

Paraguay Payment System (SIPAP)



Deputy General Manager of
Financial Operations

Hilda Martínez de Antola

Director

Departamento Normas, Vigilancia y Análisis Funcional
de los Sistemas de Pagos





Report on Financial Inclusion in Paraguay

World Bank Report. Financial Sector Reform and Strengthening Initiative - FIRST Initiative. Series "Lessons Learned." December 2015.

This report is a synthesis of the experiences and lessons learned from the commitments of technical assistance financed by FIRST (Reform and Strengthening of the Financial Sector Initiative).



Developing a National Financial Inclusion Strategy: The Paraguay Experience

Paraguay's real gross domestic product has been growing since 2005. But that growth has not permeated to all segments of society and poverty remains stubborn. Poverty, particularly extreme poverty, is entrenched in the rural areas.

Low access to formal financial services, especially among the rural poor, is one of the major development challenges in Paraguay.



Report on Financial Inclusion in Paraguay

The government has adopted a specific focus on the underserved and unserved, particularly the extreme poor (10 percent of population) and the poor but not extreme poor (11 percent of population).

The majority of the poor and extreme poor live in a geographic district that is not served by a bank, finance company, cooperative branch, agent, or ATM. This significantly affects their ability to save monetary assets that are readily accessible in times of acute need and emergencies.



Report on Financial Inclusion in Paraguay

Enhancing financial inclusion is critically important to economic growth, poverty reduction, and reducing income disparities and therefore is at the core of Paraguay's poverty reduction strategy. It is one of the pillars of the National Development Plan, which has a series of objectives and development goals targeted for achievement by 2030.

The government has been increasingly engaged in expanding access to financial services to a greater percentage of the population. More than 50 initiatives led or promoted by ministries, multilateral organizations, donors, NGOs and other private sector entities have been aimed at improving financial inclusion. These efforts however were not well coordinated and in some instances there were overlaps.



Report on Financial Inclusion in Paraguay

The government recognized the need for a National Financial Inclusion Strategy (NFIS) that was comprehensive and widely supported among stakeholders. As such the Central Bank of Paraguay (BCP) approached the Financial Sector Reform and Strengthening (FIRST) Initiative to provide policy advice and technical assistance to support the development of an NFIS and to support the initial stages of implementation.

The FIRST Initiative responded by supporting the development of a National Financial Inclusion Strategy, with the objectives of determining the national direction, articulating a vision, and expanding financial inclusion of the population in Paraguay.



Report on Financial Inclusion in Paraguay

The aim of FIRST's support was also to enhance synergies, coordinate and sequence the multiple initiatives, ensure that the initiatives addressed impact assessment and quality control to make financial inclusion sustainable, set national indicators, develop an action plan, and support the implementation of the NFIS

“FIRST has played an important role in Paraguay's effort to first have approved a national strategy on Financial Inclusion. We were able to put together with the support of the World Bank and have the national strategy approved in less than 12 months. The staff of the World Bank was up to the challenge in having this momentum in implementing this national strategy with the speed and the intensity that we wanted”.

Santiago Peña, Minister of Finance Paraguay

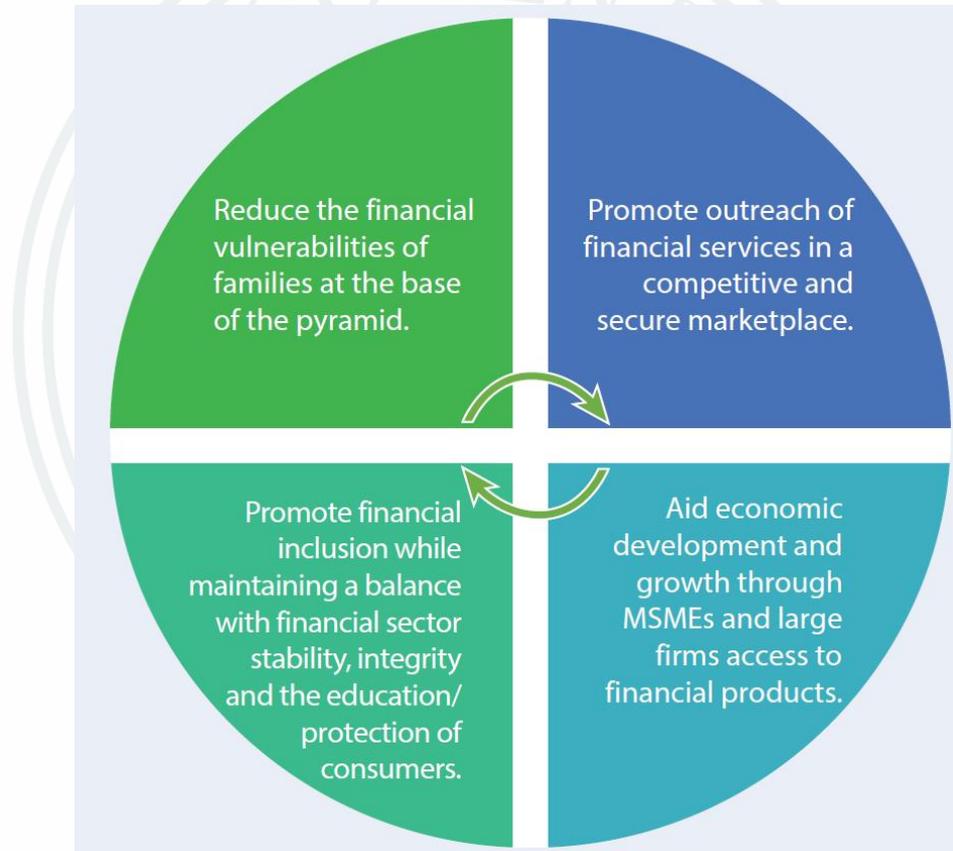


Five Key Lessons from Paraguay's Experience in the Development of an NFIS.

1. Robust and in-depth analytical work is needed to understand the contextual constraints
2. High-level government support and commitment
3. Appropriate implementation support framework
4. Broad-based stakeholder involvement including the private sector
5. Implementation focused strategy with robust monitoring and evaluation

NFIS Objectives

The Authorities developed a comprehensive, complete and focused strategy that has four objectives for an inclusive financial sector.



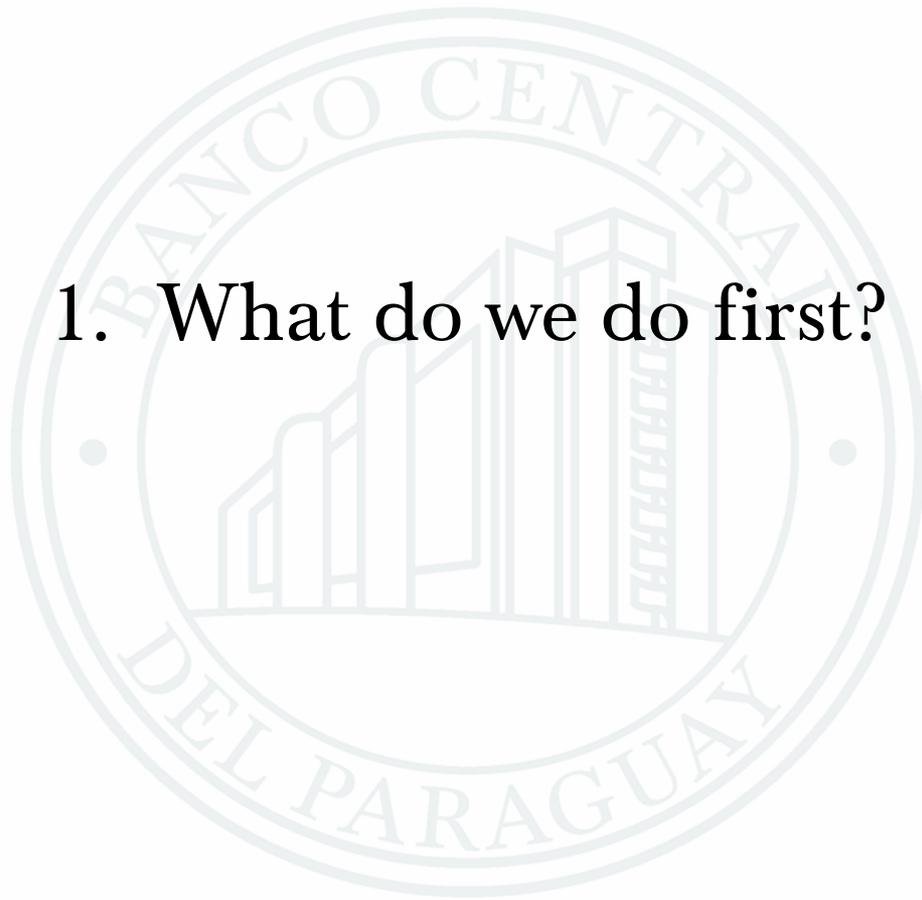


From the Central Bank (BCP) point of view

1. What do we do first?
2. Do we continue and what we should review?
3. What are we doing?



1. What do we do first?





What do we do first?

Some Topics:

1.a. Generate an enabling legal environment (a law)	OK
---	----

1.b. Use technology to advance and the budget	OK
---	----

1.c. Bid, buy, test and force participants	OK
--	----

1.d. Train professionals from the basics (RTGS)	OK
---	----

1.e. Add a Central Security Depository	OK
--	----

1.f. Include public entities as a participant (Ministry of Finance)	OK
---	----

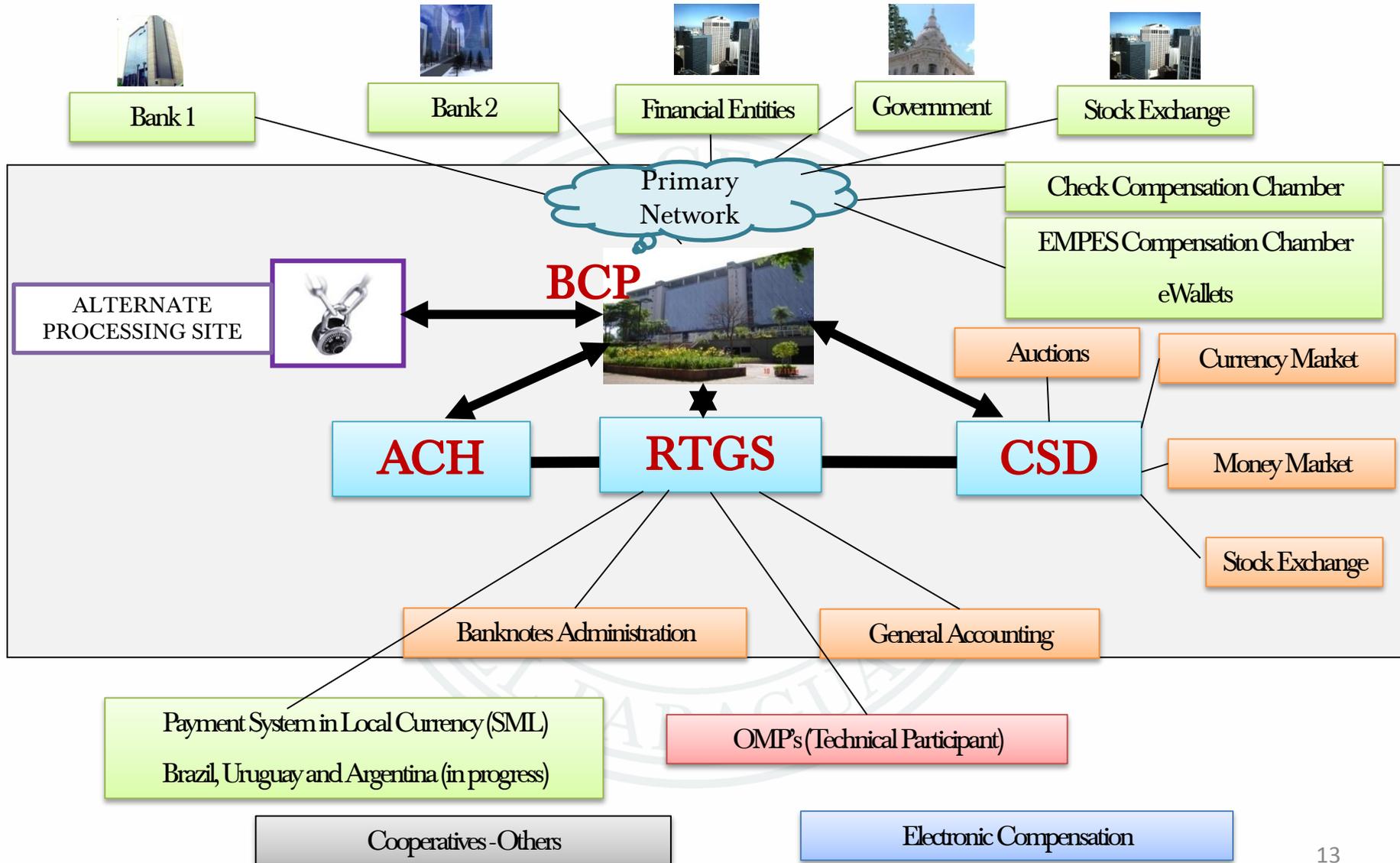
...	OK
-----	----

...	OK
-----	----

And after 540 points and many more, we have since 2013 what follows and the list has not yet finished.

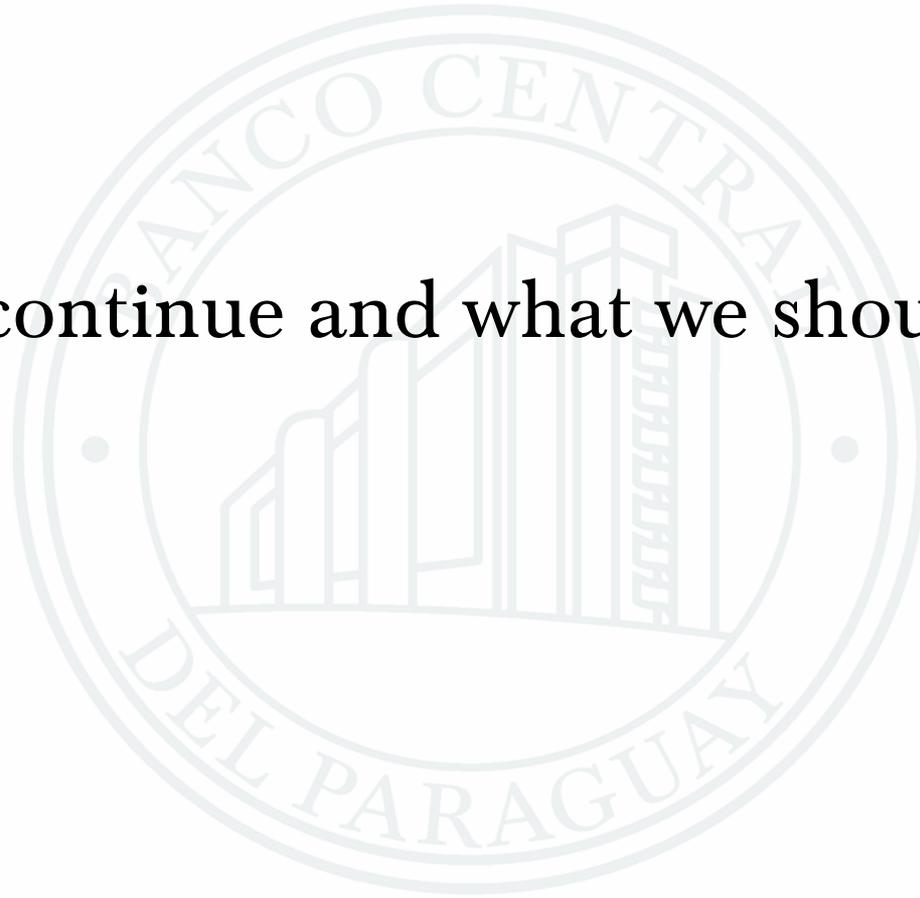


Paraguay Payment System (SIPAP)





2. Do we continue and what we should review?





Do we continue and what we should review?

Other topics: Mainly for Financial Inclusion

2.a. Test, correct, add, meetings, disagreements, Financial System annoying because they spend, they want more services, they want to earn more and do not want new participants.	OK
2.b. Repeat all of the above, infinite times and continue	OK
2.c. Train to all we can (focus)	...
2.d. Adapt the regulatory and supervisory framework and surveillance against fraud.	...
2.e. Safeguard the Financial System integrity and financial entities have to accept that new participants will enter the market, commissions
2.f. Fundamental and transversal theme of the AML of participants other than the financial ones. Include other entities not supervised by the BCP to SIPAP.	...
...	...
...	...
And about 200 points and many more. Things to highlight	



BCP educates



5th edition of the Training Fair at the BCP - more than 500 children
Children and adolescents from more than 20 schools throughout the national territory



BCP educates





From the age of children who can read up to 16 years.



BCP educates





BCP educates





BCP educates





BCP educates





BCP educates





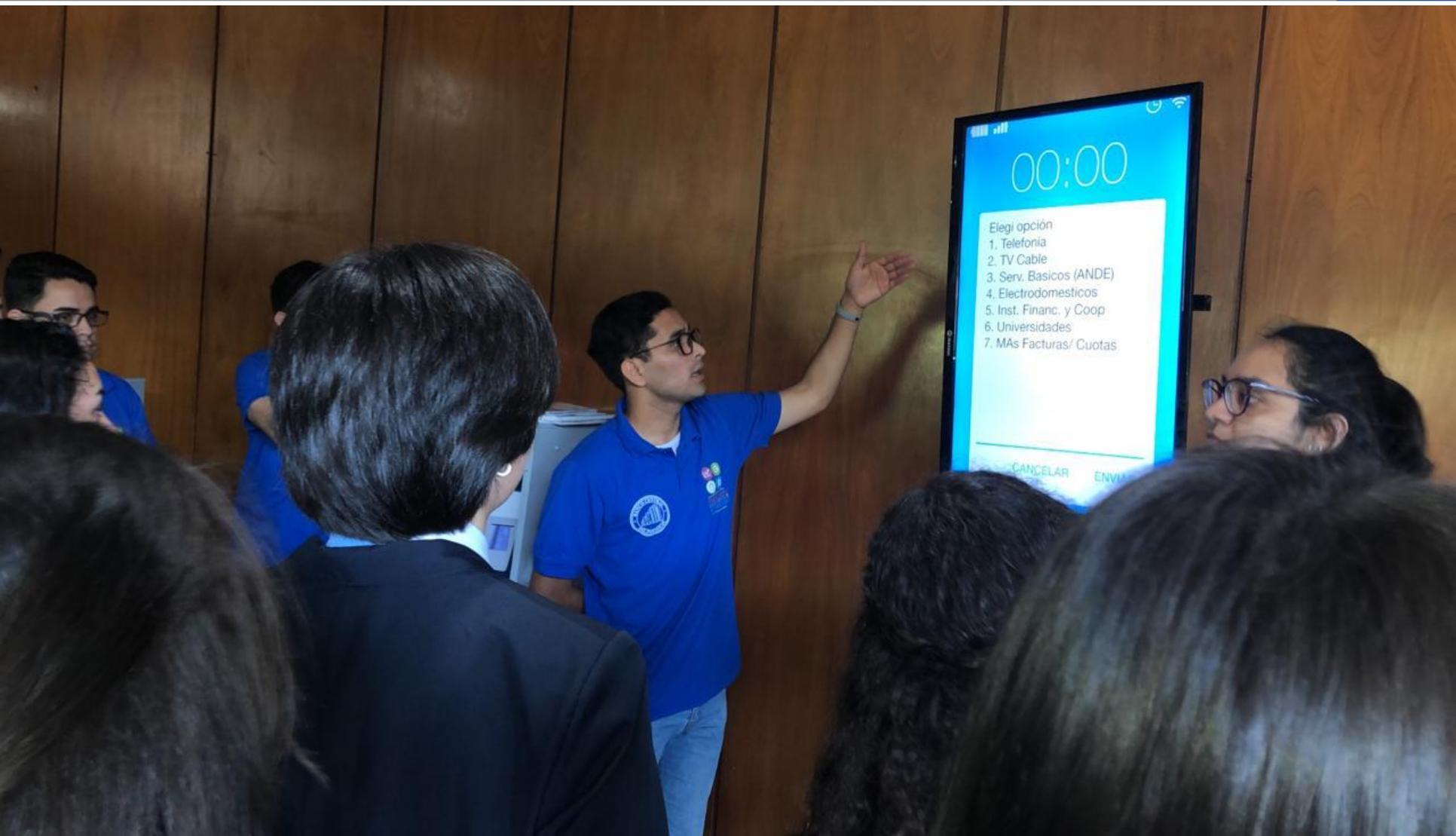
BCP educates





BCP educates



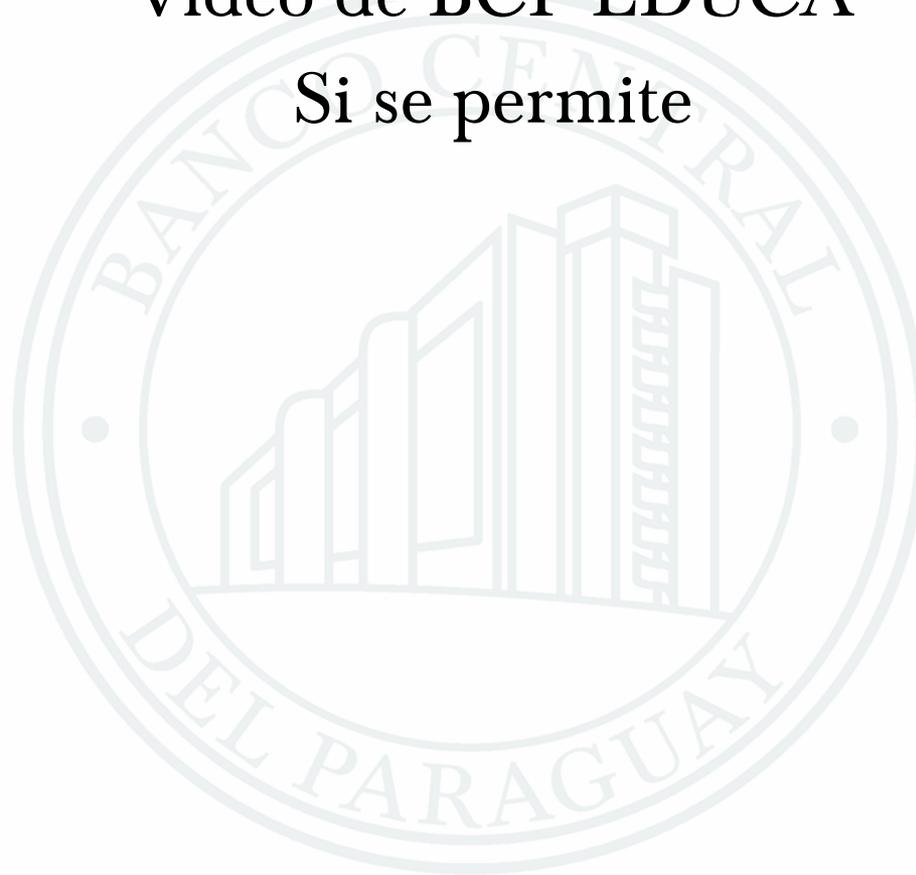




BCP educates

Video de BCP EDUCA

Si se permite

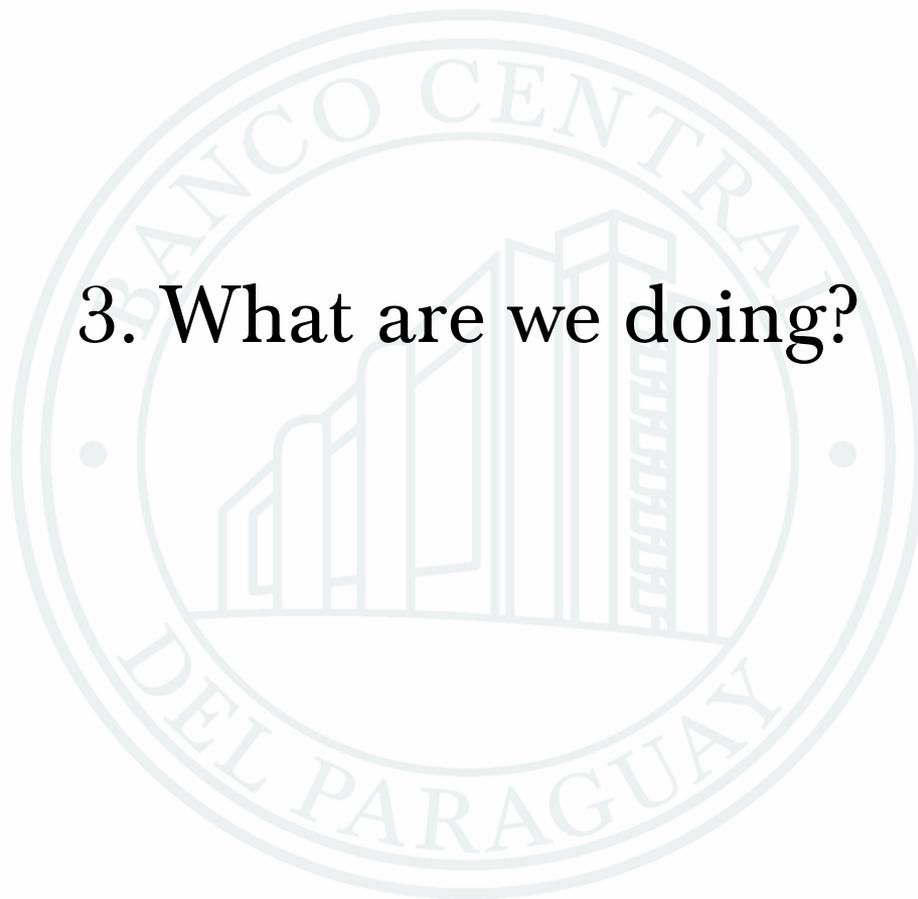


Review

- a. New technologies and their risks. Today the public begins to demand payments to be instantaneous, for which it is a requirement to improve efficiency in terms of cost and speed. The specialists are directing their studies towards different types of technology (Blockchain).
- b. New participants and their reaction to controls.
- c. Standardization obligation.
- d. Learning of each type of product and its form of negotiation and where the final user is at risk of loss.



3. What are we doing?



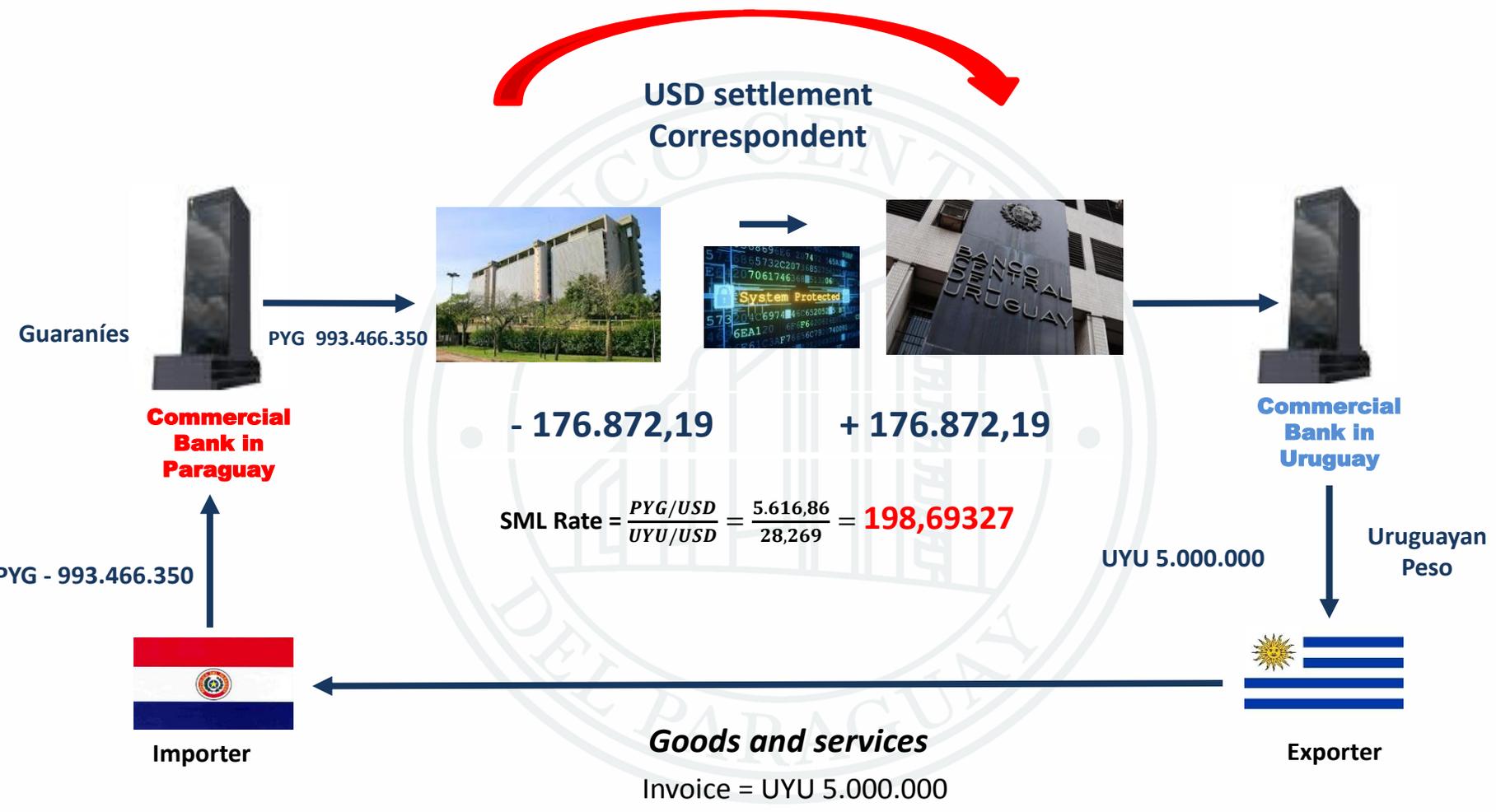


In process

- a. Local Currency System, currently operating with Brazil and Uruguay, in process with Argentina.
- b. Interoperability of EMPEs through an EMPES Clearing House administered by a Processor, using an existing infrastructure and taking advantage of its specialties. The EMPEs manage the Wallets and they have the greater capillarity in the country. They can interoperate among the four enabled, and then liquidate in the RTGS. Finally, they can then operate with the rest of the system.
- c. Greater interconnection with the Stock Exchange, especially to liquidate its operations in the RTGS.

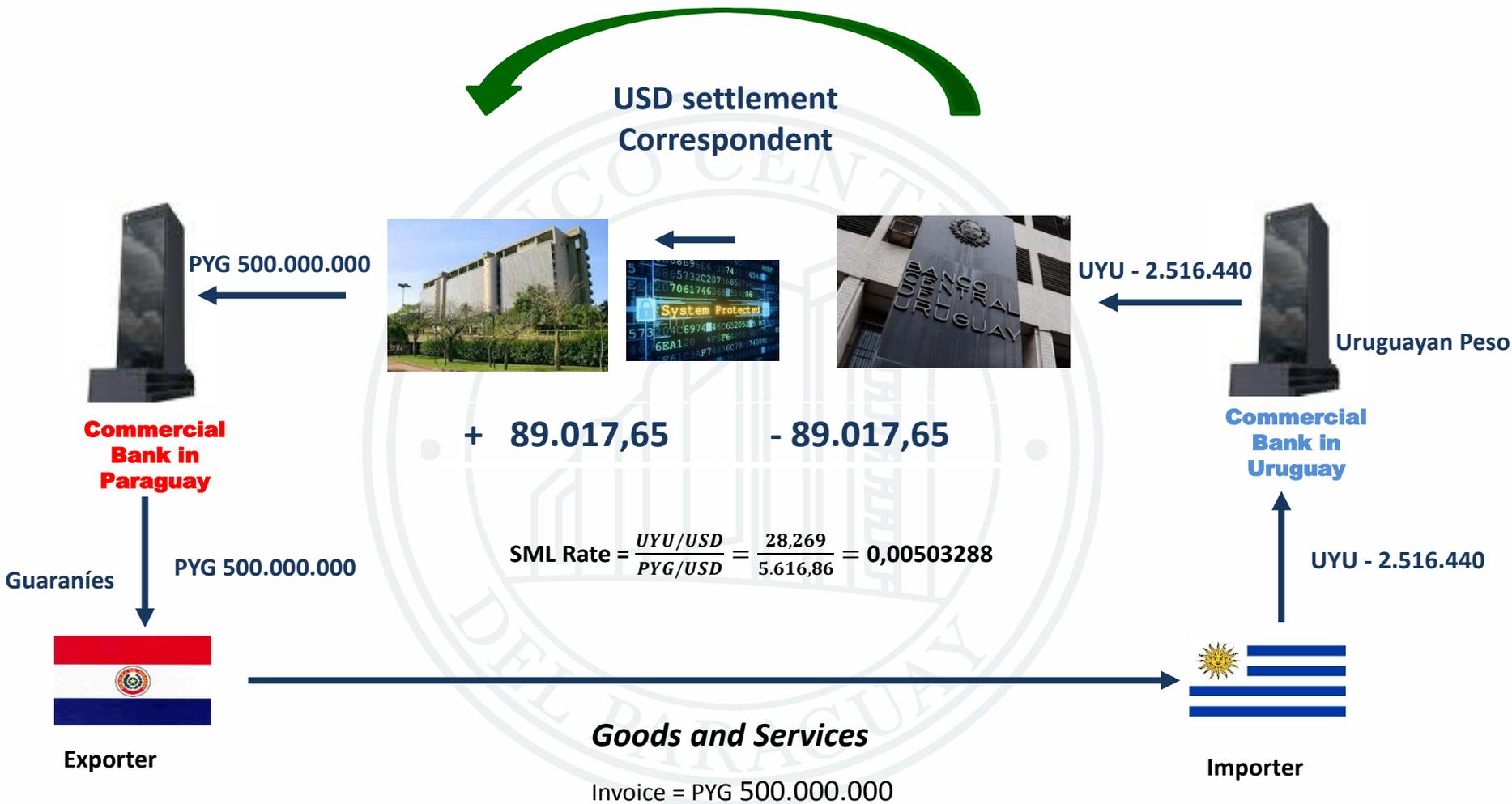


Operating Process 1 - SML





Operating Process 2 - SML



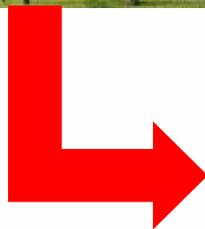


Operating Process 3 – SML – Compensation in CB

- 176.872,19	+ 176.872,19
+ 89.017,65	- 89.017,65
- 87.854,54	+ 87.854,54

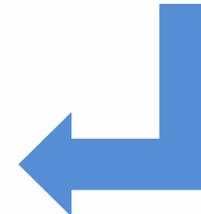


USD compensation
BCP must transfer to BCU USD - 87.854,54

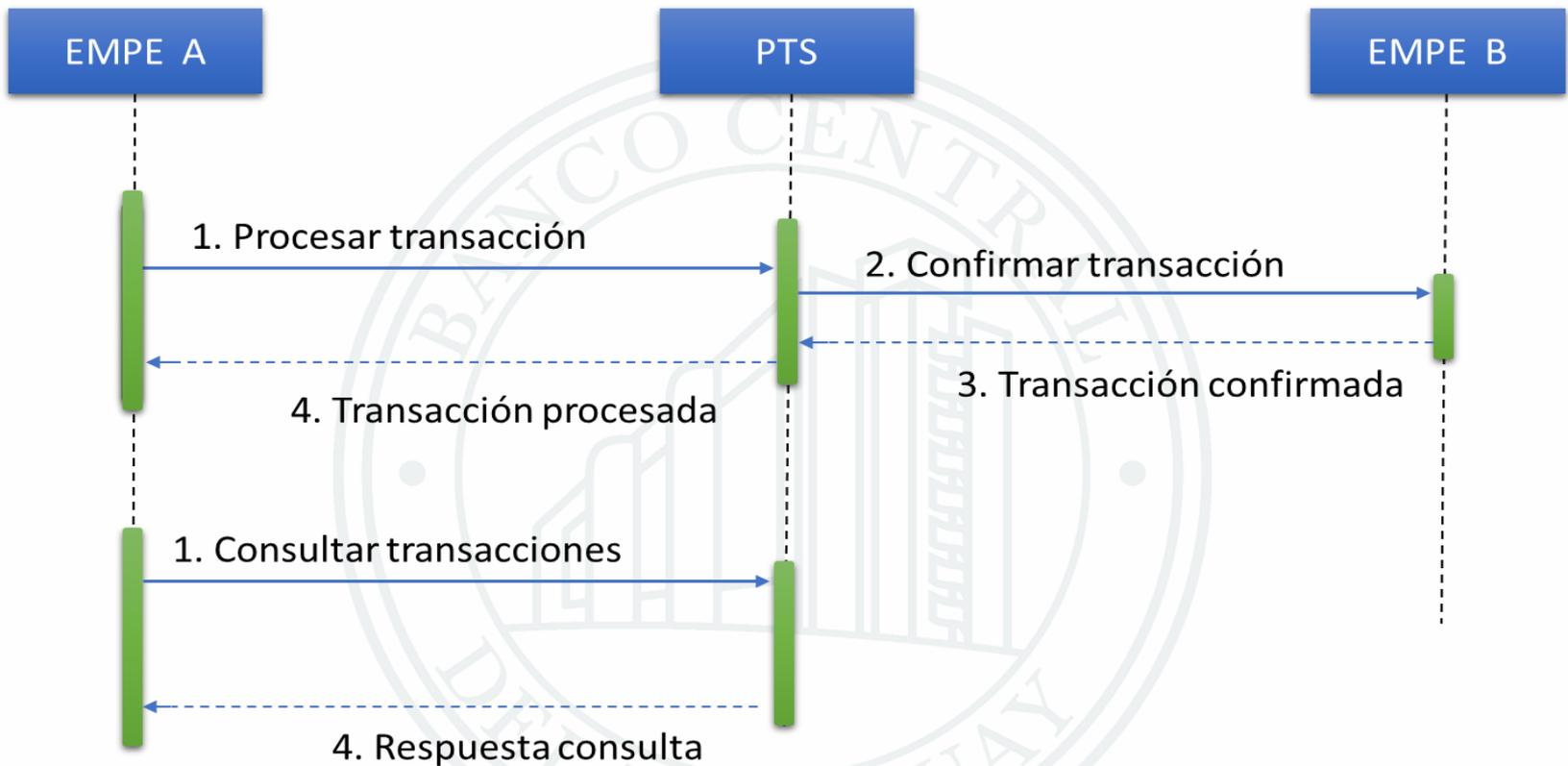


- 87.854,54

+ 87.854,54



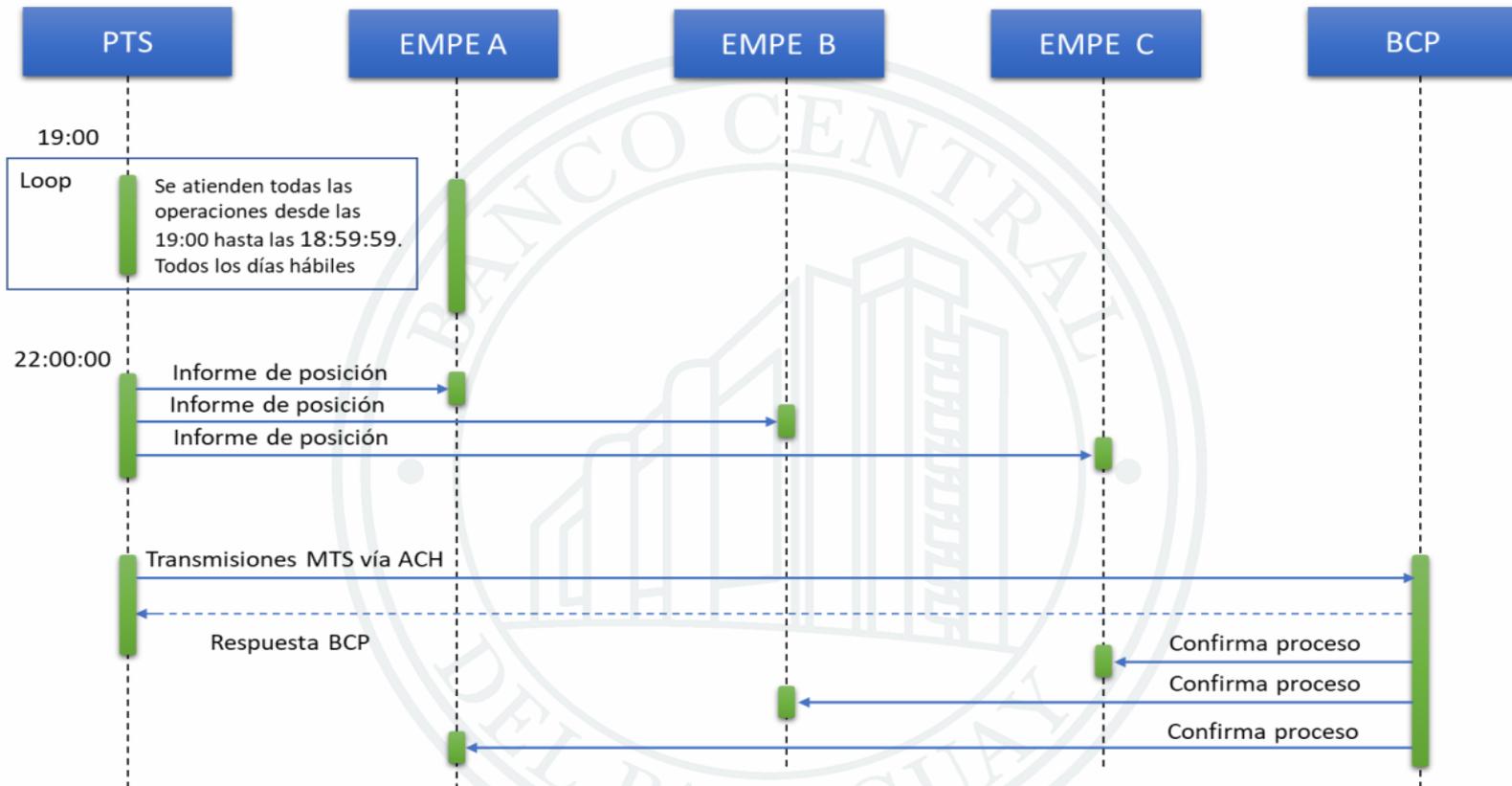
Transaction Processing Sequence Diagram





Operating Process EMPEs

Settlement Scheme

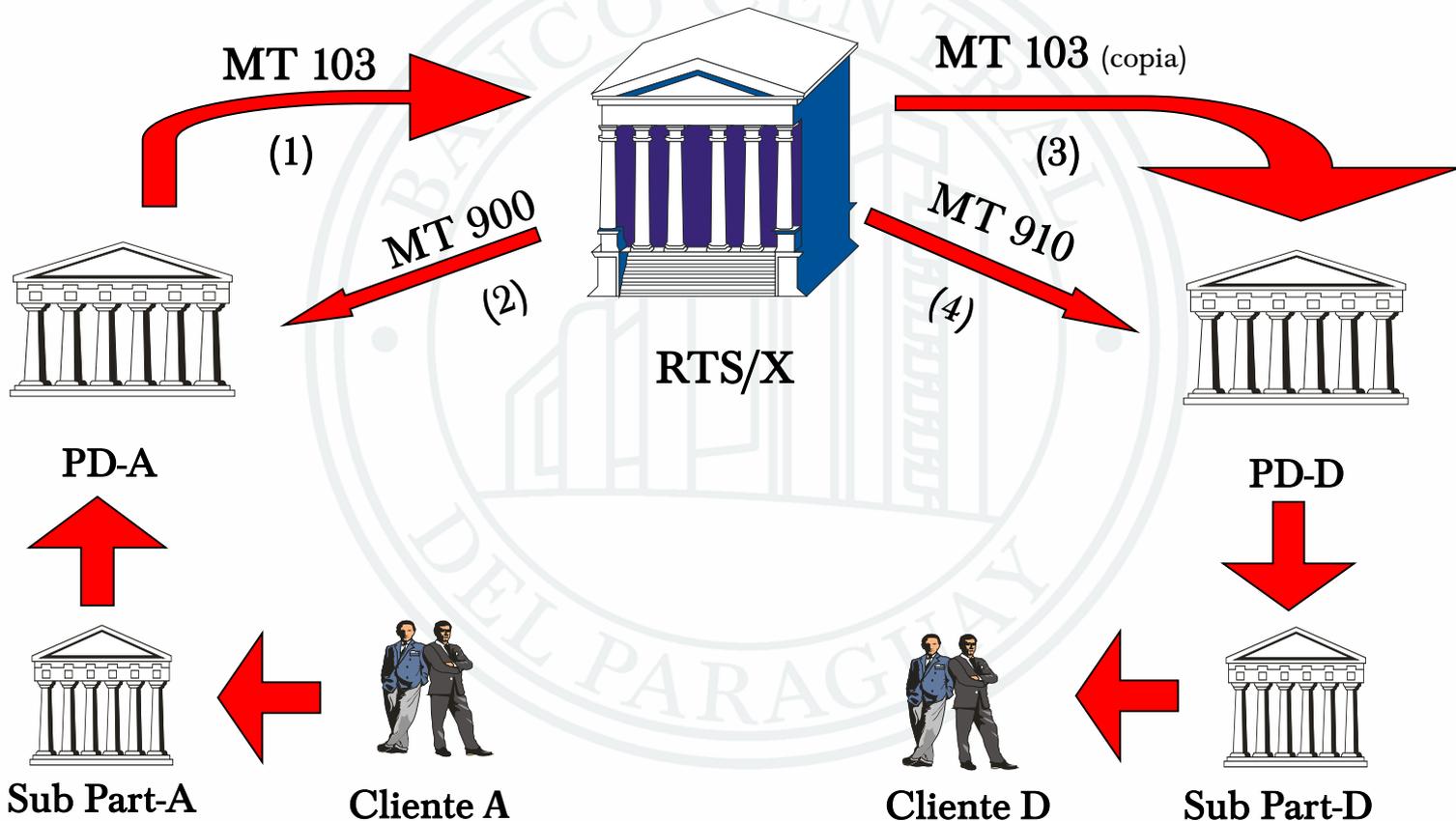


In Process

- d. Analyzing the dematerialization of CDs and their storage with the blockchain scheme.
- e. Updating Swift requirements, with fraud and ALD issues.
- f. Regularize the AML issue, for these EMPES, for the system security in general.
- g. Inclusion of other participants not supervised by the BCP (Cooperatives) to SIPAP.
- h. The BCP analyzes the extension operating hours to 24/7 of SIPAP and instant payments.

Transfer

Client A of a Sub Participant A of a Direct Participant A, requests debit from his account and is transferred to Client D belonging to another Sub Participant D of a Direct Participant D, which processes the credit to the account of Sub Participant D for your customer D.





Thank you!

• hmarti@bcp.gov.py •