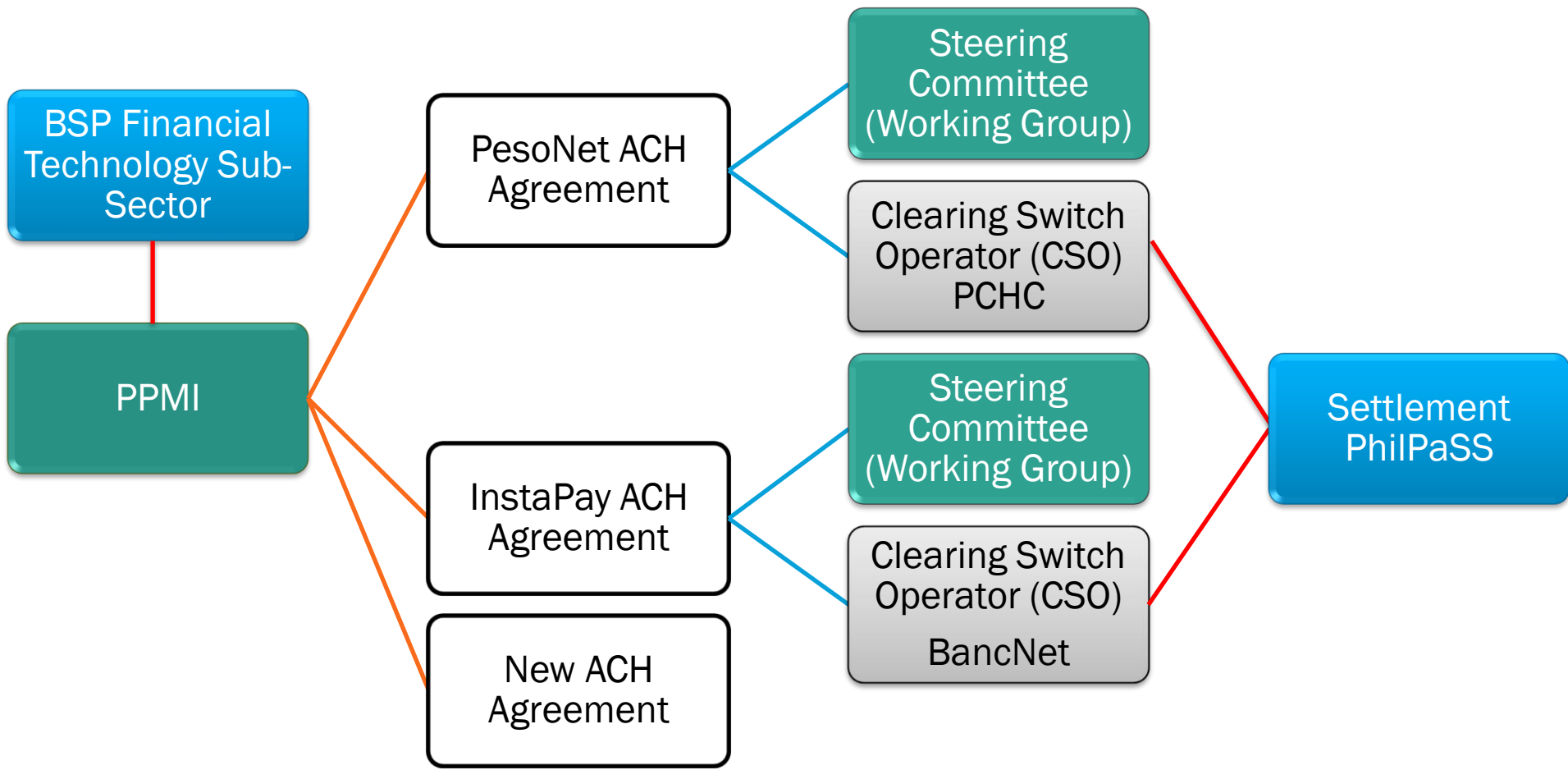


AUTOMATED CLEARING HOUSE (ACH)

*Definition – a multilateral **agreement** among ACH participants **governing the clearing and settlement** of payment orders for a specific payment stream.*

AUTOMATED CLEARING HOUSE (ACH)


- **ACH formation is a business arrangement initiated by at least 2 direct clearing participants**
 - **Open to all qualified clearing participant**
 - **Based on payment streams**
 - **Provides clearing and settlement rules and procedures**
- 



CLEARING THRU PCHC & BANCNET (CSO)

1. Transmit
2. Reconcile
3. Confirm

DIRECT CLEARING PARTICIPANT

1. BSP licensed FI authorized to provide EFPS
 2. Authorized to hold funds
 3. Clears transactions thru an ACH
 4. Has a DDA with BSP & a PhilPass member
OR
 5. **Sponsored into settlement**
- 

SPONSOR ARRANGEMENT

- **Sponsored into Settlement Member vs.**
- **Settlement sponsor bank or Sponsoring bank**

CLEARING SWITCH OPERATOR (CSO)

PCHC

- **PesoNet (ACH)**
- **Automated Switch Services**
- **Batch Clearing**
- **Different from check clearing operation**

BANCNET

- **InstaPay (ACH)**
- **Automated Switch Services**
- **Real-Time Clearing**
- **Different from ATM clearing operation**

SETTLEMENT

- PhilPaSS Member
- Demand Deposit Account (DDA)
- Sponsored into Settlement (PPMI) Member

FINANCIAL TECHNOLOGY

POS, tablets, mobile devices, laptop, PCs, NFC, QR Code, etc.



Invoice 17-00002949
Incomplete 11 Sep 2017

	Disc \$	Disc %	Total
	0.00	0.00%	85.00
	459.00	0.00%	459.00
	210.00	0.00%	210.00

Disc % 0% Freight 0 Subtotal 685.45 Taxes 68.55 Order Total 754.00


Wide Brim Hat White 42.00
Prada Black Dress 359.00 249.00

earlysettler

CLEARANCE



OPTIONS

- **Acquire the technology**
 - **Use SaaS, and all its other variations**
 - **Outsource**
 - **Partner with a Fintech company**
 - **Others**
- 

ISSUES, RISK & CHALLENGES

OPERATIONS

- **Business model**
- **Cost**
- **Regulation**
- **AML/A**
- **Data Privacy**
- **Security**

TECHNOLOGY SOLUTION

- **Core banking v. payment solution**
- **Technology Provider**
- **Fintech partnerships**
- **Network & connectivity**

STEPS TAKEN...

RBAP INITIATIVES

- **IT Committee**
- **Core banking comparative study**
- **Shared services study**

CONFEDERATION LEVEL INITIATIVES

- **Shared mobile app services**

TAKEAWAYS NEXT STEPS...

RBAP / CONFED & FEDS

- **Continue to engage members about the importance of looking into banking in the light of new technology, and how it plays a role in shaping the future of rural banking**

RURAL BANK MEMBERS

- **Make sure that digitalization and not just digitization is being discussed at the board level**

LET'S HEAR FROM OUR GUEST
THANKS YOU