

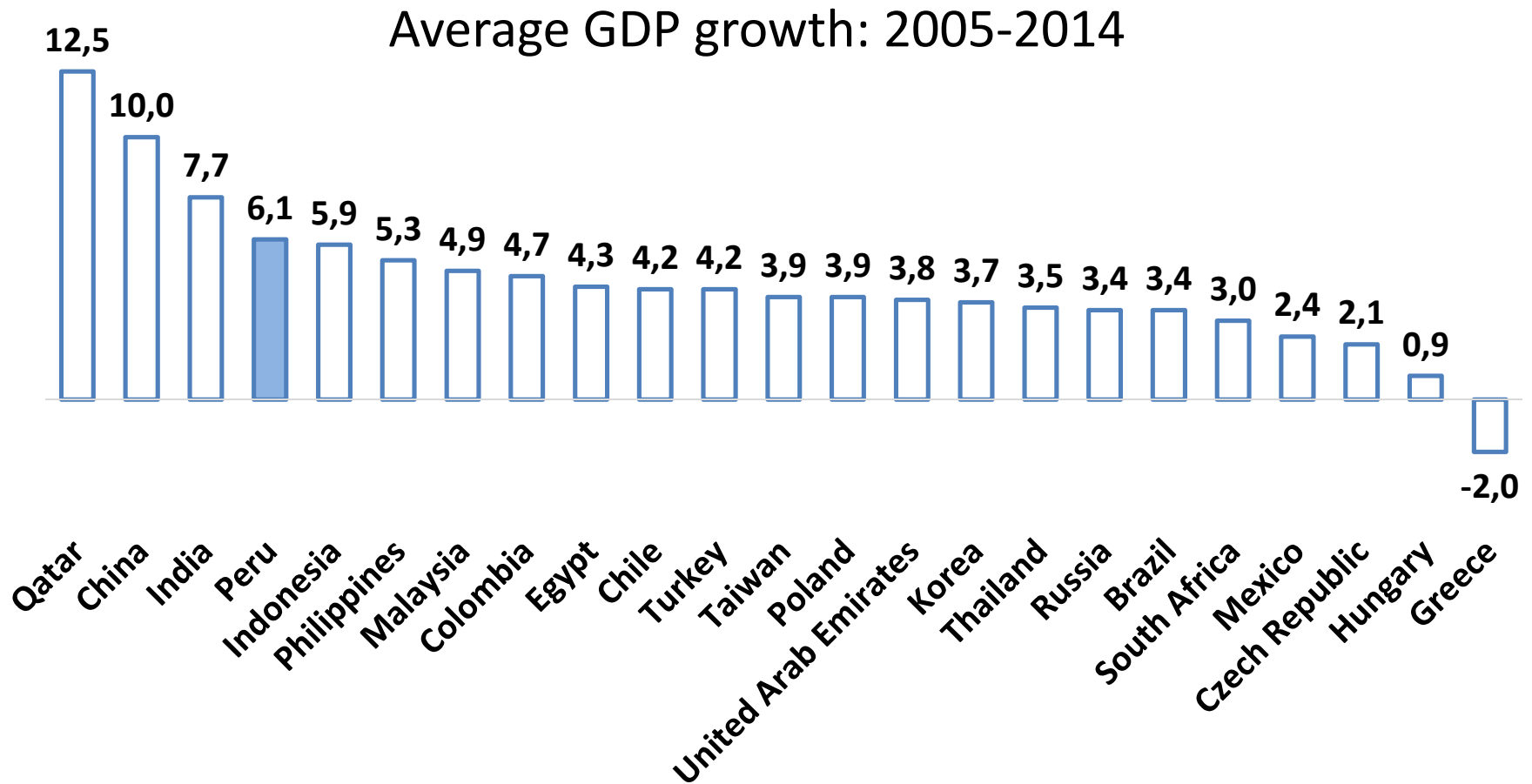


**TOWARD MORE
EFFICIENT RETAIL
PAYMENTS IN PERU**

**MILTON VEGA
CENTRAL BANK OF PERU**

II Seminário Internacional
Arranjos e Instituições de Pagamento

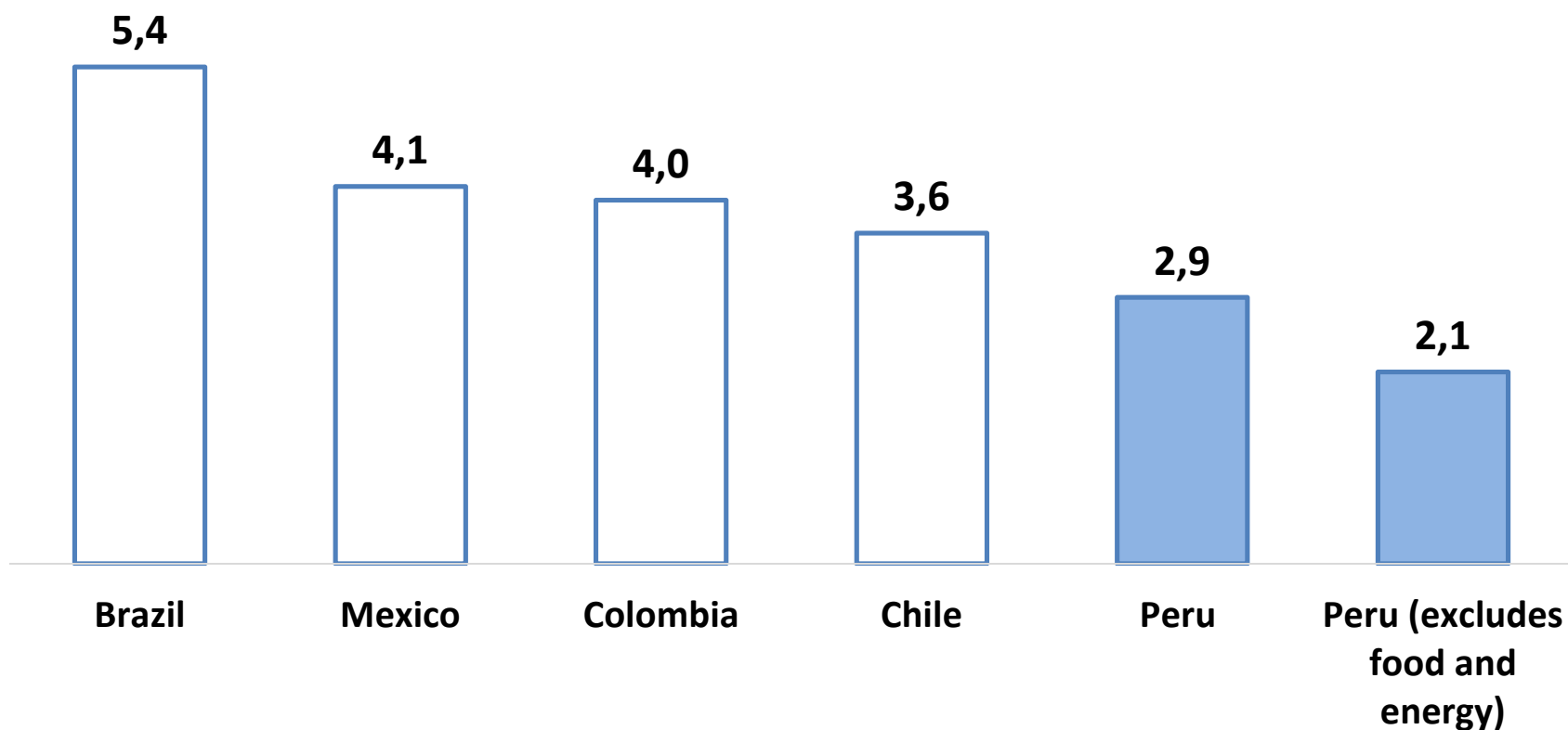
HIGH ECONOMIC GROWTH



Source: Central Bank of Peru

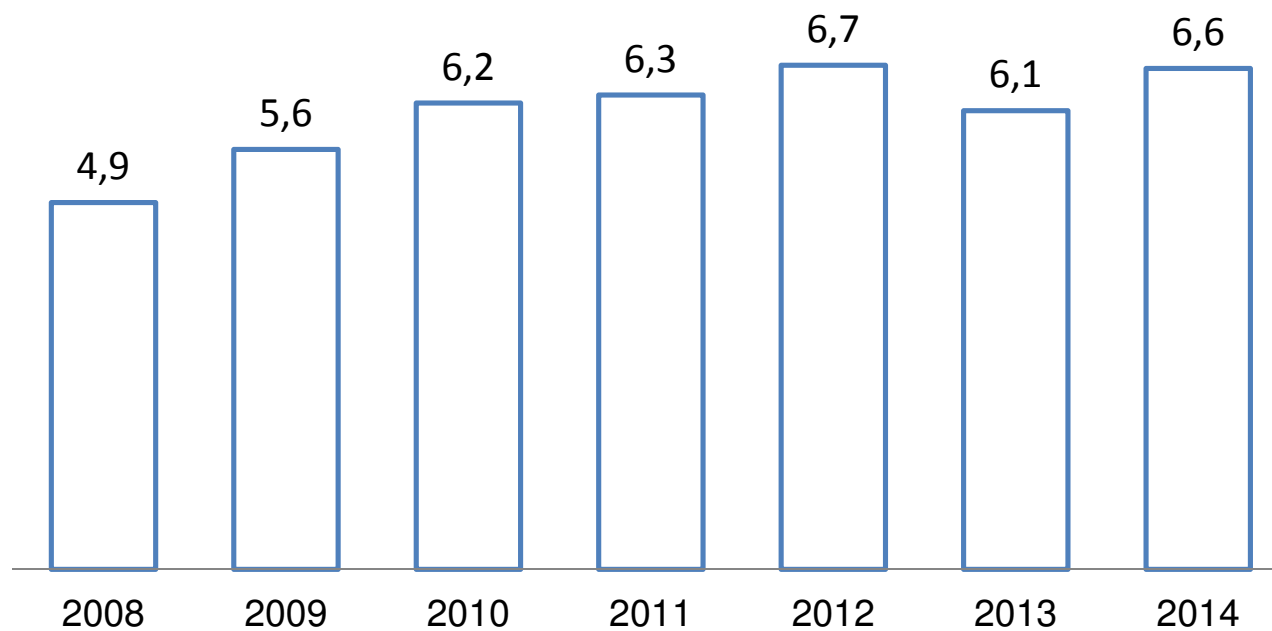
LOW INFLATION

Average Inflation: 2005-2014



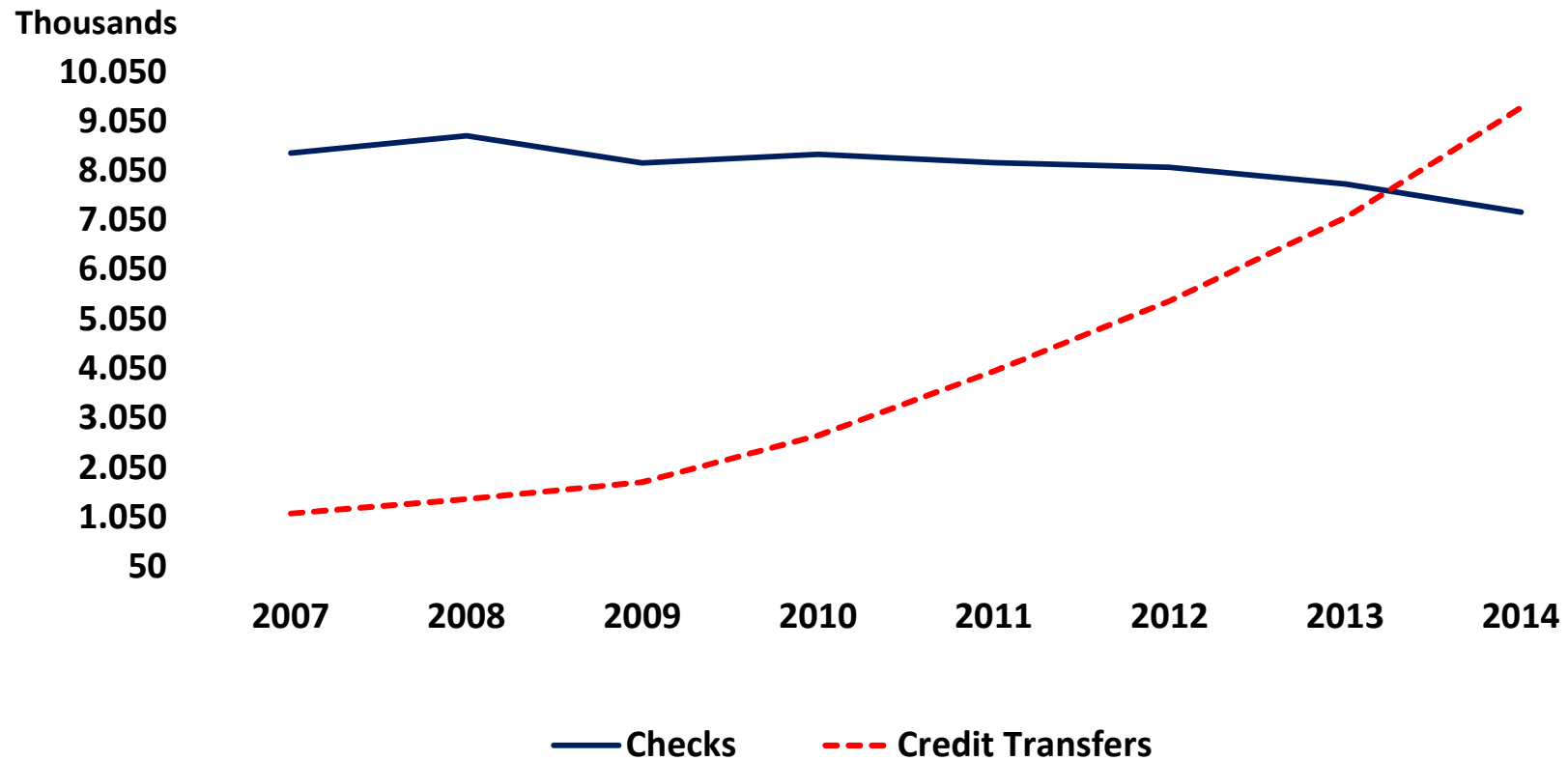
Source: Central Bank of Peru

PAYMENT SYSTEMS FUNDS TRANSFER/GDP



Source: Central Bank of Peru

ACH: NUMBER OF CHECKS AND CREDIT TRANSFERS



Source: Central Bank of Peru

THE ECONOMIST: GLOBAL MICROSCOPE 2014

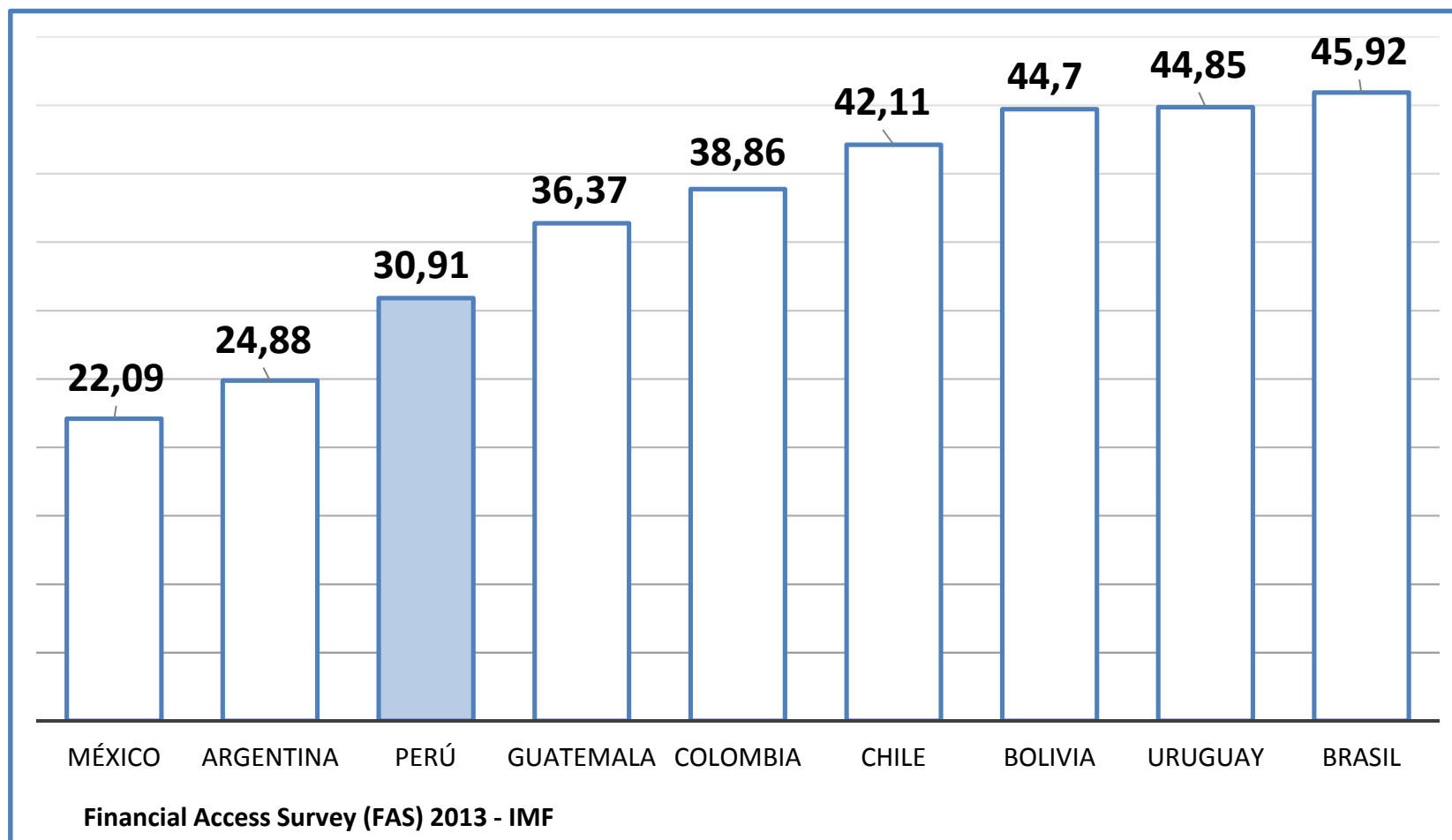
Peru is a leader in developing innovative and coordinated strategies to support financial inclusion across various objectives, ranging from increasing banking penetration, to improving financial literacy, to reducing transaction costs and encouraging the use of technology.

LOW LEVEL OF ELECTRONIC PAYMENTS

On average, a person in Peru makes 14.5 electronic payments a year, while in Mexico this figure rises to 27 per year and in Brazil it comes to around 110. In the more developed countries, this figure fluctuates between 200 and 300 a year.

Source: Importancia de desarrollar los pagos minoristas en el Perú; Byskov Steen, Revista Moneda 161

RATIO OF BANK DEPOSITS/ GDP



COSTS ISSUES

The cost of electronic transfers made between different regions of Peru may be high. The minimum cost of a transfer to an account in districts in which there is only one bank is S/. 282 (US\$ 88), even if the transfer does not involve directly a movement of cash.

The cost of accepting credit card payments can be high for merchants. The average rate of discount is around 2.5 percent and in some cases reaches up to 5 percent of card transactions, according to data collected from the market.

Source: Importancia de desarrollar los pagos minoristas en el Perú; Byskov Steen, Revista Moneda 161

CASH IS THE KING OF RETAIL PAYMENTS

A high number of retail transactions in Peru are carried out using cash.

There are even some bank account holders that prefer to withdraw cash from ATMs to make their payments in cash.



CASH: COSTS AND RISKS

The costs of cash include production, handling and transportation, among others.

Using cash may expose a person to theft, counterfeit, loss, and other criminal activities.

The informal economy use cash for their transactions (anonymity).

CENTRAL BANK ACTIVITIES

The Central Bank of Peru has been implementing several actions to promote the use of electronic payments.



CENTRAL BANK: PROPOSALS OF NEW LEGISLATION

Payment and Security Settlement
Systems Law

Electronic Money Law

National Financial Inclusion Strategy

Bancarization of Payrolls

CENTRAL BANK: IMPROVEMENTS IN PAYMENT SYSTEMS

RTGS

- Access
- Fees
- Microfinance institutions

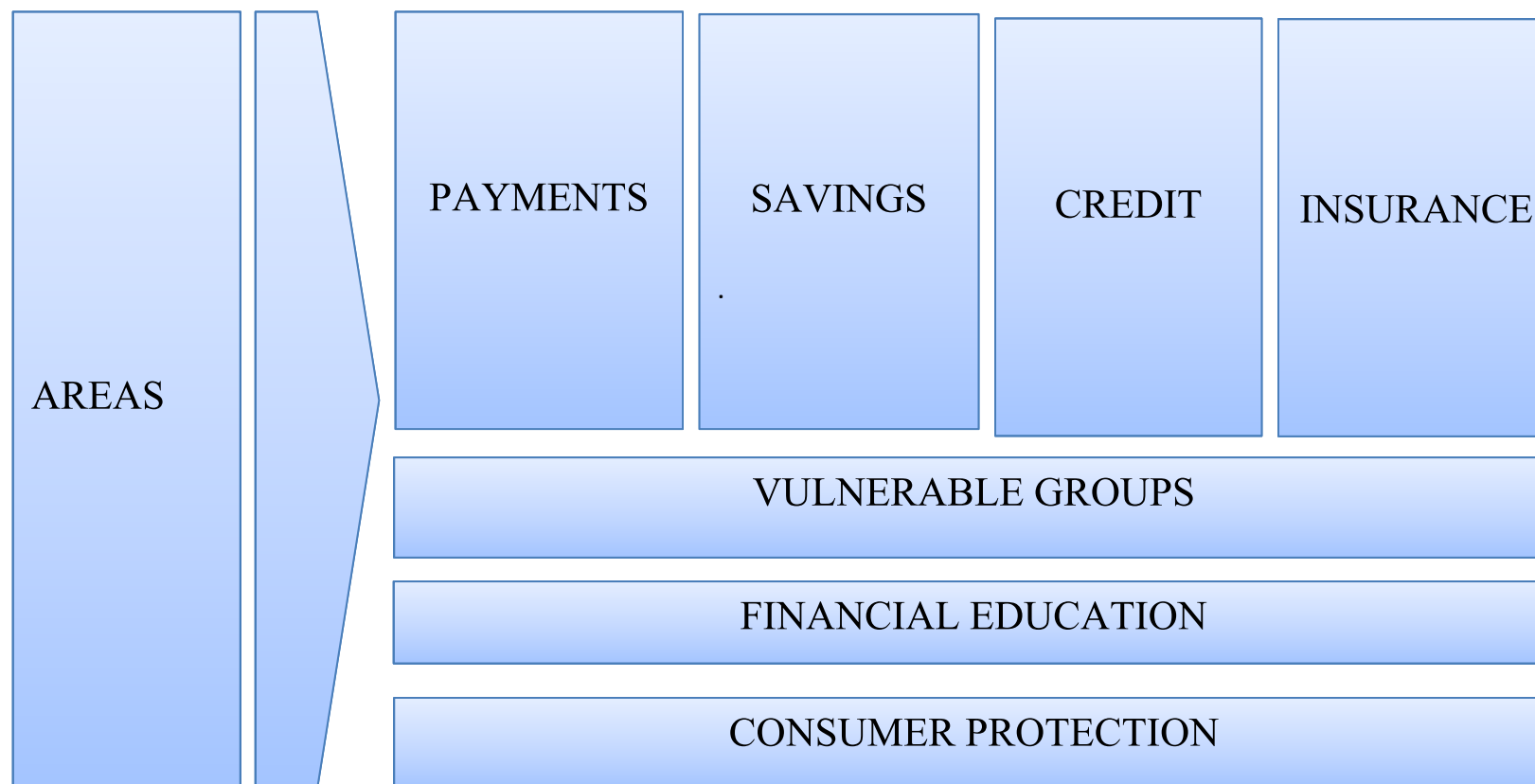
ACH

- Access
- Fees
- Intraday settlement
- Faster payments regulation

RETAIL

- Coordination
- Electronic money
- Study on competition

FINANCIAL INCLUSION STRATEGY



Source: Estrategia Nacional de Inclusión Financiera, Perú, julio 2015.

INNOVATION IN RETAIL PAYMENTS

The retail payments landscape in Peru will change significantly due to the introduction of:

1. Faster Payments (Transferencias Inmediatas), as a new service provided by the ACH.
2. Modelo Peru, e-money shared platform for financial and non financial entities.

FASTER PAYMENTS

The ACH has developed a service that offers a near real time retail payment instrument.

The ACH will process transfer orders only if the financial firm has enough funds in a guarantee account at the Central Bank.

The client that originates the transfer of funds will receive confirmation of the payment.

FASTER PAYMENTS

The ACH will charge and credit a control account (mirror of the guarantee account) according to the transfer orders processed.

At the end of operations, the ACH sends to the central bank the net positions of the financial firms, in order to settle them in the guarantee accounts.

ELECTRONIC MONEY

Peru has an Electronic Payments Law in force since 2013.

The law allows financial and non financial entities to issue electronic money under the supervision of the Banking Authority.

It also allows electronic accounts, establishing lower requirements for identification, but defining amount limits.

ELECTRONIC MONEY

The funds obtained from cash-in operations will be put in a trust fund to avoid risks.

The law also establishes that the Telecommunications authority should facilitate access to TELCO's cellphone services.

ELECTRONIC MONEY

The Banking Association implemented an initiative in order to have an interoperable electronic money platform, Modelo Peru, which will maintain record of the accounts, process fund transfers and execute the clearing process. Erikson provided the IT infrastructure, which is used in other countries.

The netting process is bilateral, and the information is given to the participants so they settle their obligations through the existing payment infrastructures (RTGS).

ELECTRONIC MONEY

Clients will have their accounts linked to a cell number. Clients will be able to transfer funds from their accounts in almost real time to the beneficiaries in the same or different issuer, based on the common IT platform.

Also, the system will provide the sender with information in order to corroborate that money is sent to the right person.

THANK YOU!

