

Towards a Regional Payments Initiative

Regional payments initiatives are observed in many regions in the world. The South African Development Community (SADC Payments Initiative), the Western Hemisphere Payments Initiative, Commonwealth Independent States Payments Initiative and the Arab Payments initiative are some of the well functioning regional payment initiatives. The common objective of all these efforts is to identify possible measures for improving the safety, efficiency and integrity of the regional payments systems. However, there was no regional forum in the South Asian region. Few SAARC countries had developed Payment and Settlement Systems (PSS) while others have initiated plans to reform their PSS. The rationale for creating the SAARC Payments Initiative is to have a permanent forum to act collectively with a clear vision and induce group pressure to pursue on a time bound action plan in reforming of PSS to cater to the current and future needs of the region. Given the increasing sophistication of cross-border transactions within and outside the region and the enhanced risks involved in effecting these transactions the SAARC payment system development strategy should be designed to cater not only to the region's present needs, but also to its future needs.

SAARCFINANCE Conference in Colombo, Sri Lanka

Having considered the increased interest of SAARC member countries to reform their national PSS and the growing recognition of the benefits through a collective effort, the



Central Bank of Sri Lanka hosted the SAARCFINANCE Conference in July, 2007. The theme of the conference was "Towards a Regional Payments Group".

- ◆ identify possible common approaches or policies that help the national/regional PSS
- ◆ identify key success factors and the way forward for establishing a regional payments initiative

"The SAARC Payments Initiative (SPI) is a regional forum created by Central Banks/Monetary Authorities of SAARCFINANCE group to have common understanding and cooperation to help each other to move forward in reforming their national PSS and also to establish an appropriate regional payments system that facilitates trade and investment flows in the region"

Main objective of the Conference:

- ◆ establish a dynamic and coordinated working relationship among the SAARC countries



Inauguration of the SPI in Colombo, Sri Lanka

The SPI was inaugurated on 28 March 2008 in Colombo. It was indeed a historical event and a landmark in the development of PSS in the SAARC region as this was the first time the member central banks as a group decided to pay focused attention on this area of activity.



First meeting of the SPC

The first meeting of the SPC was held on 28th March 2008 in Colombo after the inauguration of the SPI. At this meeting, the SPC established the vision, mission, scope, objectives, and institutional framework, roles and responsibilities and Road Map for PSS developments



At the meeting, Dr Raneey Jayamaha, Deputy Governor Central Bank of Sri Lanka was appointed as the chairperson of the SPC and the decision was taken to set up the SPI Secretariat at the Central Bank of Sri Lanka.

“The SAARC Payments Council is an apex body managing the activities of the SPI and is responsible for policy making and spearheading the payment reforms in the region. It is also the working committee responsible for reporting to the governors of the SAARCFINANCE Group with regard to activities of the SPC and SPI”

Vision

“An efficient, robust, stable and convergent payments system for the SAARC Region that benchmarks with international standards”

Mission

“Facilitating the implementation of comprehensive reforms by ensuring safety, efficiency and stability in national payments systems through close coordination and co-operation consistent with the SAARC Payments Initiative”

Objectives

- (a) Establish a forum for SAARC countries to collectively evolve to a high level strategic direction and suggest a Road Map for payment and settlement reforms of individual member countries to reduce risks and increase efficiency and safety, in line with international best practice; and
- (b) Standardize PSS to create a level playing field in promoting regional harmonization and integration of domestic payment and settlement systems of member countries for the development of intra regional payment and settlement systems.



2nd meeting of the SPC in Mumbai, India

The second SPC meeting was held on 30 June 2008, in Hyderabad, India. As decided at the first SPC meeting, a stocktaking exercise was conducted among member countries and the members reviewed the current status of PSS and the ongoing development programmes in the member countries.



The members deliberated on the following:

- The strategic role to be played by SPC members and their central banks in driving their national PSS reforms in line with the SPI Road Map
- The plans of member countries to introduce RTGS systems and the importance in fixing the year 2011 as a milestone for the implementation of RTGS systems in the SPI member countries to facilitate the achievement of the desired 2015 Vision



- Need for introducing dedicated PSS legislation (PSS Acts) to avoid difficulties in amending Central Bank Acts to meet challenges that will emerge with the advancement of technology
- Sharing of experiences of member countries in introducing regulations under the dedicated PSS legislation, and

- Obtaining possible guidance from member countries that have modernized their payment systems and avoid the draw backs experienced by such member countries.
- Establish a website and to publish bi-annual payments bulletin dedicated to SPI



SPI Secretariat

The SPI Secretariat is the administrative body established to assist the SPC and to coordinate the activities of the SPI such as organizing country studies and assessments, facilitating and designing and implementing specific technical assistance projects and helping member countries to upgrade their PSS to international standards and best practice. SPI secretariat was located at Central Bank of Sri Lanka (CBSL), initially for a period of two years. Mrs Rose Siriwardhane, then Director, Payments and Settlements of CBSL, was appointed as the secretary.



3rd SPC Meeting in Colombo, Si Lanka

The third meeting of the SAARC Payments Council (SPC) was held at the Central Bank of Sri Lanka on 29 September 2008. The work undertaken by the members of SPC in enhancing the efficiency and productivity of the SPI was discussed along with the need for greater corporation within the region, during the present context of turbulent global financial conditions.

Website & SAARC Payments Bulletin

Mr Ajith Nivard Cabraal, Governor, CBSL launched the website of the SPI “saarcpay.lk”.



Chairperson of the SPC handed over the first volume of the SAARC Payments Bulletin to the Governor.



Formulation of National Payment Councils

At the time of forming of the SPC, only three countries i.e Sri Lanka, India and Bangladesh in the SAARC region had established the national payment councils (NPCs) which comprise representatives of stakeholders, to have a national dialogue on PSS issues and to work on a time targeted action plan to reform PSS. In July 2008, Afghanistan also established an NPC and all other members also have established or is in the process of establishing an advisory committee /payments system development committee among stakeholders to promote, develop and discuss policy issues relating to PSS.

- Secretary of SPC made a presentation on the Comparative Status of PSS in the SAARC Region Countries.



- Mr. Gopalakrishna, member of RBI, made a presentation on the operations of Clearing Corporation of India Ltd (CCIL), which was set up to reduce transaction costs, mitigate risks and inefficiencies of foreign exchange settlement systems
- Proposed a format to compile data on inward and outward worker remittances for adoption by the member countries
- Discussed the Road Map of PSS Developments of each member country emphasizing the need to improve large value payment systems to mitigate risks in PSS thereby averting risks to the financial system; improve retail value payment systems in the interest of the general public to ensure efficiency and reduce settlement delays; enhance competition and access to PSS through mobile-phone banking to improve financial inclusion; and the need to improve cross-border payments and settlements systems.



4th SPC Meeting in Karachi, Pakistan

The fourth meeting of the SPC was held at the State Bank of Pakistan (SBP) on 20th December 2008. The Governor, State Bank of Pakistan Dr Shamshad Akhtar inaugurated the Meeting.



The following technical papers were presented

- Oversight of PSS by India
- Legal and Regulatory Framework for PSS by Sri Lanka
- Governance Code and Best Practice by Pakistan.



The SAARC member countries that have already embarked on PSS reforms have stock of knowledge and experience, which could be useful for other member central banks/monetary authorities. The SPC could serve as a forum to gather and share such knowledge to complement national efforts of any member central bank/monetary authority.

Discussed the importance of conducting a self evaluation of the systemically important payment systems (SIPS) based on



the core principals put forwarded by Bank for International Settlements (BIS).

Members highlighted the importance of sharing and learning from the experiences of other regional countries with similar problems and conditions PSS.

Status of collection of worker remittances data was discussed. Considering the difficulty to identify from which country the transaction relating to worker remittance has been originated (a transaction relating to SAARC country could originated from a non-SAARC country), a decision was taken for each member country to collect data of outward worker remittance transactions and for CBSL to conduct a pilot project on collection of worker remittances.



5th SPC Meeting in Kathmandu, Nepal

The fifth Meeting of the SPC was held at the Nepal Rastra Bank on 29th March 2009. Mr. Krishna Bahadur Manandhar, Deputy Governor, Nepal Rastra Bank (NRB) chaired the meeting on behalf of Dr. Ranee Jayamaha.



Following topics were discussed in details:

Foreign Remittance Payment Transactions in SAARC Countries

- i. The problems encountered while collecting the inward and outward remittance of each member country was discussed at the meeting
- ii. the volumes of transactions are very low in most countries
- iii. many transactions channeled through informal means
- iv. CBSL to continue with the pilot project and share their experience with other members;



Self Assessment of systemically important payment systems

Self assessment of systemically important payments and settlements systems (SIPS) of each member country based on the 10 core principles put forward by the Bank for International Settlement (BIS) were presented by all members. India and Sri Lanka presented the finding of two systems which they consider as SIPS namely, high value payment system and

RTGS of India and CITS and RTGS systems of Sri Lanka. Detailed discussions on the presentations were made by the members. It was decided that any member country requiring their self assessment to be evaluated by another member country could do so at its discretion.



The 2nd volume of the SAARC Bulletin was handed over to the chairman and the members at this meeting.

Proposal submitted by the World Bank (WB)

Appreciating the services offered by the WB and the continued support to individual member countries, all members decided that WB services will be obtained individually. This decision was communicated to the SAARC Finance Governors meeting.



Appointment of a new Chairman:

It was unanimously decided that Sri Lanka would continue to hold the Chairmanship for a further period of one year although the Chairperson was expected to retire in May, as the initial appointment was for two years. The new Deputy Governor of CBSL will be appointed as the Chairman.

6th SPC Meeting in Thimphu, Bhutan

The sixth Meeting of the SPC in Thimphu, Bhutan on 3rd November 2009. The meeting was chaired by Mr Dechen Tshering, Deputy Managing Director, Royal Monetary Authority of Bhutan.



The Secretary of SPC handed over the 3rd volume of the SPI Bulletin to the Chairman and all members who were present at the meeting.

on money orders was also discussed. In this context, the importance of establishing an efficient domestic money transfer systems – including the postal system was discussed.



Members requested India to arrange a seminar/conference on latest development in the PSS area for all member countries as done during this year. Collective training to be arranged on oversight, regulation, development on specific areas for the operating staff. Members emphasised the need to treat all PSS developments as an investment and not as a cost as the benefits that are acquired after the systems are well established, far exceeds the investment costs.

Following topics were discussed:

Pilot project on Worker Remittances in SAARC Countries

As decided at the 5th SPC Meeting, the Secretary presented the findings of the pilot project on collection of worker remittances conducted by the Central bank of Sri Lanka and explained the initiative taken by the CBSL to conduct a pilot project with 4 major banks which generally covers about 75% of the total transactions.

Members emphasized the need to discuss the problems/issues and the solutions while discussing the PSS related development of the member countries in order for other members to learn from others mistakes.

The importance of PSS systems within the country for transmission of remittance as many countries are still relying



Welcome



Mr. P D J Fernando, Deputy Governor, Central Bank of Sri Lanka

SAARC Payments Council wishes to welcome Mr. P D J Fernando, Deputy Governor of Central Bank of Sri Lanka as the Chairman of the SPC. Mr. Fernando has been involved in the SPI from the inception. A career Central Banker who has completed 33 years of service at the bank has a vast knowledge in the area of PSS. He led the RTGS project team which successfully implemented the system in 2003 and provided leadership to the implementation of the Cheque Imaging and Truncation system.

Our Appreciation

Dr. Raneer Jayamaha



The SPC wishes to pay special tribute to Dr. Raneer Jayamaha, Deputy Governor, Central Bank of Sri Lanka and the founder Chairperson of the SPC for the initiative taken to set up the SPI and agreeing to have the first SPI Secretariat at the Central Bank of Sri Lanka. Her enthusiastic leadership, passion and insight to PSS development, and professional cooperation with the members of the region provided a well functioning forum for the development of PSS in the region. It is noted with pleasure that all countries in the region have commenced some level of PSS development since the inception of the SPI due to her untiring efforts.

Dr. R B Barman



The SPC wish to place on record their sincere appreciation to Dr R B Barman for his unique contribution as a founder member of the SPC to make the SPI a reality with high standards. He will be remembered for his visionary thinking and the professionalism in articulating the vision, mission, scope, objectives and the Road Map of the SPI. The SPC will remember his cordial relations and greater insight to the PSS development by initiating an exercise to assess the volume of foreign remittances payments in the SAARC countries and to establish a common format for data collection on payment instruments.

Shri Vittaldas Leeladhar



SPC wishes to convey its utmost gratitude to Mr Leeladhar, Deputy Governor of RBI, a strong supporter of the SPC. He has contributed effectively to implement recommendations made by SPC. His professional capabilities and cordial attitude towards the membership of SPC provided a well functioning forum for the development of the payment systems in member countries. With his dedicated support, SPC was able to establish the road map for the SPC at the initial meetings. SPC members will remember him for his significant contribution towards SPC.

Mrs. K R M Siriwardhane



SPC wishes to appreciate the services rendered by Mrs. K R M Siriwardhane, the first Secretary of the SPC for the initiative taken to ensure that the SPI will fulfill its objectives. All SPC members will remember her pleasant disposition and sincerely appreciate her active involvement in the SPI for harmonization of payment and settlement reforms in the region.



The SPI Bulletin is published half yearly by the SPI Secretariat, Payments and Settlements Department, Central Bank of Sri Lanka, Level 8, Tower 1, No.30, Janadhipathi Mawatha, Colombo 1, Sri Lanka.

Telephone : (94) 11 2477086
 Fax : (94) 11 2477768
 e-mail : spisect@cbsl.lk
 Website : <http://www.saarcipay.lk>

Secretary : Mrs J P Mampitiya
 Alternate Secretary : Mr K B Dissakaruna
 Staff : Mr Janaka Edirisinghe