



# Public policy on Payments, analysis for Colombia

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The usual disclaimer...

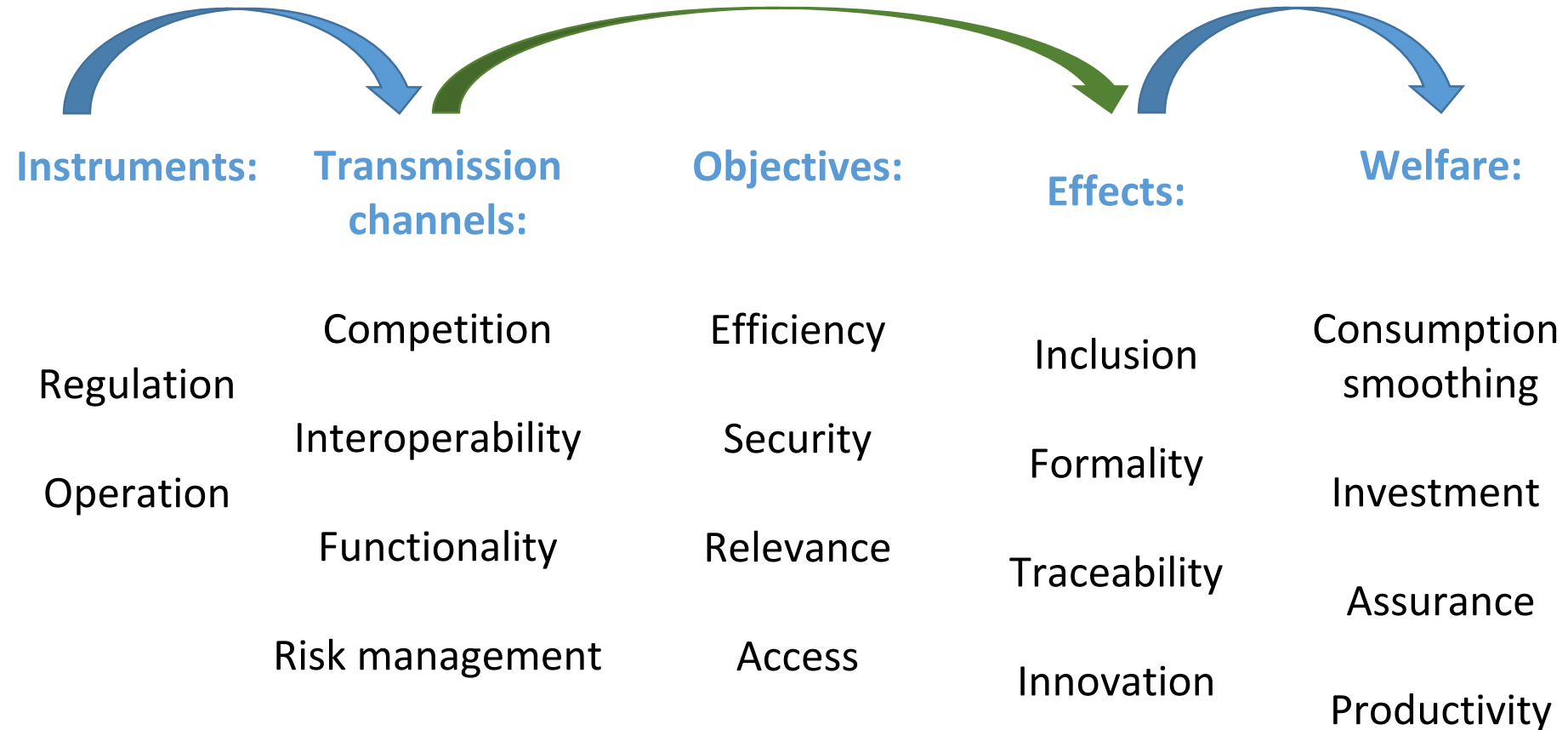


1. CONCEPTUAL FRAMEWORK

2. REGULATION OF PAYMENT SYSTEMS TODAY

3. FUTURE CHALLENGES

# Conceptual Framework – Public Policy for Payments



# Public Policy for Payments – Main Objective

Strengthen an efficient, secure and relevant digital payment offer, seeking for better standards of competition, access, interoperability, functionality and risk management, in order to generate positive effects in terms of inclusion, formalization and traceability and increase well-being.



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# Payment systems today

## GROSS PAYMENT SYSTEMS

- Daily average of processed transactions: US\$1.300 mill (\$4,47 billion).
- Regulated by Central Bank.

## RETAIL PAYMENT SYSTEMS

- Daily average of processed transactions: less than US\$1.300 mill (\$4,47 billion).
- Regulated by National Government.
- Oversight function in the Financial Superintendence of Colombia (SFC).

 Is this an optimal institutional arrangement?

A single regulator allows a joint understanding of related systems and a consistent approach along the chain (from cash to gross payments clearing processes).

# Regulation for retail payment systems has promoted new products and players in the market...

## Electronic Saving Accounts

- Designed for vulnerable populations
- Transactions through debit cards, mobile phones, ATMs, etc.
- Free of administration charges
- No minimum deposits
- Maximum debits: 3 Monthly Minimum Wage (MMW) per month

## Simplified Saving Accounts

- Only for natural persons
- None present opening requirements:
  - Name
  - Type of document
  - Number
  - Expedition date
- Maximum debits: 3 MMW per month
- Maximum deposits: 8 MMW per month

## Electronic Deposits

- Available for natural and legal persons
- Simplified opening procedure → Max 3 MMW
- Regular opening procedure → No limits

## Specialized Deposit and Electronic Payments Companies (SEDPE)

- ✓ Collection of financial resources
- ✓ Payments & Transfers
- ✓ Remittances
- ✗ Credit facilities
- Minimum Capital: USD\$1,7 million (USD\$28,2 millions for banks)
- Supervised by the financial authority



# In 2017 the Financial Superintendence of Colombia (SFC) established the Financial and Technological Innovation Group



## The Hub

The innovation office that serves as a contact point in the SFC for providing technical assistance to those interested in the fintech ecosystem



## Sandbox

Allows innovative financial institutions to test their products, technologies or business models in a controlled environment



## regTech

Uses technological developments to leverage innovation within the SFC, optimizing internal processes

# National Government, SFC and Banco de la República are currently working on a new retail payments regulation

- Separates certain activities, in particular clearing and settlement of operations
- Regulate activities or entities?
- Strengthens Interoperability
- Disaggregates services and products and their corresponding rates
- Ensures adequate corporate governance
- Foster innovation and new providers



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# Future challenges: Convenience of a payment law

- Importance of payment systems in the overall functioning of the economy → lowers transactional costs and fosters formalization, allows financial inclusion, increases productivity and allows public efficiency gains in fiscal operation and service provision
- Monopolistic behaviors in this market, due to economies of scale and scope → importance of a single regulator with extensive faculties.
- In order to take advantage of innovations in digital payments, the world has changed the regulatory approach with an emphasis on risks to a more flexible and broader understanding, that considers variables such as access, efficiency and inclusion

Broader Objectives  
of public policy



Single regulator with  
extensive faculties

# To regulate. To operate...

- Public provision of services as complement to regulation: the Central Bank currently operates a public Clearing House (CENIT). However, more than 80% of transfers are processed through the private ACH.
- In order to have an impact on the market (encourage competition, reduce prices, deepen access, include new actors, etc.) it is necessary to provide new services (i.e. instant payments) and develop a commercial strategy that positions CENIT in the market and promote its interests as a competitor.



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