Payment and market infrastructures developments

Curaçao & Sint Maarten

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The views expressed during this presentation and panel discussion are those of the presenter.

They do not necessarily reflect the views of the Centrale Bank van Curaçao en Sint Maarten.
• Central Bank governance, regulation and oversight developments
• Payment Modernization Objectives
• Survey on payments landscape
• Upgrade of the National Payment System
• Introduction of Instant Payments CSM
• Future of payments in Curaçao and Sint Maarten
• Smart nation approach of the Country of Curaçao
CENTRAL BANK GOVERNANCE, REGULATION & OVERSIGHT DEVELOPMENTS

- 2017: Established Payments Oversight Department (Independent to Payments Operations)
- 2018: Non-Banks allowed as Participant to the National Payment System
- 2019: Draft amendment Central Bank Charter
- 2019: Draft Payments system legal framework & regulations
- 2020: Self-assessment PFMI on National Payment System
- 2020: Catalyst role: Introduction National Payment Council
PAYMENT MODERNIZATION OBJECTIVES

• Modernize the National Payment System


• Expand participants to National payment system to non-banks

• Reduce retail transaction costs for merchants & customers

• Harmonize and reduce POS and ATM

• Enhance interoperability between retail payment systems

• Reduce the use of cheques
SURVEY ON PAYMENTS LANDSCAPE

• Insight in the perceived safety, speed, cost and reliability of the current retail payment systems

• Insight in the experienced bottlenecks and desired improvements

• Introduction of CBCS modernization plans and acquire views on these plans

• Insight in the actual technological development of commercial banks and their innovation plans
**Survey on Payments Landscape**

- Safety, speed, cost and reliability of current retail payment systems

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<th>Banks</th>
<th>Other Sector</th>
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<tr>
<td>Safety</td>
<td>Satisfied to Very satisfied</td>
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<td>Speed</td>
<td>Satisfied to Very satisfied</td>
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<td>Reliability</td>
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<td>Costs</td>
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Bottlenecks and desired improvements banks & other sectors

- High cost to process local bank transactions
- Limited local e-commerce because of impossibility of web payments
- Duration of transaction between local banks
- Standardization needed for payment platforms applications of local banks
- Senders’ information or transaction description is missing on bank statements
- One POS machine should be able to work for all banks
- Slow internet, link between banks and systems (Sint Maarten)
SURVEY ON PAYMENTS LANDSCAPE

Modernization objectives rating by banks Curaçao

1. National Payment System based on ISO 20022
2. Expand participation in National Payment System
3. Introduce immediate transfer of funds
4. Reduce retail transaction cost
5. Harmonize and reduce POS
6. Harmonize and reduce ATM's
7. Interoperability
8. Reduce use of checks

0 1 2 3 4 5 6 7 8

heavily disagree disagree neutral agree heavily agree
UPGRADE NATIONAL PAYMENT SYSTEM

RTGS

- Multicurrency system (ANG & USD)
- Final and irrevocable settlement of funds continuously & in real-time
- Centrally located queuing of payments
- Automatic gridlock resolution
- Complete monitoring of account balances (central bank and participants)
- Credit and intra-day liquidity management facilities
- Maintenance of statistical database with query and reporting facilities
- Support of ISO 20022 message standards - Migration: 2021 – 2025
- Secure transmission using SWIFTNet FIN and VPN connection
ACH

- ACH payment entry and processing (formats: ISO 20022, X9, NACHA)
- Credit Transfers, Direct Debits submitted individually or in batch
- Clearing of cheques (No image exchange)
- Set of Bilateral limits for debit payments
- Flexible timetable mechanisms (one or many clearing sessions during the day)
- Continuous settlement during the day through the RTGS
- Maintenance of statistical database with query and reporting facilities
- Interface with banks’ back office systems via Straight-through-Processing Gateway
- Secure transmission using VPN connection
INTRODUCTION INSTANT PAYMENTS CSM

Definition – European Payment Council

- 24/7/365 Availability – Multichannel initiation
- Real-time processing (within 10 seconds)
- Immediate confirmation to payer and payee
- Payment is final and irrevocable (for end user)
- Payee has immediate access to funds
- Money transfer between Participants
INTRODUCTION INSTANT PAYMENTS CSM

- **Q4 2020**: Project IP CSM Phase 1
  Phase 1 encompasses the instant payments rail for domestic inter-bank transactions within 10 seconds

- **Q2 2021**: Project IP CSM Phase 2 *(in collaboration with Central Bank Aruba)*
  Phase 2 encompasses enabling instant payments means for consumers, businesses and government
  *(make use of mobile bank apps -white label-, web-store and QR code end-user solutions)*
Use Cases
P2P, Online, In Store, Credit Transfer, Batch Payments and Direct Debit

- Central Infrastructure supporting multiple use cases on a single Clearing and Settlement solution using Instant Payments
1. Originator fills in payment details and sends payment to his/her Bank.
2. Bank debits customer and sends payment to CSM
3. CSM validates Beneficiary via Creditor Bank
4. CSM settles
5. CSM notifies Originator and Beneficiary Bank, Banks notify end-customer
Use Cases

P2P

1. Beneficiary fills in payment details (Bank Account, Amount) and shares them with Originator via QR Code or NFC
2. Originator approves, payment gets send to Originator Bank
3. Debit authorization by Originator Bank (potentially reusing existing card authorization interfaces)
4. Settlement in CSM and OK to Debit Bank, Credit Bank, Originator and Beneficiary
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2. Originator approves, payment gets send to Originator Bank
3. Debit authorization by Originator Bank (potentially reusing existing card authorization interfaces)
4. Settlement in CSM and OK to Debit Bank, Credit Bank, Originator and Beneficiary
Instant Payments
Clearing

1. SCT Inst Instruction
   - Originator Bank
2. SCT Inst Transaction
   - Confirmation message if SCT Inst transaction successful or not
3. SCT Inst Transaction
   - Confirmation message if SCT Inst transaction successful or not
4. Settlement function of CSM
   - Notification of confirmation message received
5. Beneficiary Bank
   - Makes funds instantly available
6. Beneficiary
   - Notification of funds made available
7. SCT Inst transaction was not successful
   - Areas out of scope of the SCT Inst scheme

CBCS | Highly confidential
Instant Payments
Clearing – timelines

scheme parameters:
- max end2end timeline: 10 sec
- max amount: t.b.d
- ANG and USD
Instant Payments
IP Settlement: Funding of the account

CBCS RTGS

RTGS Participant A

RTGS Participant B

Technical Account

Mirror Account

IP CSM

Participant A

Position Participant A

Participant B

Position Participant B

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FUTURE OF PAYMENTS CURAÇAO AND SINT MAARTEN

- After 2020: Phase out Batch processing of retail payments
- Instant Payments will be the new normal
- Non-Bank Payments Service providers allowed to participate
- Instant Payments between the Dutch Countries of the Kingdom of the Netherlands
  - Curaçao (ANG, USD)
  - Sint Maarten (ANG, USD)
  - BES Islands (USD)
  - Aruba (AWG)
  - Netherlands (EUR)
SMART NATION APPROACH OF THE COUNTRY OF CURACAO

PILLARS

- Education & Science development
- Infrastructure, transportation, data and services
- Urban planning, energy and environment
- Public safety and security
- Smart destination
- Health and living