



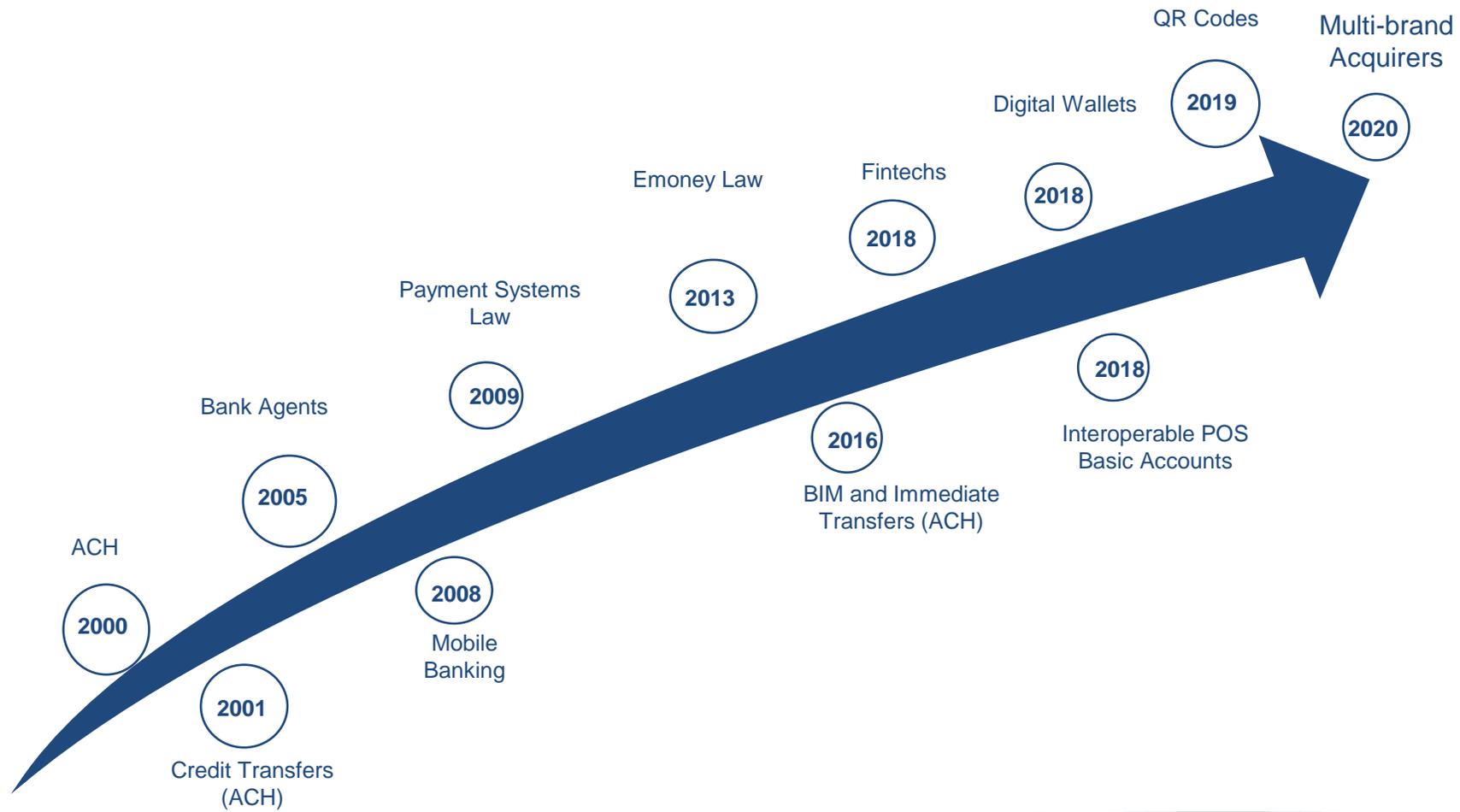
# **CENTRAL BANK EFFORTS TO ENHANCE THE RETAIL PAYMENTS MARKET: PERU**

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I Meeting of Heads of Financial Market Infrastructures - CEMLA  
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# PAYMENTS REGULATION HAS ACCOMPANIED INNOVATION





## THE PROBLEM: LOW ACCESS AND USE

1. In 2017, the number of people with an account represents around 43 percent of the adult population. After COVID-19 many people lost their job in the formal sector, so we may expect that many accounts will be closed or will not be used.
2. According to the Global Findex, main issues that unbanked people mentioned as factors to don't have an account are: high fees. low income and lack of trust in the financial firms.
3. Also, the ratio of the annual number of digital payments per capita in Peru, as a measure of use, is around 50, which is low compared to other countries in the region.



## COVID-19: PAYMENTS ECOSYSTEM UNDER PRESSURE

1. Covid-19 implied a big shock to the economy and to the payments ecosystem in the context of measures taken by the Government to reduce contagion.
2. Measures included a long lockdown and reduced economic activity. Some sectors were badly hit like hotels, restaurants, tourism and transportation.
2. The RTGS has been operating uninterruptedly, allowing the continuity of operations for the rest of payment systems. Internet and mobile payments increased rapidly, for example Instant Transfers through the ACH, and the use of Mobile Wallets. Debit cards recovered their Pre-COVID levels, but credit cards have a low rate of growth after the initial shock.



## COVID-19: PAYMENTS ECOSYSTEM UNDER PRESSURE

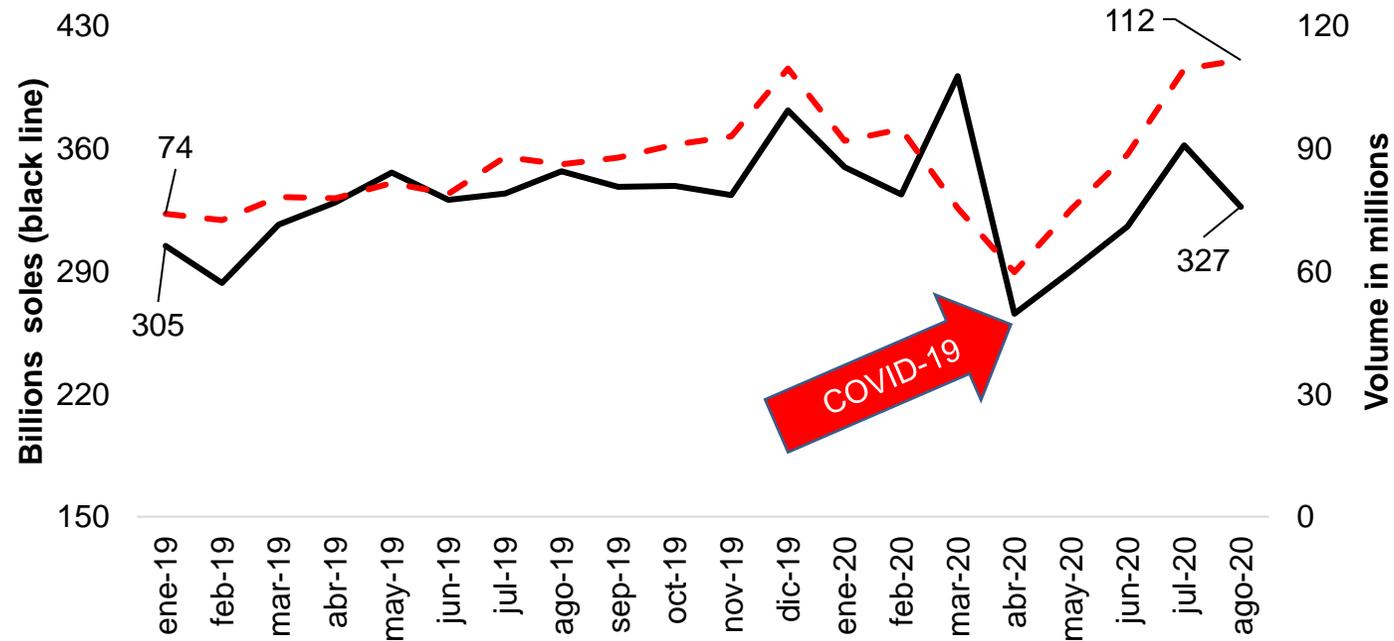
1. The Central Bank also expanded lending facilities in order to supply liquidity to the market.
2. The government implemented a program to guarantee financial firm's working capital loans (Reactiva). These firms may access a repo operation with the Central Bank using as collateral those loans. The outcome has been a reduction in the interest rates for this type of loans and the expansion of credit to medium and small size firms.
3. Also the Central Bank implemented a repo operation using, not as a collateral, but as a condition, that loans should be reprogramed, in the same amount of the financing, and interest rate charged should be reduced.
4. Finally, access to repo operations has been expanded to cover other type of firms, like Cooperatives and Pension Funds, the last ones because people may withdraw money from their fund under COVID-19.



# DIGITAL PAYMENTS: MONTHLY EVOLUTION

Black line: amount of payments (Billions soles)

Red line: volume of payments (Millions operations)



	Abr.	May.	Jun.	Jul.	Ago.
Amount	266	290	316	362	327
Volume	60	75	89	110	112

## COORDINATION WITH THE COMPETITION AUTHORITY



1. In 2017, the Central Bank requested card payment agents to foster competition, to review their fees, promote financial inclusion, avoid exclusive relations between card brands and acquirers and reduce the settlement time.
  
2. In 2018, the Peru's Antitrust Authority (Indecopi) started an assessment of the competition conditions in the market for payment cards, issues mentioned in the initial document are:
  - Exclusive acquirers.
  - POS networks were not interoperable.
  - Dominance by the largest card network.
  - Vertical relationships between card brands, acquirers and issuers.
  - Result: High merchant discounts (MDR).
  
3. Since January 2020, exclusive acquirers became multi-homing (i.e. acquirers now may process both Visa and Mastercard). Also, new lower fees foster small merchants inclusion, and merchants may receive payment in less than 2 days.

# COORDINATION WITH THE PRIVATE AND PUBLIC SECTOR



1. The ACH will offer Instant Transfers 24/7 before the end of this year, the Central Bank have been participating in the design and implementation of this new service in order to foster safety and efficiency. This service will provide a better user experience, so making digital payments closer to people's needs.
2. The government bank is going to issue a digital account to foster inclusion, based on the national identification card, to facilitate the distribution of social support to people.
3. Fintech are in contact with the Central Bank because they want information about regulations and their business models.
4. Some Fintech and banks are offering to the unbanked pre-paid payment cards embedded in smartphones, expanding the access to digital payments.



# REGULATION ON PAYMENT SERVICES USING QR CODES

1. QR Codes and Mobile Wallets are technological innovations in payments, which in many countries have promoted inclusion in digital payment services among small- and medium-sized merchants and their consumers. These innovations are currently implemented in Peru by financial and non-financial entities.
2. In order to promote the efficiency and safety of Payment Service using QR Codes, the Central Bank of Peru decided to approve the standard for QR Codes used in payments and foster interoperability, access, information transparency, and appropriate risk management.
3. The issuer or Provider of QR Codes for payments must consider the international EMV® QR Code Specification for Payment Systems presented by the Merchant (EMV QRCPS), issued by the Organization EMVCo, version 1.0 of July 2017 and its modifications, for Static QR Codes and Dynamic QR Codes.



## PARTICIPANTS IN THE QR PAYMENT SERVICE

1. **QR Code Provider:** A firm that affiliates merchants and enables them to accept payments using QR Codes by providing an individual code and a mechanism to receive notifications.
2. **Digital Wallet Provider:** A firm that provides consumers with digital wallet services, enabling them to order transfers and payments from a funds account. With that aim, consumers link payment instruments to their wallets provided by financial institutions, among others.
3. **Payment Services Provider:** A firm that offers payment services for transferring funds through multiple means such as cards, electronic wallets, mobile payments, and internet payments.
4. **Payment Network:** A set of norms, agreements, and procedures applicable to fund transfer instructions linked to a Payment Service using QR Codes. This function can be exercised by an Automated Clearing House, Electronic Money Payment Agreements, Card Payment Agreements, Electronic Money Issuing Companies, and Payment Services Providers.



## PRINCIPLES APPLIED TO QR PAYMENT SERVICE

1. Procedures, regulations and contracts complying with current laws and regulations.
2. Good Governance policies and procedures providing clear and direct guidelines for administration, responsibility, and accountability.
3. Policies, procedures, and risk management systems allowing them to identify, measure, monitor, and manage risks.
4. Procedures ensuring an efficient and timely settlement of fund transfers into accounts within the same entity or through another Payment Network.
5. Procedures relating to payment failure.
6. Control and Management Systems for identifying, monitoring, managing business risks; and procedures for identifying and mitigating internal and external operational risks.



## PRINCIPLES APPLIED TO QR PAYMENT SERVICE

7. Procedures for ensuring a high degree of operational reliability and continuity of service, aiming to enable a timely recovery of operations.
8. Information Security Policies (confidentiality, integrity, authenticity, and availability, among others) to prevent vulnerabilities and potential threats; and to ensure the reliability of processed and transmitted information.
9. Service Access Policies to limit risks and avoid discriminatory practices.
10. An efficient and effective service to promote Interoperability and meet the payment demands of merchants and consumers.

# REQUIREMENTS TO PARTICIPANTS IN THE QR PAYMENT SERVICE



1. Document containing Internal Operational Regulations.
2. A Risk Management Plan entailing, at least, the identification of the main internal and external sources of operational risk which might impact the availability or continuity of the service, including actions and controls adopted to mitigate or avoid them.
3. Incident Reports.
4. Periodic Reports on Operational Continuity Tests (stress or other relevant tests) at least once a year.
5. A dissemination plan, provided via website or other relevant means, for public disclosure of service characteristics, access mechanisms, and fees or charges of individual services.
6. A list of the entities that participate in the payment service using QR Codes.

# REGISTRATION



Digital Wallet Providers and QR Code Providers must register with the BCRP within ninety (90) days after publication of this Regulation. New providers must register at least ninety (90) days prior to starting their operations.

The list of enlisted entities in the BCRP's Registry is published in the Institutional Portal and is updated annually upon receipt of the required information.

# FINAL NOTES



1. The Central Bank of Peru has been committed to provide the liquidity and the RTGS service necessary to avoid problems in the financial market due to the COVID-19 effects on the economy, providing an adequate environment to maintain payment services to the people.
2. Also, it has been developing its roles in the retail digital payments ecosystem, promoting innovation and regulating and supervising to foster safety and efficiency.
3. Regulation of payment services using QR codes is a new way to define rules and responsibilities to participants, because it is based on the functions they perform in order to provide the service.



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