

ELECTRONIC PAYMENT ACCEPTANCE WORKING GROUP

FIGI EPA Package: Deep Dive

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Oya Ardic (Senior Financial Sector Specialist)
Jeff Allen (Financial Sector Consultant)
Payment Systems Development Group
World Bank

FIGI 
**FINANCIAL INCLUSION
GLOBAL INITIATIVE**



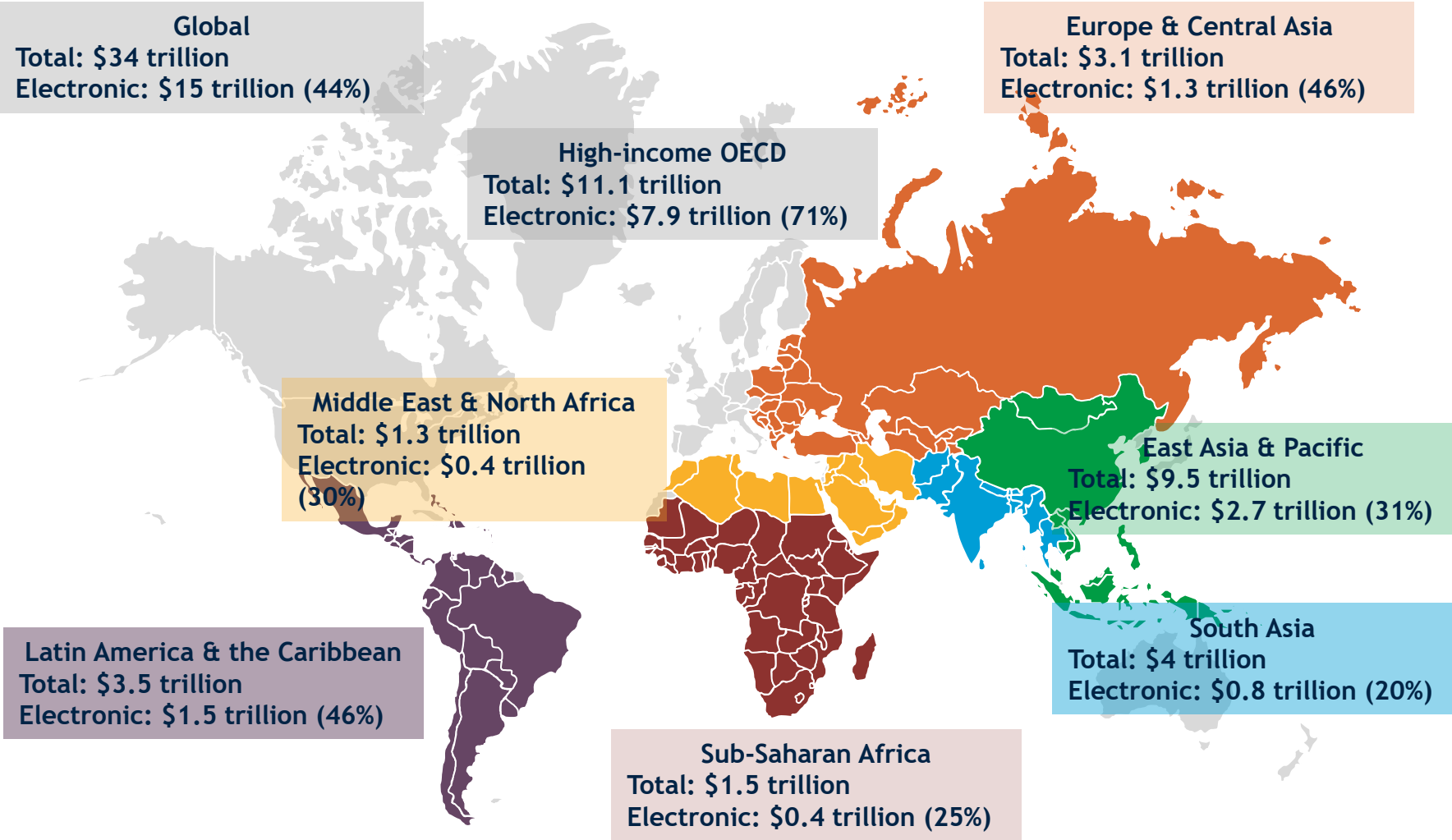
BACKGROUND: \$19 Trillion Opportunity

Electronic Payments For Small Merchants

WBG-WEF (2016)



A \$19 trillion opportunity: paper-based P2B, B2B* and B2P payments accepted and made by micro, small and medium retailers



1 B2B payments include only those from the retailers to immediate suppliers

The FIGI EPA Working Group and the EPA Package

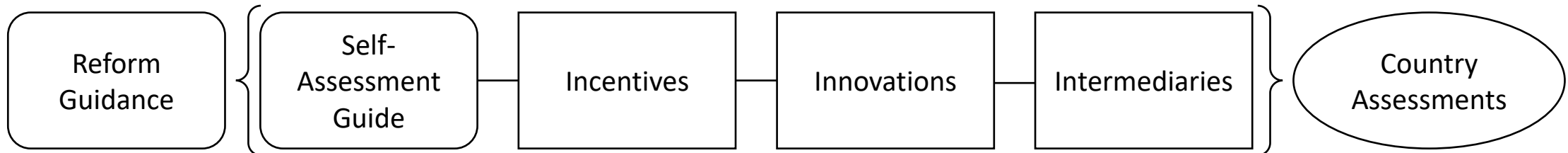


The FIGI EPA Package is intended to facilitate the development of EPA reforms

Electronic Payment Acceptance Reform Development Stages



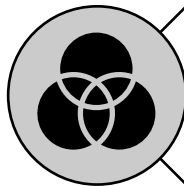
Electronic Payment Acceptance Package Component Relationships



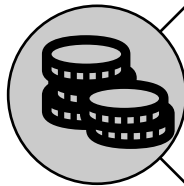
EPA Self-Assessment Guide: Purpose and Organization

The Self-Assessment Guide assists EPA stakeholders in comprehensively evaluating EPA development and identifying barriers that are stifling EPA uptake. It provides approaches for evaluating a range of ecosystem, economic, and legal and regulatory issues that affect EPA.

EPA Assessment Categories



Retail Payment Ecosystem

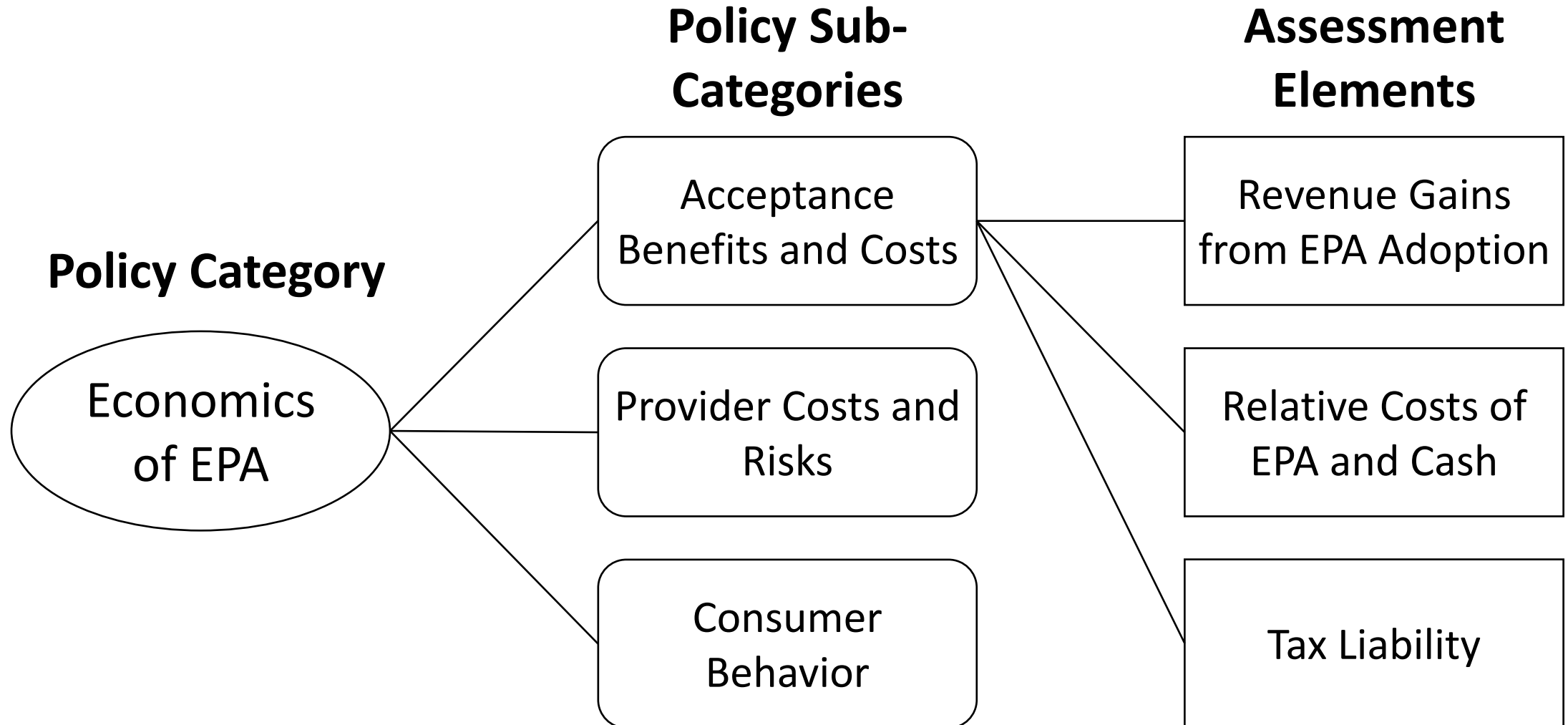


Economics of EPA



Legal, Regulatory, and Oversight

EPA Self-Assessment Guide: Example Assessment Approach









EPA Self-Assessment Guide: Key Assessment Tools



Introduction to the EPA Reform Guidance

The Reform Guidance provides a substantive overview of the four core technical components of the package and catalogues a wide range of EPA reforms, including incentives, policies, and other solutions to increase EPA.

Types of Electronic Payment Acceptance Reforms and Their Primary Goals

Change Behavior	Fiscal and Financial Incentives	Value-Added Services	Mandates and Disincentives
			
Enable EPA	Ecosystem Development	Legal, Regulatory, and Oversight Improvements	Technology and Business Model Innovations
			

EPA Reform Guidance: Taxonomy of EPA Reforms

Fiscal &	Early-stage cost subsidization
Financial	Merchant fiscal incentives
Incentives	Consumer fiscal incentives
	PSP fiscal incentives
	Tax simplification
	Acceptance lotteries
	Usage lotteries
	Loyalty rewards
Mandates &	Mandated EPA
Disincentives	Mandated electronic wages
	Cash disincentives
Value-Added	Credit
Services	Productivity solutions

Value-Added	Revenue generating services
Services (cont'd)	Client relationship mgmt.
Ecosystem	...(see Reform Guidance)
Development	
Legal, Reg., &	Neutrality and proportionality
Oversight	Financial consumer protection
Improvements	RBA to merchant due diligence
	Payment system oversight
Technology &	Supply chain digitization
Business Model	Acceptance tools
Innovations	Acquisition models
	Underwriting
	Non-traditional partnerships

Thank You

Contact:

figipaymentsacceptancewg@worldbank.org

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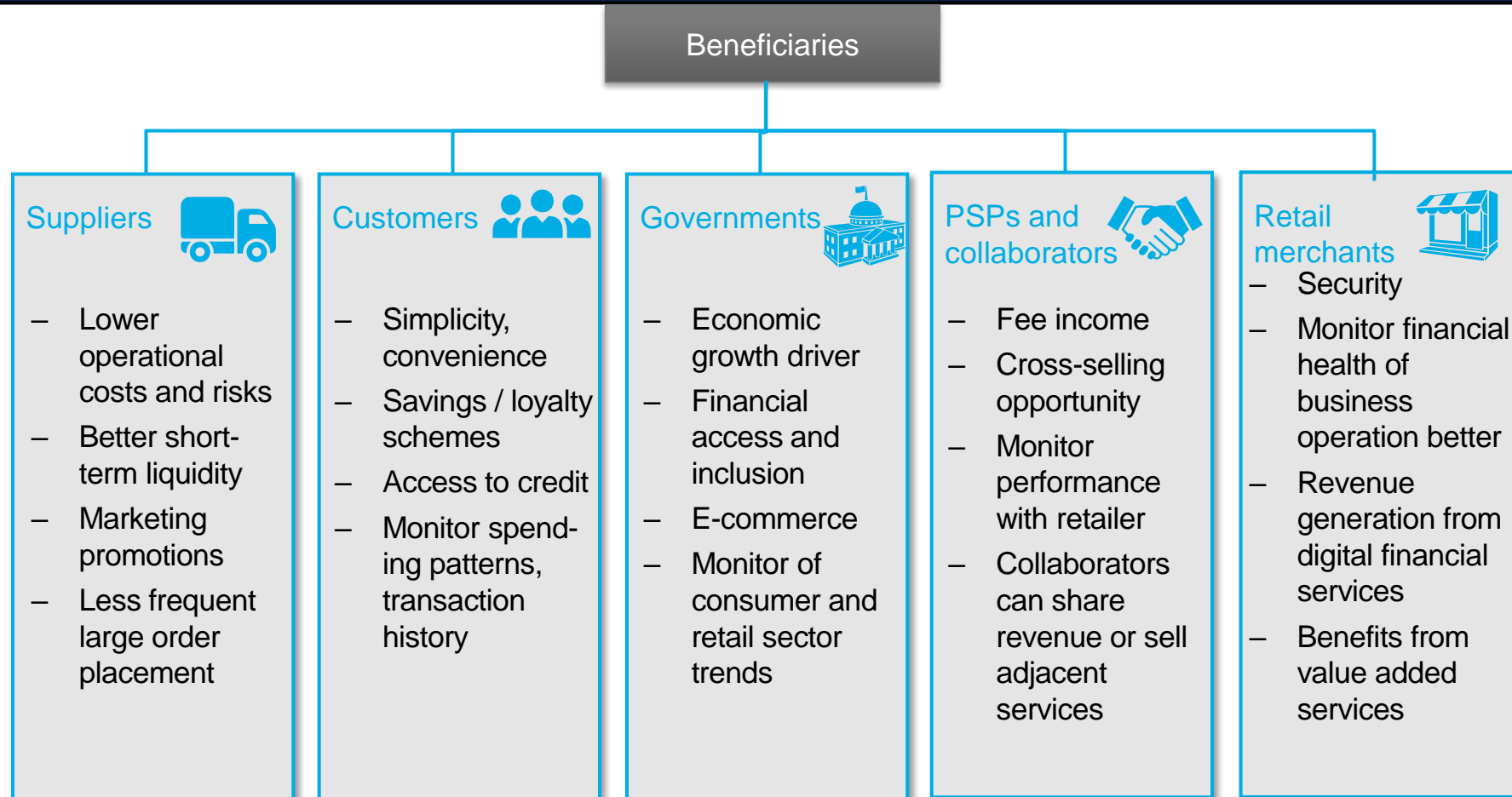


Annex



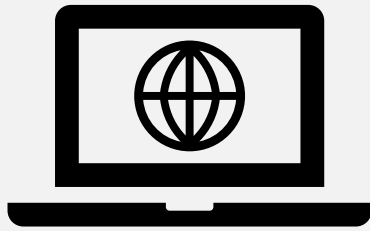
Despite the benefits of electronic payments, cash is persistent, especially at the merchant level

Electronic payments carry benefits for many actors in the economy...



...yet, recent market research shows the persistence and resistance to electronic usage by merchants

Electronic payments have facilitated commerce during COVID-19 through a number of mechanisms...



They facilitate (but are not required for) e-commerce.

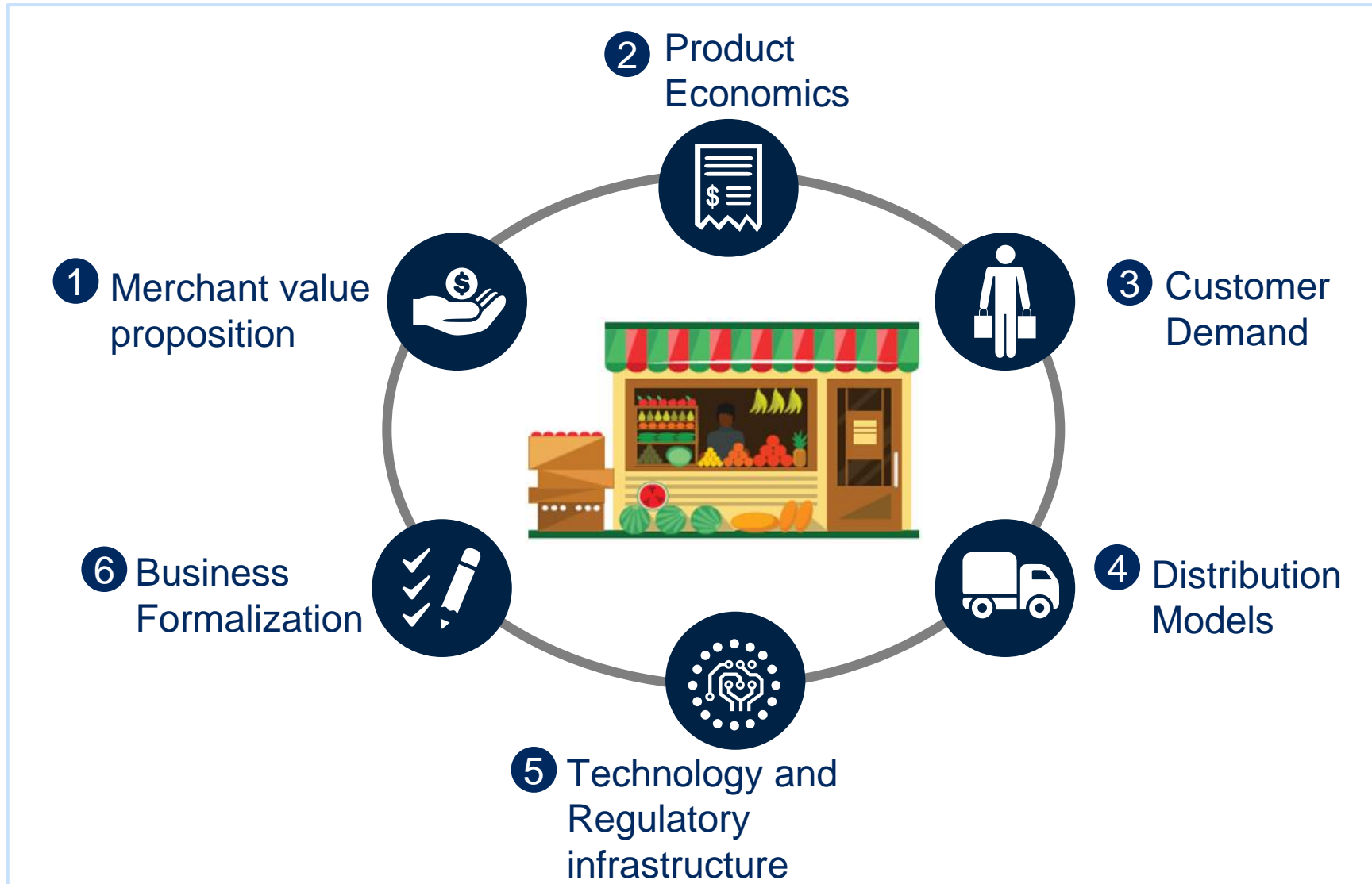


They better enable social distancing for in-person shopping.

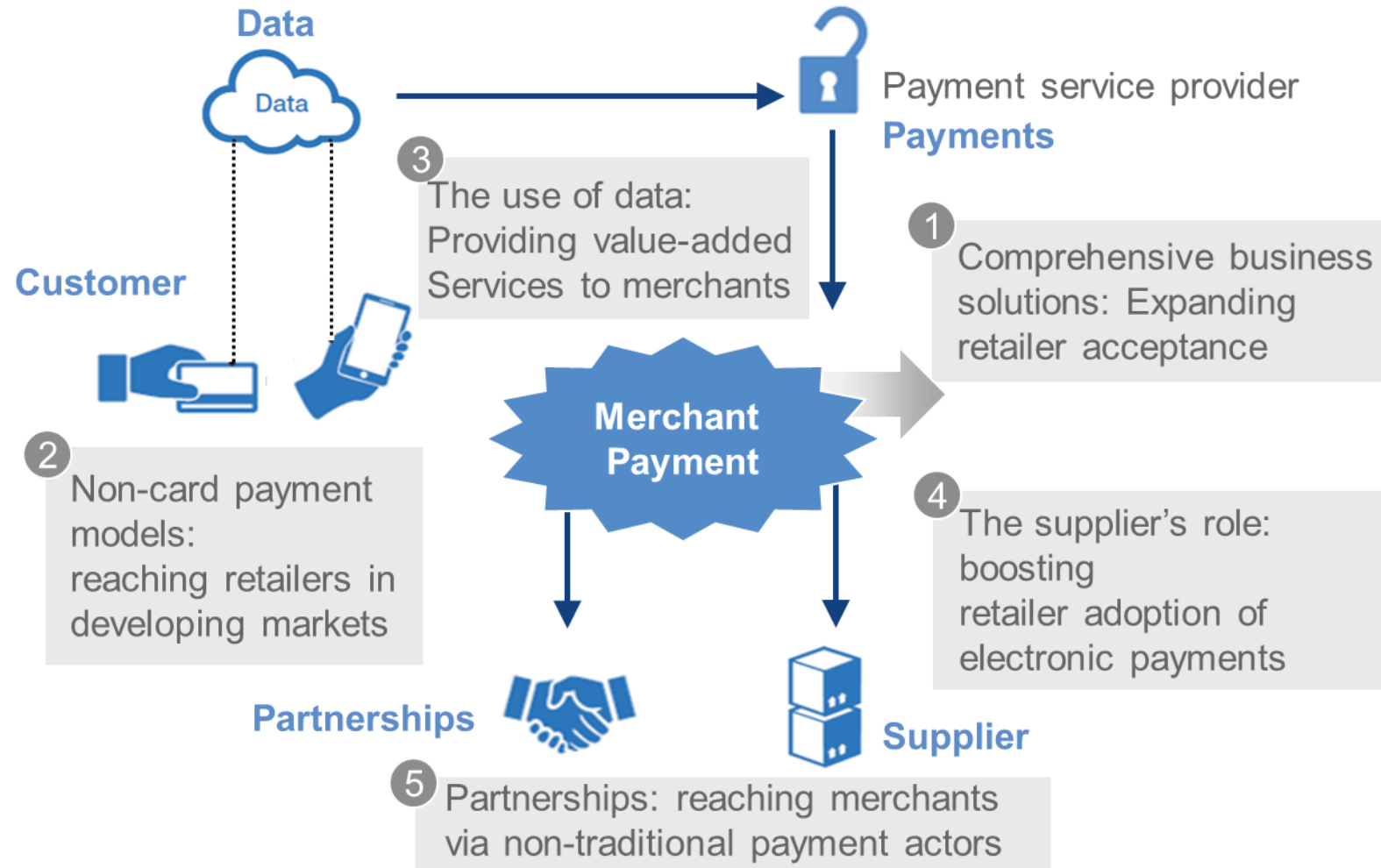


In some cases, cash access points have been operating at reduced capacity.

SIX MAIN OBSTACLES hold back adoption of e-payment solutions by merchants



FIVE KEY INNOVATION TRENDS to expand merchant e-payment solutions



SOURCE: World Bank Group Analysis

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Financial Inclusion Global Initiative (FIGI): Working Group on Electronic Payments Acceptance (EPA)

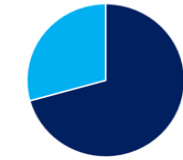
Objectives

To foster effective practices for enabling and encouraging acceptance and use of electronic payments, with an emphasis on person-to-business (P2B) payments, both for proximity payments at the point of interaction and e-commerce, and on unserved and underserved groups.

Membership

35
Member
Institutions

Member institutions by sector



From 16 Countries

Mexico
Egypt
Kyrgyzstan
India
Switzerland
Morocco
USA
Germany
Philippines
UAE
Netherlands
Russia
Brazil

The FIGI EPA Package

1. EPA Package Reference Guide
 2. **EPA Reform Guidance**
 3. **Self-Assessment Guide**
 4. Incentives for Electronic Payment Acceptance
 5. Innovations in Electronic Payment Acceptance
 6. Regulatory Aspects of Intermediaries in Electronic Payment Acceptance
 7. Country Assessments
- } Our primary focus today

Driving Electronic Payment Acceptance

Financial Inclusion Global Initiative (FIGI) Symposium
22 June 2021 | 17:00 – 18:30 CEST, Geneva

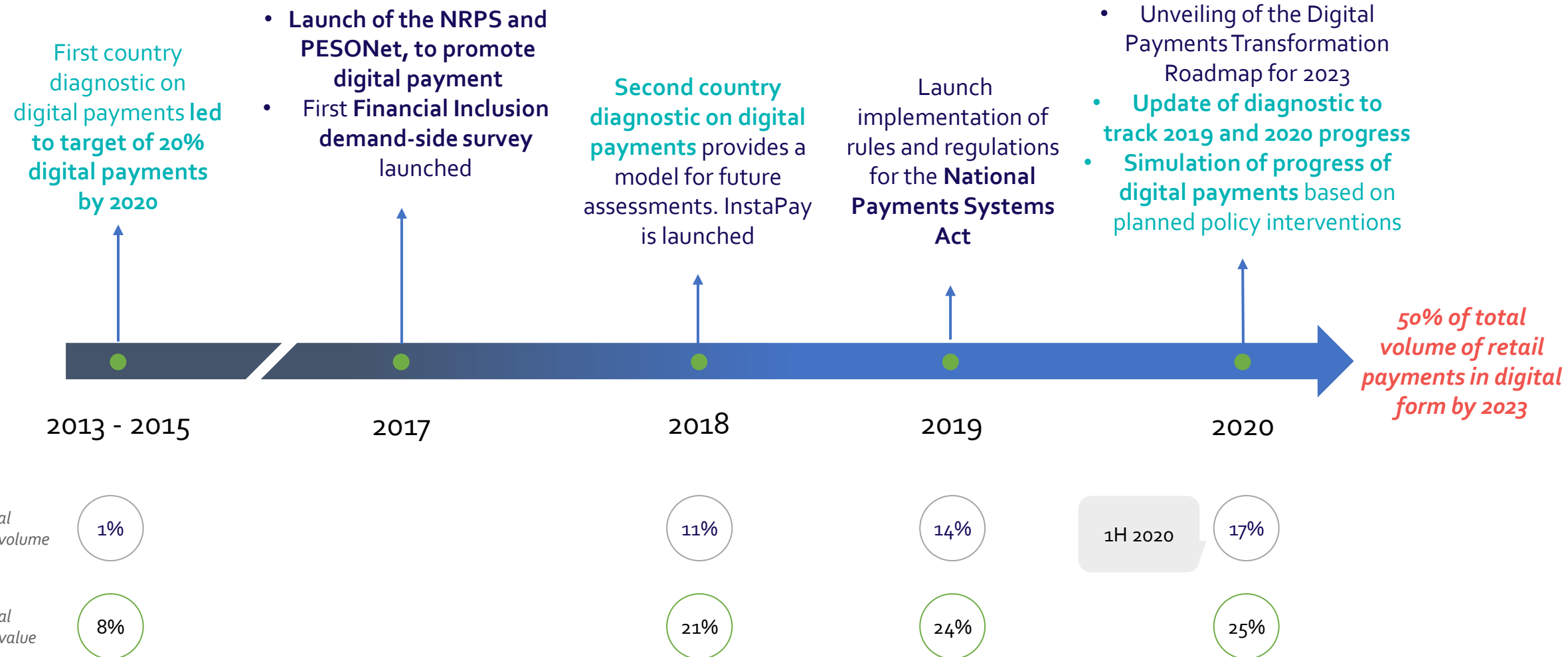
ATTY. BRIDGET ROSE M. MESINA-ROMERO

Acting Deputy Director
Payment System Oversight Department
Bangko Sentral ng Pilipinas





BSP has progressively increased its commitment to enable critical infrastructure and monitor the growth of digital payments



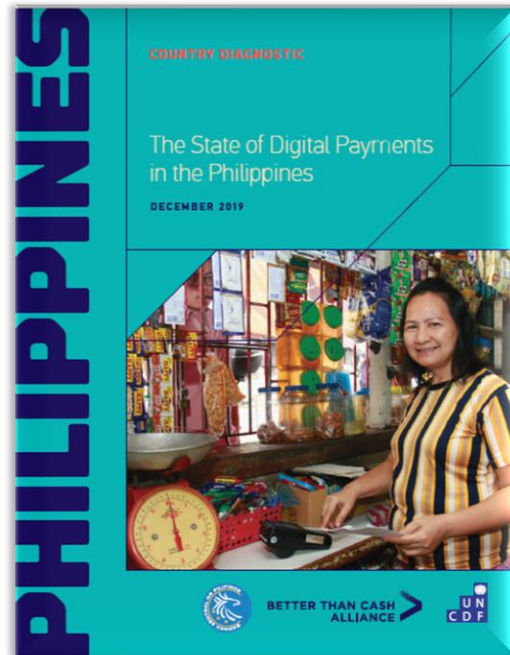


Merchant Payments form a large portion of the total retail payments in the country

2019 Report

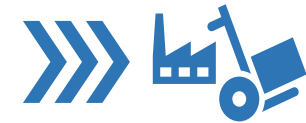


BETTER THAN CASH
ALLIANCE



70%+ >>>

Merchant Payments



Supplier Payments

Priority
Use-Cases



Utility Payments



Social Benefits



Remittances



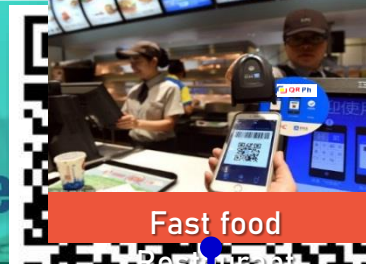


Growing Preference for Digital Transactions

National Retail Payment System (NRPS)



Tricycle Fare



Fast food Restaurant



Sari-Sari Stores



Pharmacy



Grocery Store



Pay Anyone



Pay Bills



Wet Market

National QR Code Standard
Native for cash and coins
from the fragmented QR-driven pay

into interoperable payment solutions.
Processing of transactions during
Available 24/7, all year round during

Person (P2P) Payment

ments
e-commerce)

Full Launch will be rolled out in Q3 2021



Building consumer trust and value proposition in digital payments

Issues

Cash-On-Delivery (COD): most popular payment channel for consumers

Difficulties in using digital payments on the platform

Cost of digital payment services

Issues

The Merchant Discount Rate (MDR) fee structure is not suited to the business models of smaller distributors and retailers.

Less digital payment adoption in the lower segments of the supply chain.





BSP Digital Payments Transformation Roadmap 2020-2023

THE DIGITAL PAYMENTS TRANSFORMATION ROADMAP 2020-2023

Efficient, inclusive, safe and secure digital payments ecosystem that supports the diverse needs and capabilities of consumers and businesses, towards achievement of the BSP's mandates

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STRATEGIC OUTCOMES:

Strengthened customer preference for digital payments



50% of total retail transaction volume is digital, 70% of Filipino adults are financially included

More innovative and responsive digital financial services



Innovation-driven use of consumer data for product development; PhilSys-enabled KYC; Next-gen payment and settlement system

DIGITAL PAYMENT STREAMS

Focus on digitalizing payment streams to catalyze broader adoption of digital payments among consumers & businesses

IMPACT ON CURRENCY PRODUCTION & PROJECTION

DIGITAL FINANCE STRUCTURE

Enhance key infrastructure that support the expansion of an inclusive, digital payments ecosystem

DIGITAL GOVERNANCE & STANDARDS

Promote responsible digital innovations through a digital governance framework that covers digitization policies and standards

ENABLING POLICY & REGULATORY ENVIRONMENT

INTER-AGENCY/STAKEHOLDER COLLABORATION

DIGITALLY-TRANSFORMED BSP



P2B Payments Digitalization Initiatives in the Pipeline

QR Ph P2M (full launch)

Bills Pay

PESONet Multiple Batch Settlement

Direct Debit

Digitalization of Wage Payments



BSP is committed
to support the
delivery of
universal access
to safe,
affordable and
convenient digital
payments for
all Filipinos.





Morocco Electronic Payments Acceptance Assessment

FINANCIAL INCLUSION GLOBAL INITIATIVE





Create an enabling and secure environment for Electronic Payment Development

- The development of cashless means of payment has been one of the **strategic objective of Bank al Maghrib** since its first strategic plan in 2004
- Each new strategic plan, this objective is reaffirmed with **new actions and new development policies regarding the results of market assessment** and recommendation of Financial inclusion studies
- Promoting digital financial services in Morocco is one of the major lever of the **National Financial Inclusion Strategy**
- Beyond the efforts made to **improve the use of electronic payments**, Central Bank has also worked on the **emergence of new innovative payment methods**

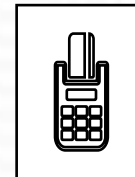
2019-2023 Strategic vision for Payment Development



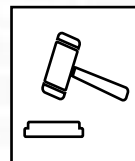
Strengthen the credibility of new payment methods and enhancing public confidence in their use



Developing payment methods and systems in the frame of technology evolution and risk management.



Development of **electronic payment methods**



Expanding a competitive payments market while promoting innovation

Main objectives of Bank Al Maghrib for Payment Market



- create a **competitive market for payment services**:
Introducing a new category of Financial institutions “Payment institution” in 2014 by the Banking Law
→ especially for acquiring activities to boost the payment market and acceptance



- Remove opacity and lack of transparency of the access rights to **the payment system** and the **charges applied**
→ for the PSPs but also for merchant (Interchange fee)



- Democratize payment transactions particularly through alternative payment service :
→ Mobile financial services



- Digitization of payments:
→ G2P and B2C Payments as lever of the National Financial Inclusion Strategy



- **Cost reduction** to serve the **financial inclusion**:
→ Regulation of mobile interchange fee + optimization of switching fees + competitive pricing of payment services



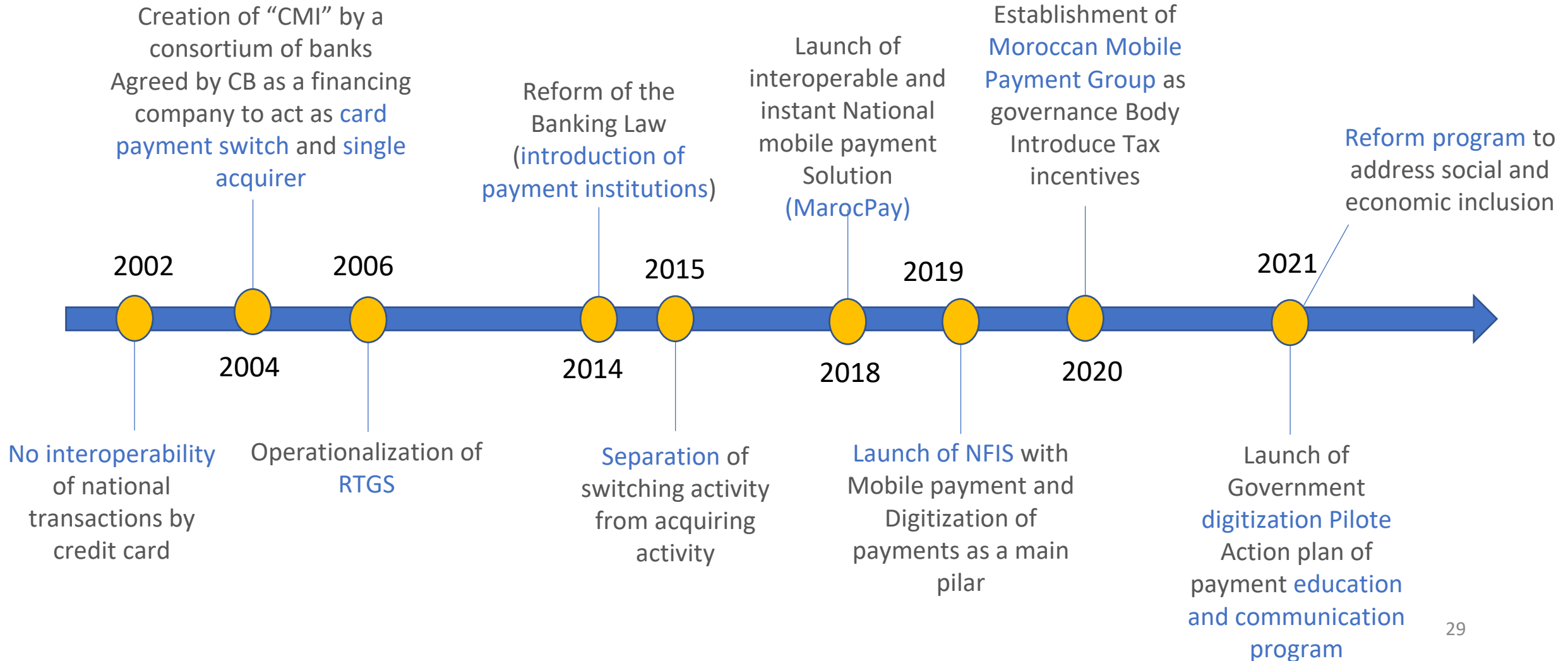
- Minimizing the cash in circulation



- Rising Financial Inclusion



Moroccan Payment Development Background



Introduction of Payment Institutions (Non-Bank Institution)



The revised Banking law (2015) has been extended to include new type of payment services providers: Payment institutions

Advantages



increased competition



Lower costs than traditional services



Product diversification



Cash reduction



Increased awareness of financial services

Support Financial Inclusion and development of electronic payments



Building a National Mobile Payment Solution : Instant and Interoperable natively

Up to Date :

16 payment
Institutions
licenced Since 2017

Operational Mobile
Switch for Interoperability
since 2019

22 M-wallet product
Launched where 15 by
Payment Institution

30

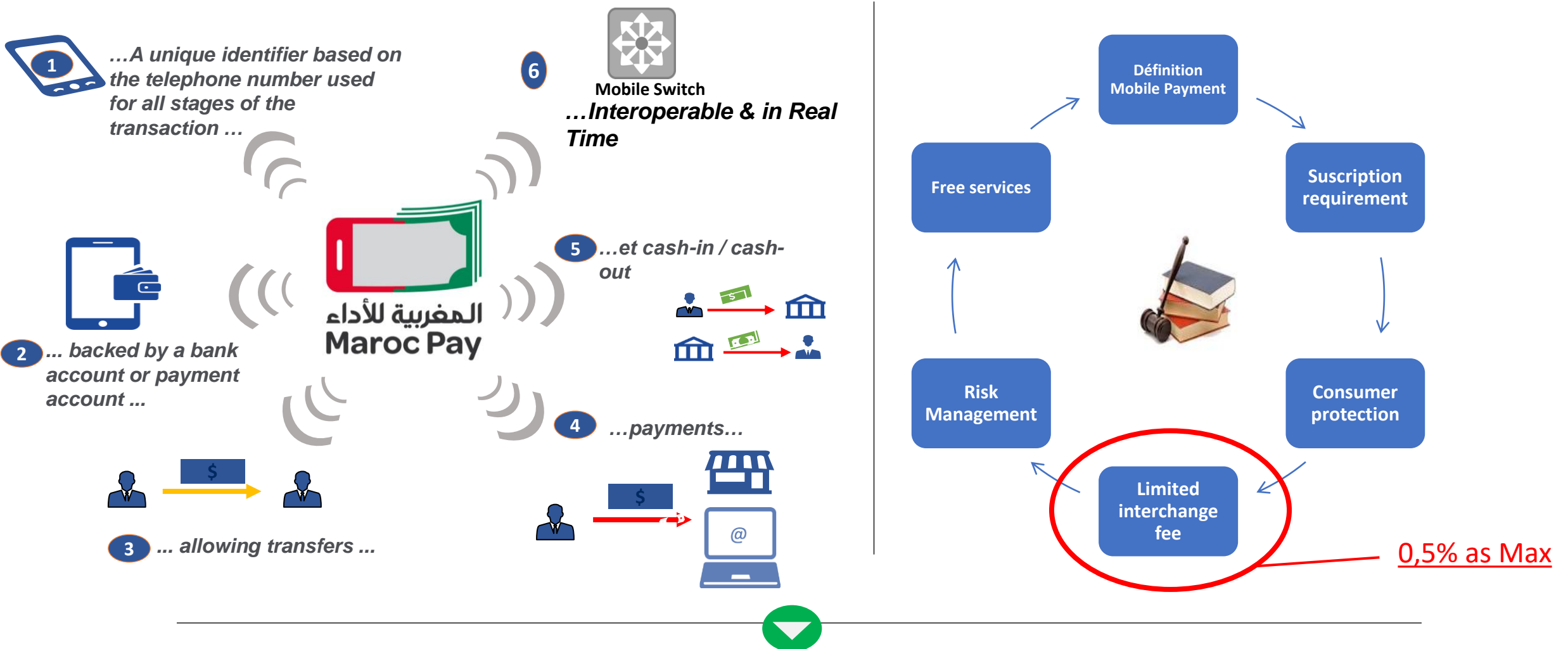
- Financial inclusion has become a national orientation Since the Launch of National Financial Inclusion Strategy in 2019.
- **National roadmap has been prepared** through a participative approach involving many stakeholders in the public and private sectors and whose **deployment was launched in the 4th quarter of 2019.**



The promotion of digital financial inclusion is the one of the guidelines of the National Strategy for Financial Inclusion, based on the successful deployment of alternative models such as Mobile Payment.

Indeed, the detailed roadmap gives particular interest to this new channel, which offers unavoidable opportunities for the financial inclusion of the different segments of the population by making financial services accessible and at lower cost.

Quick Review of Our Mobile Payment Ecosystem



The user will be able to make a payment or transfer to an individual or merchant regardless of the payment institution / bank issuing the wallet

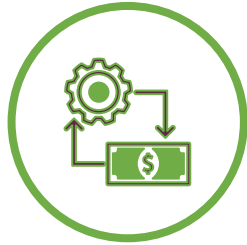
Mobile Payment Ecosystem

What have been done



Technical and functional aspects

Development of the user journey and generalisation of QR code homologation



Specific measures relating to financial inclusion

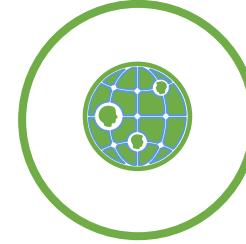
Lighten conditions of account opening:

- **Proceed e-KYC** for bank account opening
- **Remote opening of a Level 2** payment account
- Simplified **Merchant onboarding**



Governance

Establishment of the Economic Interest Group for better synergy between the players and the establishment of market rules (Technical, Commercial and communication)



Network

Identification of alternative networks: Cooperatives, Agriculture distributors, private agricultural advisers, etc.

Connection between the EIG and the large flow generators (FMCG, Distributors, etc.)



Government participation

Tax incentive =Amnesty for 5 years

Coordination of initiatives relating to dematerialization and to support communication



Identification of target populations and prioritization



Preparation of generic content



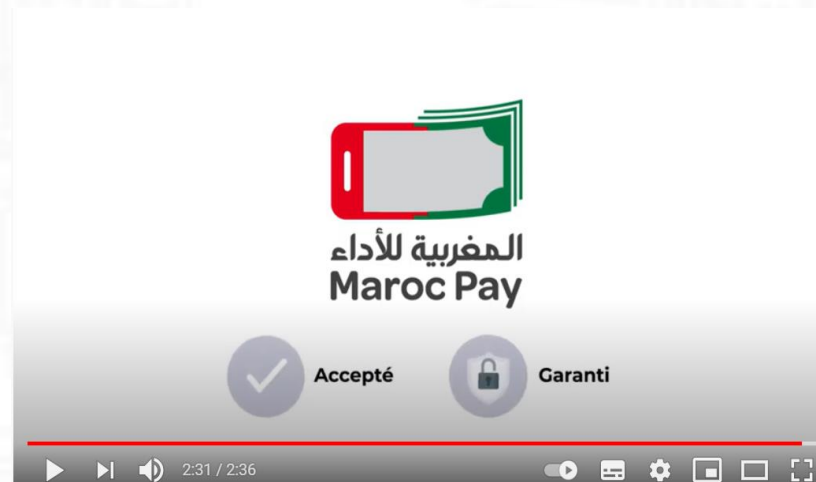
Preparation of a deployment plan with relay partners and budgeting



Deployment according to a two-lever deployment strategy



Mobile Payment User Guide

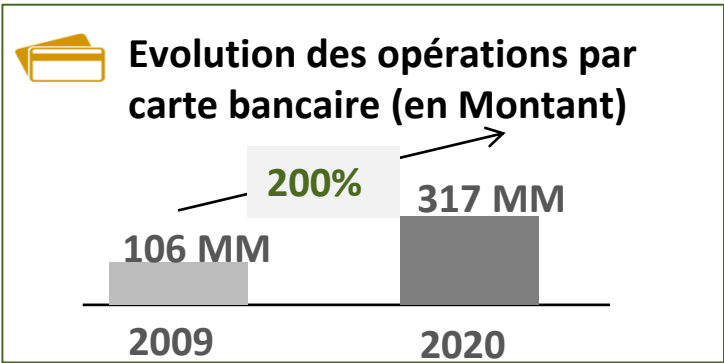
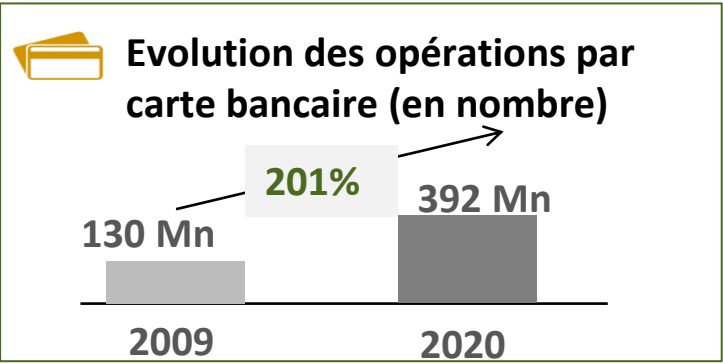
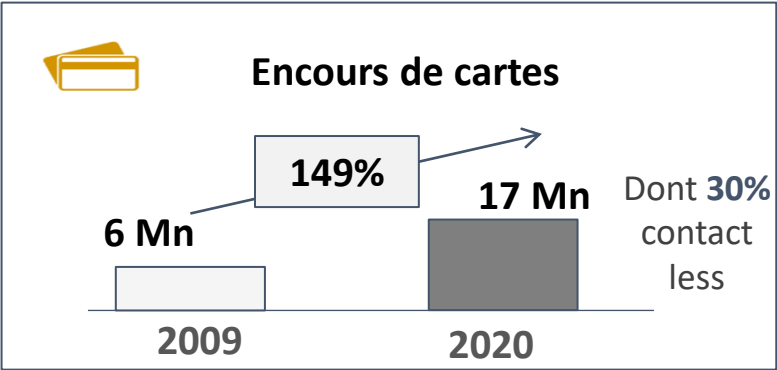


Educational Videos

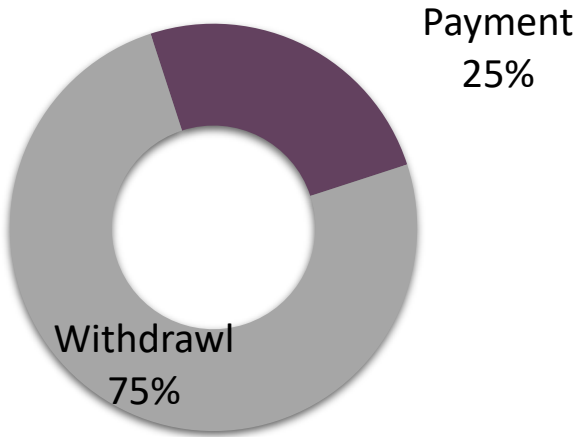


Despite all that actions Electronic Payment still
Low and Cash still king....

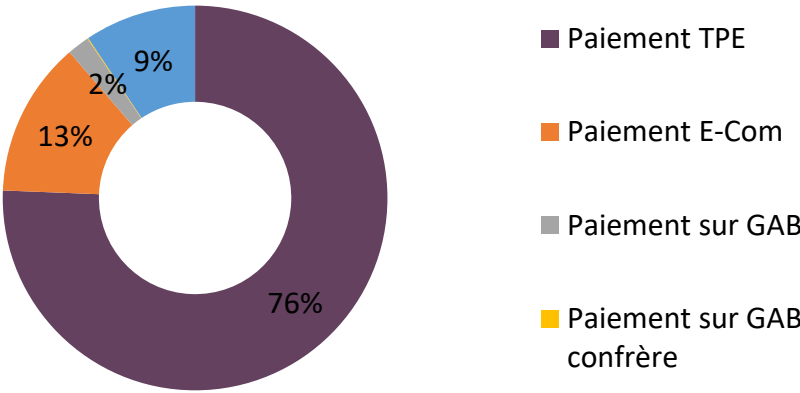
Some statistics on payment activities



Structure des transactions par cartes en 2020

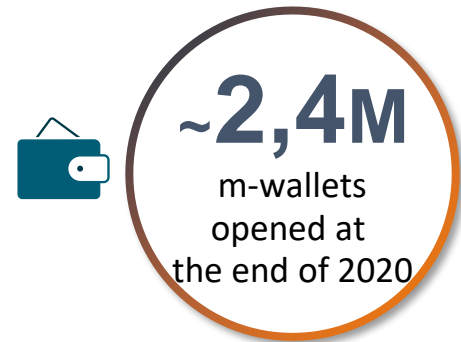


Structure des transactions par carte (en nombre) en 2020

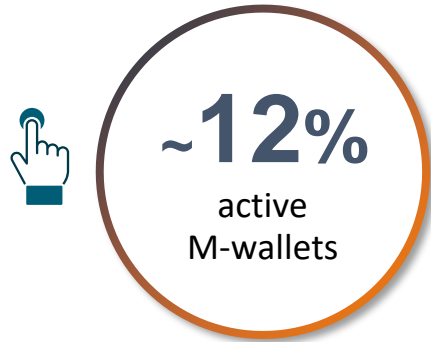


Some statistics on payment activities

Efforts made to open mobile wallets...



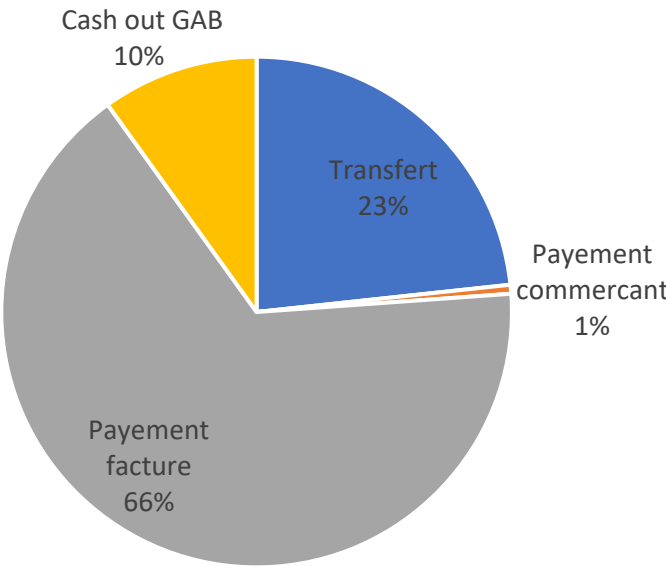
... but very low activity levels observed today...



... with unexpected average transaction size



With a payment structure dominated by Bills Payment and P2P Transfers



Some insight from EPA Assessment....

What are the most critical barriers to acceptance of non-cash payments in Morocco?



Despite the progress made, the level of financial access and usage of formal financial services remains limited



Cash is the preferred payment instrument for retail payments

- Accentuated by business practices of government, corporate and the banking sectors



- About 51 % of adult had a bank with a gender and urban/ rural Gaps

- Informal economy is an important driver for the use of cash in retail payments

- Cash culture: 90 % of cash transactions are person to person (P2P), person to business (P2B) or business to business (B2B) transactions

- Easy access to cash through ATMs



Mobile and internet penetration rates have increased significantly in recent years; however, Moroccans prefer to pay for online purchases with cash



- Cash on delivery is used at 98%



Payments Services Cost



- MDR are judged high by Merchant
- No value added seen by the consumer
- New Payment Institution want to act on issuing and acquiring → lack of specialisation only 3 acquirer operational

5 barriers were identified (Primary result – Under validation)



1. A strong preference for cash and low levels of adoption of electronic payments by consumers and merchants prevent the EPA from developing and reaching the tipping point necessary for mass adoption.



2. Mobile wallet adoption remains a challenge; the problem is primarily due to low consumer and merchant awareness of its benefits.



3. Lack of clarity on the application of simplified identification rules for small merchants and agents. While a risk-based approach to customer identification for opening new accounts has been adopted, KYC procedures are still considered onerous for PE agents.



4. The lack of effective competition on the acquiring has led to acquisition risk aversion by focusing on the current profitable merchant categories.



5. Fear of traceability by the tax authorities, even significant changes and incentives in the tax system

Most useful indicators in evaluating the impact of EPA assessment

Payment and acceptance Cost

Merchant Discount Rate and Interchange fee



- The Merchant Service Charges (MSC) for domestic card transactions have declined over the past years **from an average level of 1.52 % in 2016 to 1.21 % in 2019**



- A common interchange fee of (1.25%) is applicable to most domestic payment card transactions **The average interchange fee calculated across all domestic payment card transactions and merchant categories is approximately 0.9 %.**



- the scheme fees paid to Visa and Mastercard **have gradually increased over the period from 2017 to 2019 from 6 percent to 9%.***



- **The acquirer margins have gradually decreased over the period 2017 to 2019 from 39% to 28%*.**

Some Conclusion from EPA Assessment (World Bank)



- Strengthen the legal framework to promote trust and use of electronic payments :
 - legislation requiring use of non-cash payment instruments for various types of government and corporate payments, salaries, transfers and collections.
- Address the economics of electronic payments acceptance through various measures:
 - optimize interchange levels
- Address the acquiring dominance of CMI to allow for competition and growth in the market.

- Address the barriers related to issuance, usage and acceptance of mobile wallets
 - Use G2P payments to fund the mobile wallets and build digital liquidity,
 - Make cash-out more expensive for consumers
- Promote electronic payment acceptance for payments made by consumers and businesses for government services and utility payments.
- Consistent implementation of a risk-based approach for merchant due diligence