THE IMPACT OF INNOVATIVE PAYMENT INSTRUMENTS: WHAT TO DO?

Sergio Gorjón
Payment Systems Specialist

Annual Payments Week 2005
Madrid
22 June 2005

AGENDA

- Introduction
- Main features of innovation
- The role of a central bank
- Final thoughts
Innovation is not a new phenomenon (in the financial industry). Payment systems are the main target of oversight …

… but financial stability is, moreover, dependent upon the public confidence in the currency and, lastly, in the payment instruments.

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THE PAYMENT CYCLE

Payer’s credit institution

Mobile phones
Payment cards
P2P solutions

Debtor (consumer)

Beneficiary’s credit institution

Beneficiary (merchant)

Business support systems (e-Recon)

Billing

Settlement

ACH

Reconciliation

EBPP

Main features of innovation (I)
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Main features of innovation (II)

Intensive use of Information and Communication Technologies (ICT).

Growing competition.
  – Multiple heterogeneous solutions.
  – New payment services providers.

Convergence.

Re-composition of the value chain.

MARKET IN DEVELOPMENT

Prudence (technological neutrality)

Catalyst for change vs. overseers.

Examination of each payment instrument’s specific circumstances.

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EFFICIENCY ASPECTS

Overcome initial fragmentation (Competition + Cooperation).

- Reluctance to change by consumers and end-users.
- Full payment cycle integration.

Development of common standards.

Problems:

Co-ordination among a growing and heterogeneous number of economic agents.

Adequate pricing policy.

Should a central bank play a role as coordinator/arbitrator in discussions about standardisation?

Is regulation the best tool for a central bank to promote the implementation of specific standards?

How could it contribute to ensure the transparent formation of prices for banking services?
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SECURITY ASPECTS

Ensure operational reliability and/or fraud prevention (trust).
  – Reputation risk.
  – Reversion to non-efficient payment instruments.

Potential courses of action
- Moral suasion.
- Intermediation.
- Promotion of transparency.
- Development of compulsory technical and/or functional requisites.

What approach should be taken to ensure a correct balance between security (public interest) and efficiency (entry barriers/innovation)?

How far should we go into allocating obligations and liabilities to end-users?

Should central banks impose a set of minimum conditions to service providers in payment systems (ITO & BPO)?

Is there a potential contribution for the legislator?
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Final thoughts

Control of access to data regarding the private sphere: violation of privacy.

Should we expect central banks to intervene in the field of data protection?

Induced transformations on inter-bank infrastructures for the processing of retail payments (real-time).

Are these new coordinates to assess the efficiency/practicality of payment systems?

Monetary policy transmission mechanism.

Is early regulation encourage?

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Concluding remark

"The world has not changed because of politics but because of technology."

Friedrich Dürrenmatt
THANK YOU