

The IPFA and Best Practices in Cross-Border Payments Exchange

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Discussion

- Foundations of the IPFA Process
- IPFA 2.0
- IPFA Payments Groups
- Next Steps

FOUNDATIONS

International Payments Framework Association

- Mission: Worldwide acceptance of a payments framework, which facilitates interoperability between counterparties that enables more efficient cross-border payments processing
- Founded in 2010
- 25 members today



Our Value

- Collaborative working model
- IPFA Credit Transfer Rulebook
 - Non urgent payments
 - Instant payments (new)
- Technical Implementation Manual
- Assistance available for mapping between ISO 20022 and local formats

IPFA Governance

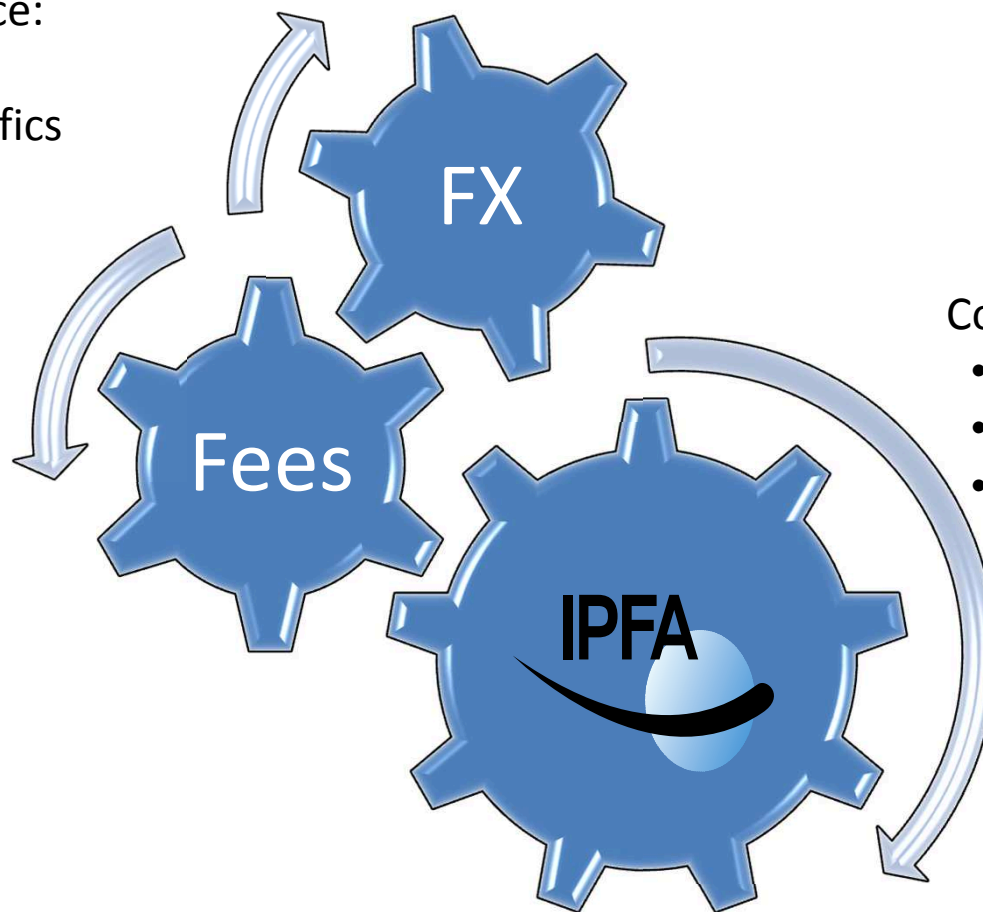
- Established as a U.S. not-for-profit association in February 2010
- Varied membership categories Has a Board of Directors
- Is run by a Chief Executive Officer
- Cooperates with Observers from international and national organizations / regulatory bodies



IPFA Model

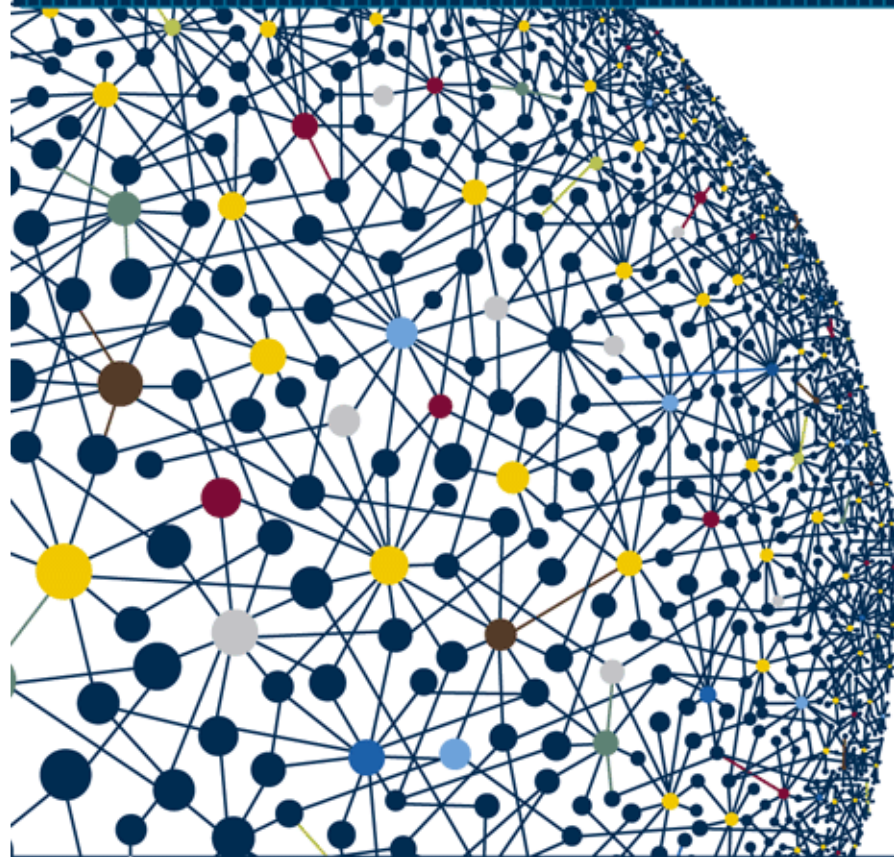
Competitive Space:

- Pricing
- Bilateral specifics



Cooperative Space:

- Rules
- Formats
- Governance



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The Bridge in Practice

- Federal Reserve and Equens
- Europe/U.S. transactions between the Federal Reserve and Equens have begun processing in October 2010
- Service supports bi-directional credit transfers in USD/EUR, USD/GBP and USD/CHF
- Transactions from Europe have access to accounts at all U.S. banks
- Transactions from the U.S. to Europe have access to accounts at all banks in most European countries

IPFA Primary Members

- ACH Columbia
- Bankserv Africa
- CIP Brazil
- Caisse central Desjardins
- DNB Bank
- Earthport
- Equens
- Federal Reserve Retail Payments Office
- KlickEx
- Raiffeisenbank International
- Royal Bank of Canada
- Royal Bank of Scotland
- U.S. Bank

Benefits for Primary Members

- Simplification of back office processing for both receiving and sending banks
- Ability to archive global reach for member organizations
- Certainty of service
- Improved returns on investment by using ISO Standards
- Risk mitigation through enhanced certainty of service
- Improved liquidity management
- Facilitation of international compliance requirements through supporting inclusion of necessary information for payments review and screening

IPFA Affiliate Members

- ACI Worldwide
- Canadian Payments Association
- CBI Consortium
- Clear2Pay
- Dovetail
- Fujitsu
- KlickEx
- Madfoat
- NACHA
- NTT Data Institute
- Ripple Labs
- SADC Banking Association
- SWIFT

Benefits for Affiliate Members

- Provide products and services to primary members to enable them to transact using the IPF framework
- Engage in strategic dialogue to influence the rules and shape the organization to meet the requirements for the addressable markets
- Allow application providers, IT innovators, and others to create a platform to collaborate on providing credit push payment services supporting cross-border e-commerce
- Cooperate with interested associations/PSPs to develop solutions that lead to increased financial inclusion in emerging markets

Aligning with Industry Evolution

IPFA 2.0

New Directions

- Membership reviewed state of the industry and put two key changes in place:
 - Add Instant Payment option
 - Revise membership categories
- Goal is to increase usage of IPFA Scheme by increasing relevance and growing membership

Why Instant Payments?

- Real time payment is a defining force in our industry for at least the next decade
- At least 40 real time implementations in existence or being developed
- Most all based on ISO 20022

IPFA Instant Payments

- Real time payments across borders between IPFA participants
 - Must be direct members of domestic instant payment systems
 - IPFA Rulebook governs payment transactions between IPFA participants



Member Categories

Primary

1. Financial institutions
2. Bank Holding Company
3. CSM
4. Payments Institution

Authorized to clear and settle transfers

Affiliate

1. Standards Setting Body
2. Industry Vendor
3. Payments Service Providers

Key participants in payment ecosystem

New Membership Categories

At Large

- Associations
- Users of Payment Services

Entities or users wishing to support IPFA goals

Observer

- Recognized regulatory authority related to cross-border payments
- Global non profit entity related to cross-border payments

Broader regulatory community

New Member Categories

Payments Group

- Organizing entity of a *recognized* payments scheme (“closed user group”)
- Organizes; does not clear and settle transfers

Payments groupings or other closed user groups

Group Participant

- Financial institution, CSM, Payments Institution, Bank Holding Company
- Must adhere to IPFA Rulebook
- Cannot use IPFA transfers outside Payments Group
- May also be an IPFA Primary Member

Members of a specific scheme

Membership Features

	Primary	Affiliate	Observer	Payments Group	Group Participant	At Large
Use IPFA Format	✓	✓			✓	
Carry Out IPFA Transfers	✓				✓	
Bound to IPFA Rulebook	✓			✓	✓	
Attend Meetings/Formal Input	✓	✓	✓	✓	✓	✓
Hold Board Seat	✓	✓		✓		
Vote on Key Issues	✓	✓		✓		
Annual Fee*	\$12,000	\$9,000	\$0	\$6,000	\$3,500	\$4,500

*USD

IPFA PAYMENTS GROUPS

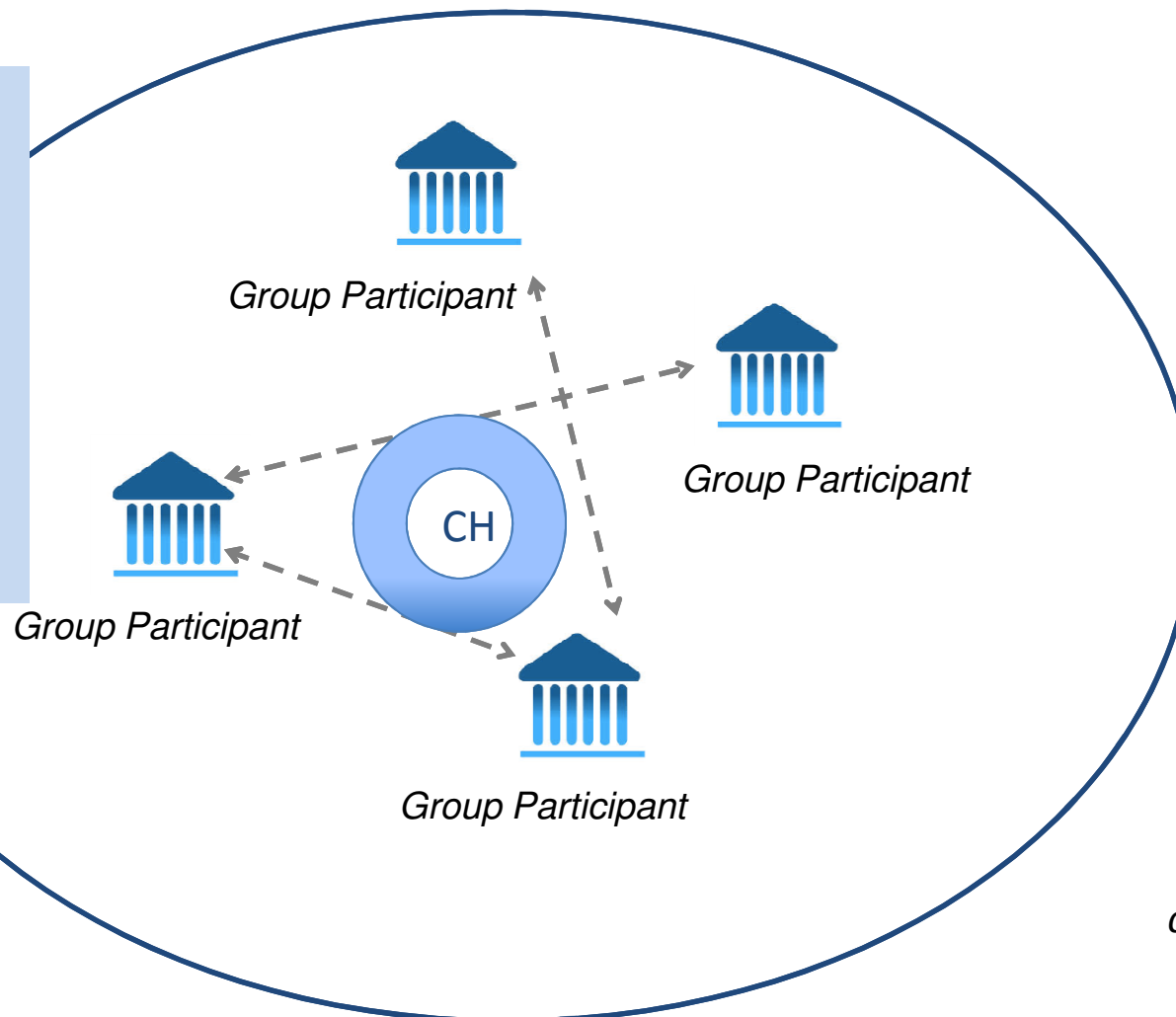
IPFA Payments Group

- Scheme currency(s)
- Multilateral Agreement
- Uses IPFA Process

IPFA

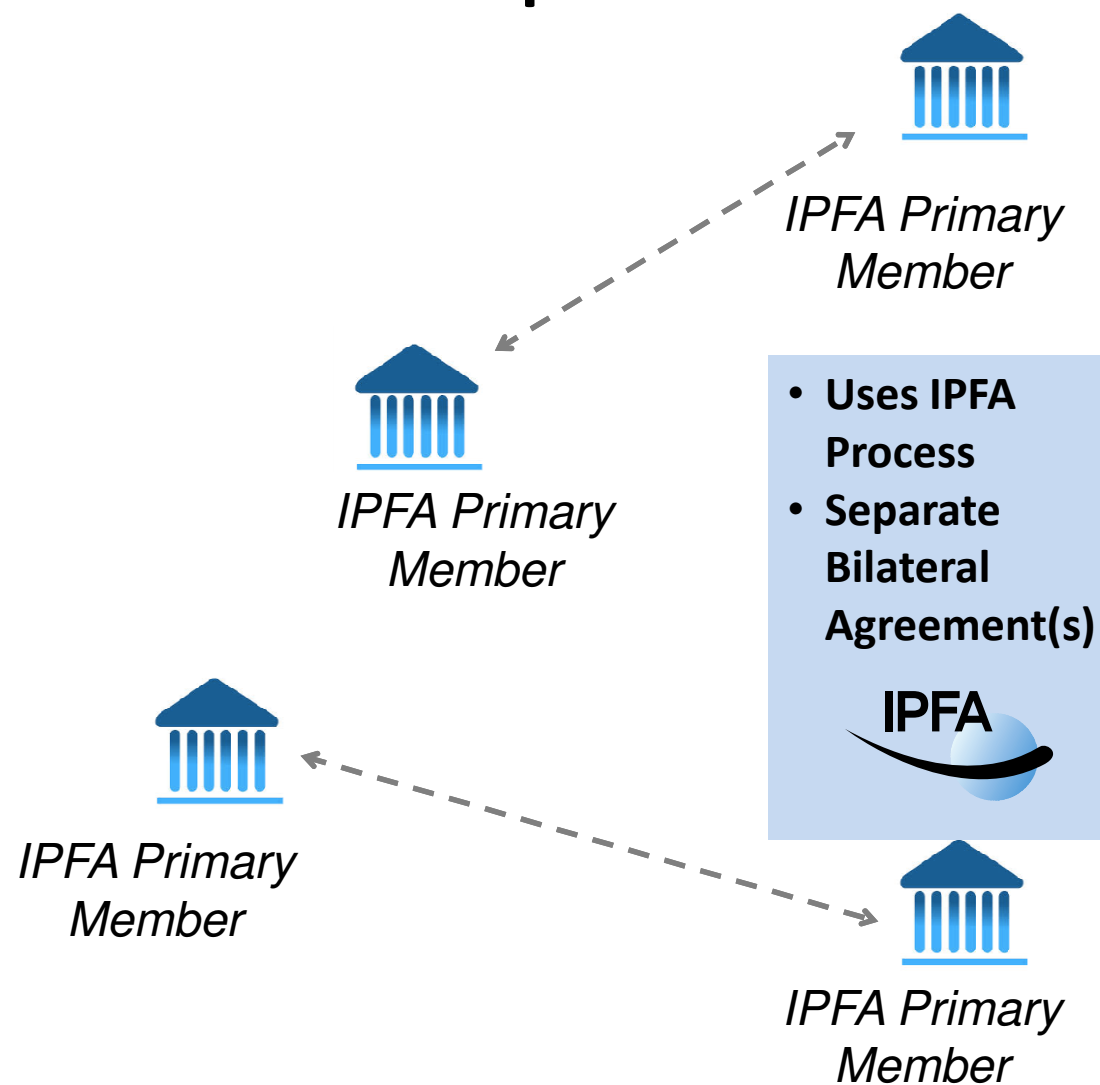


Payments Group

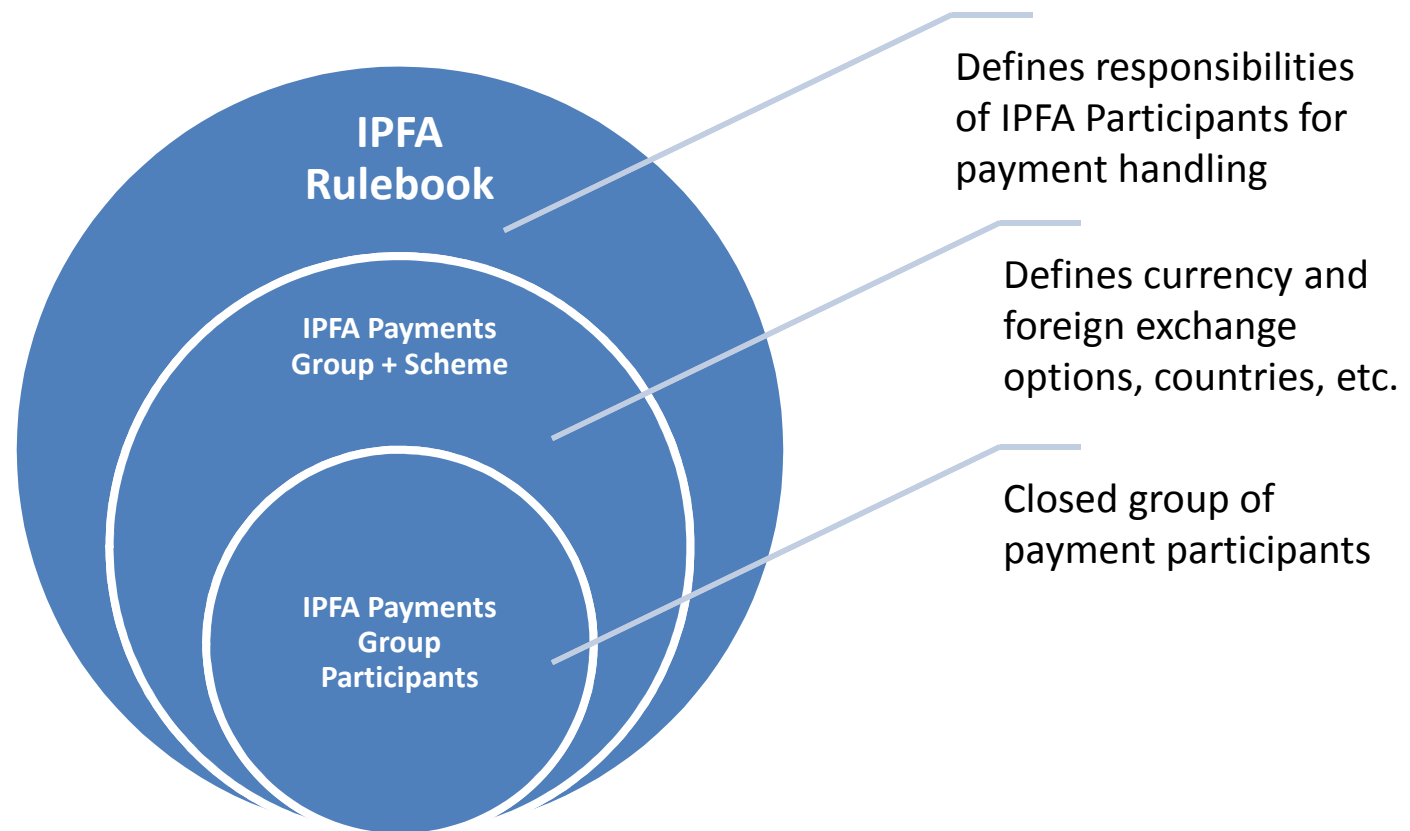


Group may optionally utilize a clearinghouse. Pending to determine membership category for clearinghouse in a Payments Group

Groups – Future Options



Local Scheme (Payments Group) within Governance Scheme (IPFA)



Regional Groupings - Africa

- Some of the 13 economic communities in Africa:
 - Economic Community of West Africa States (ECOWAS)
 - Western Africa Economic & Monetary Union (WAEMU)
 - Common Market for Eastern & Southern Africa (COMESA)
 - Southern African Development Community (SADC)
 - East Africa Community (EAC)
 - Central African Economic & Monetary Union (CAEMU)

Regional Groupings

- Other global initiatives:
 - Asian Payments Network (APN)
 - Central America Sistema de Interconexion de Pagos (SIP)
 - Sistema Integrado Latino de Pagos (SILP)
 - Plus many more official integration initiatives underway

NEXT STEPS

Next Steps

- Finalize Rulebook 3.0 to include instant payments
- Migrate to Real Time Payments Group harmonized ISO 20022 for both non urgent and instant payments
- Formalize new membership categories in ByLaws
- Focus on thought leadership

Want to Learn More?

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