



Status Report on the WHF Improving Financial Sector Infrastructure in LAC

Payments Week 2004
San José, Costa Rica, June 14, 2004



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- B. Next Steps of the WHF**
- C. Improving the Financial Infrastructure in LAC: the Western Hemisphere Credit&Loan Reporting Initiative (WHCRI)**

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A. From the Initiative to the Forum



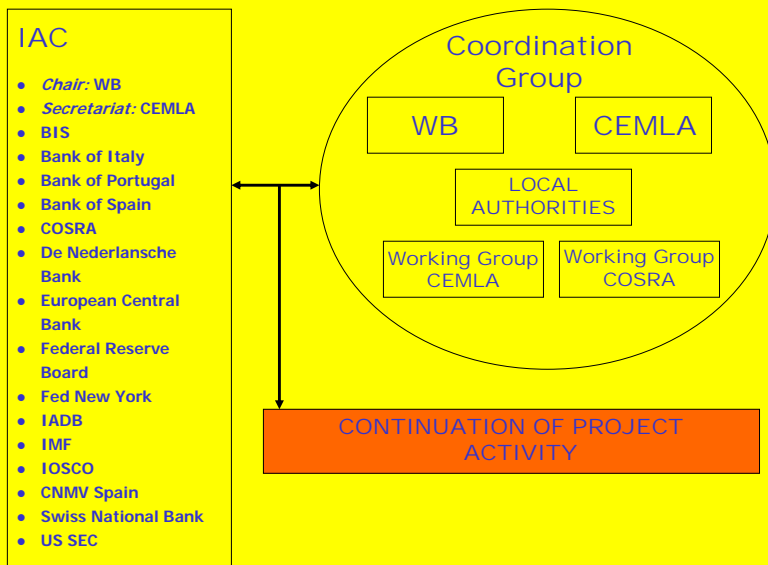
- **The Forum was formally launched in June 2003 at the WHI's Payments Week.**

- **The Forum, with an enhanced role of the Working Groups and other local authorities, will undertake the following tasks:**

- ✓ Knowledge dissemination, including administration of web page
- ✓ Preparation of reports on topics of regional interest
- ✓ Country studies, update of Yellow Books and Statistical Information

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A. NEW ORGANIZATION OF THE FORUM



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A. Activities of the Forum (June 2003-June 2004)



- **Country missions:** Nicaragua (November 2003), Guatemala (January 2004), Paraguay (April 2004)
- **Ad-hoc technical assistance:** Central Bank of Brazil (April 2004)
- **Coordination with COSRA:** Brazil (October 2003), Dominican Republic (March 2004)

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A. Activities of the Forum: Yellow Books



1. Peru (English and Spanish)	2000
2. Argentina (English and Spanish)	2000
3. Trinidad y Tobago (English and Spanish)	2000
4. El Salvador (English)	2000
5. Chile (English and Spanish)	2001
6. Colombia (English and Spanish)	2001
7. Costa Rica (English and Spanish)	2002
8. Mexico (English and Spanish)	2003
9. Ecuador (English and Spanish)	2003
10. Venezuela (English and Spanish)	2003
11. Dominican Republic (English and Spanish)	2003
12. Brazil (English, Spanish and Portuguese)	2004
13. OECS (English and Spanish)	2004
14. Guatemala (English and Spanish)	2004*
15. Paraguay (English and Spanish)	2004*
16. Bolivia (English and Spanish)	2004*

* estimated

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A. Activities of the Forum: The Annual Payments Week



- Since 2003, LAC central banks, through the regional Working Group on Payment System Issues (WGPS-LAC), select the topics for discussion (one topic per day)
- WGPS-LAC members engage in high-level discussions among them and with extra regional experts and prepare action points to be submitted to Central Bank Governors for their consideration

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A. Activities of the Forum: The Annual Payments Week



- **As a result of the discussions held during the 2003 Payments' Week, a total of 16 action points were prepared in the following areas:**

- **Securities Settlement Systems and their Interactions with Funds Transfer Systems (5 action points)**
- **The Oversight of the Payments System (8 action points)**
- **A Regional Agenda for payments and securities clearance and settlement issues on the basis of international developments and their impact in LAC (3 action points)**

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A. Activities of the Forum: The Annual Payments Week



2004 Payments Week

- **San Jose, Costa Rica, 14-18 June, 2004**
- **Topics selected by the WGPS-LAC:**
 - **Integration and Regionalization of Securities Settlement Systems in LAC (trading, custody, settlement, role of authorities)**
 - **Cross-Border Payments (large value and retail)**
 - **Retail Payment Systems (innovative instruments, business, clearance and settlement circuits, role of authorities)**

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A. Activities of the Forum: the WGPS-LAC (June 2003-June 2004)



- Next presentation by the Working Group Presidency and Secretariat

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B. Activities of the Forum (June 2004 - 2005)



- Publication of country reports (Guatemala, Paraguay, Bolivia, Barbados)
- Publication of Updates of country reports (Argentina, Chile)
- Assessments of remaining countries (Bolivia, Aruba, Uruguay)
- Further strengthening of the Forum organizational arrangements

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B. Activities of the Forum (June 2004 - June 2005)



- **Supporting the activity of the Working Groups**
- **Expanding research activities (through the Research Series)**
- **Responding to ad hoc demands for technical assistance from other countries in the Region**
- **Preparing models for training courses in coordination with IAC institutions**
- **Preparing the second round of country missions**

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B. Activities of the Forum (June 2004 - June 2005)



- **Coordination with COSRA activities**
- **Payments Week 2005**
- **Assisting other regions in launching similar efforts in the area of payment systems**
- **Assisting other regional initiatives in LAC on other issues related to the development of financial infrastructure: the Western Hemisphere Credit&Loan Reporting Initiative**

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C. The Western Hemisphere Credit & Loan Reporting Initiative (WHCRI)



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C. The Importance of Credit & Loan Reporting Systems



- **Credit & Loan Reporting Systems (CLRSs), which provide rapid access to standardized information on the past performance of borrowers (including both firm and consumer records), are an important institutional element for financial markets**
- **Until recently, CLRSs had received only limited attention by policy makers, but this is rapidly changing worldwide**

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C. The Importance of Credit&Loan Reporting Systems



- **Good CLRSs help to evaluate credit risk for lenders**
- **Good CLRSs, especially those operated by central banks/supervisory agencies:**
 - Are becoming increasingly helpful for central banks in discharging their responsibilities related to systemic stability
 - Are essential for banking supervision, basically to determine the levels of major borrower exposure, concentration of lending (by industry, geography, borrower, etc.), different risk management practices (*i.e.* two banks which give the same borrower very different risk classifications), for use in addressing Basel II approaches of risk evaluation, etc.

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C. The Importance of Credit&Loan Reporting Systems



- **Good CLRSs are helpful in developing and reviewing banking regulations related to provisioning and capital requirements**
- **Good CLRSs provide borrowers with an ability to create "reputation collateral" so especially small borrowers, lower-income borrowers and SMEs have an ability to obtain credit in the financial system**

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C. ORIGIN OF THE INITIATIVE



In Spring 2003, following up on the success of the WH Payments Initiative, discussions started on how to replicate the model for other areas in the financial sector



In September 2003, LAC central bank governors gave the mandate to CEMLA to launch a regional initiative in the area of Credit & Loan Reporting

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C. PILLARS OF THE STRATEGY



OBJECTIVE: Assessing and recommending improvements to credit & loan reporting systems in the Hemisphere



Integration of Credit & Loan Reporting Issues



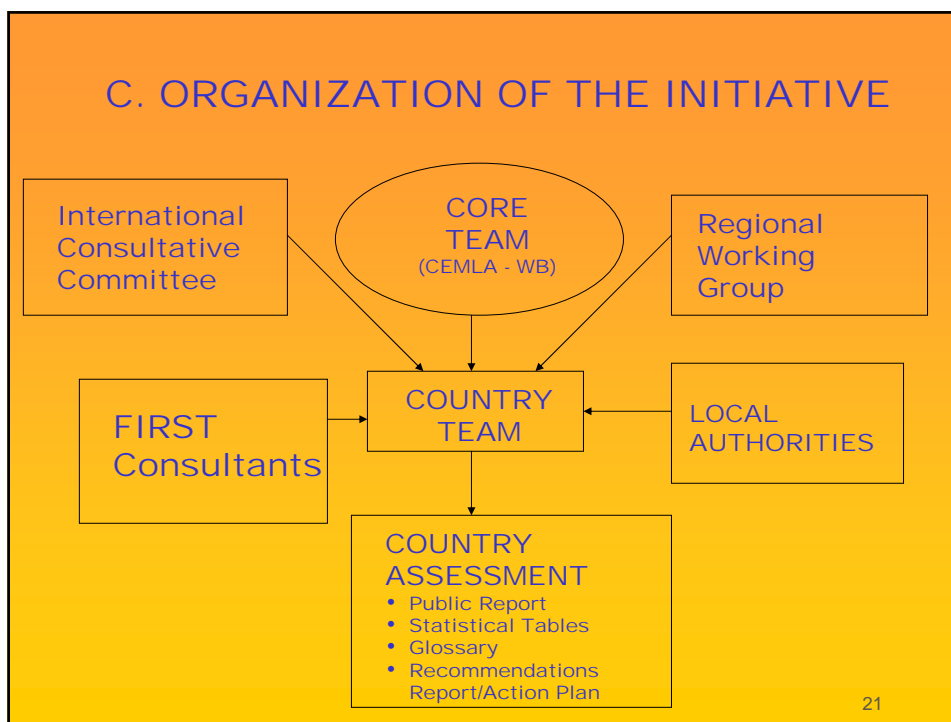
Cooperation with international organizations



Country Ownership

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C. ORGANIZATION OF THE INITIATIVE



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C. CORE TEAM RESPONSIBILITIES



- **Implementation of the Initiative**
- **Developing a common methodological framework for the studies (e.g., Working Papers)**
- **Coordination with FIRST**
- **Organization of country studies**
- **Informing ICC about the Initiative's activities and organize its meetings**
- **Dissemination of information about the Initiative inside and outside CEMLA and the World Bank**

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C. CORE TEAM MEMBERS

CEMLA

JOSÉ ANTONIO GARCÍA

THE WORLD BANK

MASSIMO CIRASINO

MARIO GUADAMILLAS

MARGARET MILLER

FIRST

(through consultants)

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C. CEMLA RESPONSIBILITIES

- Participate and assist in the country studies being undertaken by the Initiative
- Support the Regional Group on Credit & Loan Reporting Issues
- Management of the network of communications within and outside of the Initiative with participants and interested parties
- Administration of the web page in Spanish and English
- Administer the relevant documentation, in Spanish, English and Portuguese, for the development of credit and loan reporting systems in the Hemisphere
- Provide support for conferences and workshops sponsored by the Initiative

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C. ICC ROLE

- Bring to bear international and national expertise on the Initiative's strategy and content (policy and practice) from institutions with diverse experience
- Convene central bankers and other financial sector authorities and market associations to develop constructive approaches for credit & loan reporting issues
- Help identify appropriate areas and resources for technical assistance and for Initiative support
- Assure consistency with the most up-to-date thinking on credit & loan reporting issues
- Provide advice and ideas to the creation of the Regional Group on Credit & Loan Reporting Issues

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C. INITIATIVE ACTIVITIES

Phase 1 (From May 2004 to August 2004)



Preparatory Work

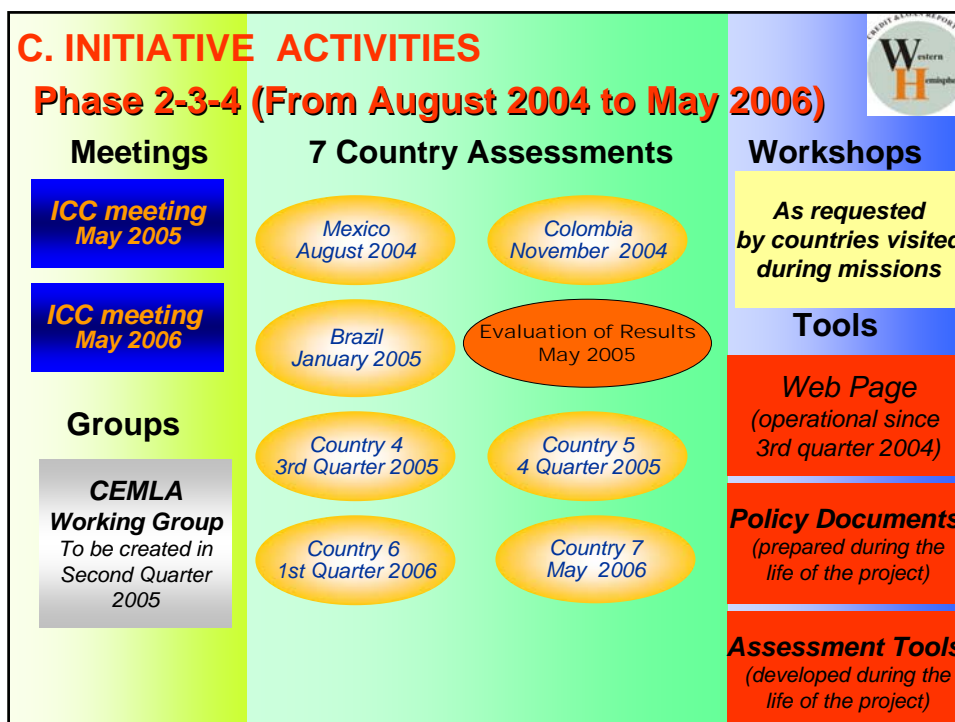
- Preparation of relevant documents
- Initial contacts with ICC members
- Initial contacts with countries in the Region
- Identification of consultants

Workshops

*Launch Workshop
August 2004*

Meetings

*ICC meeting
August 2004*



C. ACTIVITIES – PHASES 2-3-4

- In particular, three countries will be covered in the first year of the project before results are evaluated in the 2005 Workshop and, eventually, the project extends to the other four countries
- The first seven countries have been selected based on existing work executed in cooperation with the World Bank. However, it is expected that all other countries in the LAC region be covered, should the project convert into a sustainable effort

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C. ACTIVITIES: Expected Outcomes



- Increased awareness in the Region on credit & loan reporting issues, that will create the momentum for the implementation of comprehensive reforms
- Through the ICC and the Working Group
 - Effective diagnostics
 - Cost effective access to international experts

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C. Activities: Expected Outcomes



- Developing specific country-studies tools based on international best practices
- Identification of a set of immediate actions and timetable for each country to improve its credit & loan reporting schemes
- Improvement of information on the region's financial infrastructure, through the "Public Reports"

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C. Activities: Expected Outcomes



- **Strengthening of the Secretariat to give continuity to the regional effort. In particular, strengthening CEMLA's in-house expertise.**
- **Creating a critical mass of local policy and operational experts that, through the Working Group, give continuity to the reform process**
- **Informed debate on sub-regional harmonization and eventual integration of the financial sector, especially in the Caribbean and Central America**

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C. Funding



- **FIRST approved the financing of this project and will fund the bulk of WHCRI activities for the first three phases, covering publication costs, travel expenses and consultants to support the work of the Core Team**
- **The World Bank will provide (three) experts to support all project activities**
- **CEMLA will assign one expert and additional human resources to take care of the day-to-day work of the Secretariat**

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