

PAYMENT SYSTEM INITIATIVES OF BANGLADESH



Payments Systems Department
Bangladesh Bank

Banking Industry in Bangladesh

2

In Bangladesh,

Banking is traditionally branch-based concentrated mainly in the urban areas

There are 8800 Bank Branches of 56 Commercial Banks
for 152 million people

1. Population 30 % banked and 70% unbanked.
2. One bank branch for 17000 people.
3. One ATM for 34000 people



9/18/2017

Major Policies and Institutional Reforms between FY10-FY13

3

- 'Bangladesh Payment and Settlement Systems Regulations (BPSSR), 2009 ;
- 'Bangladesh Automated Cheque Processing Systems (BACPS) Operating Rules and Procedures' has been published on 11 January 2010 ;
- 'Bangladesh Electronic Funds Transfer Network (BEFTN) Operating Rules' has been published on 11 August 2010 ;
- 'Guidelines for Mobile Financial Services' has been published on 22 September 2011 and another circular letter for fraudulent control has been issued on 01 September, 2013;
- Bangladesh Bank has also drafted the "Guidelines on Agent Banking for the Banks 2013 ";
- Regulations for Electronic Funds Transfer (EFT), 2013 have been drafted and finalization process is going on;
- Draft the National Payment Systems Act (NPSA);



9/18/2017

Payment Systems of Bangladesh Major Components

4

Bangladesh Automated Clearing House (BACH)

- Bangladesh Automated Cheque Processing System (BACPS)
- Bangladesh Electronic Funds Transfer Network (BEFTN)

Mobile Financial Services (MFS)

- Offered by the commercial banks in collaboration with Telcos and other partner(s)/agent(s)
- Offered by Bangladesh Post Office

M-Commerce

- Railway ticket sales
- Sales of cricket match tickets



Payment Systems of Bangladesh Major Components Cont.

5

E-Commerce

- Online payments for online shopping using cards to merchants who maintains a digital shop/Web-store to sell the products and services through a secure web interface.
- Online utility bill payment to the service providers by their clients.

National Payment Switch Bangladesh (NPSB)

- Facilitating electronic payments originating from different delivery channels e.g. ATM, POS, Internet, Mobile, etc to ensure interoperability.
- Facilitate the expansion of the card based payment networks substantially and promote e-commerce/m-commerce/e-payment gateway throughout the country.



9/18/2017

Bangladesh Automated Cheque Processing System (BACPS)

6

BACPS

- Countrywide clearing cycle has been brought down to t+0 for high value cheques and t+1 for regular value cheques.
- At present 16,50,00,000 (appx.) regular value and 1,10,000 high value clearing instruments valued BDT404 billion and BDT528 billion respectively are cleared through BACPS per month .
- Almost 95 percent of all the clearing instruments are now being cleared through BACPS.



9/18/2017

BACPS at a Glance

Figure 11.1: No. of Regular Value Instruments Cleared through BACPS and Associated Amount

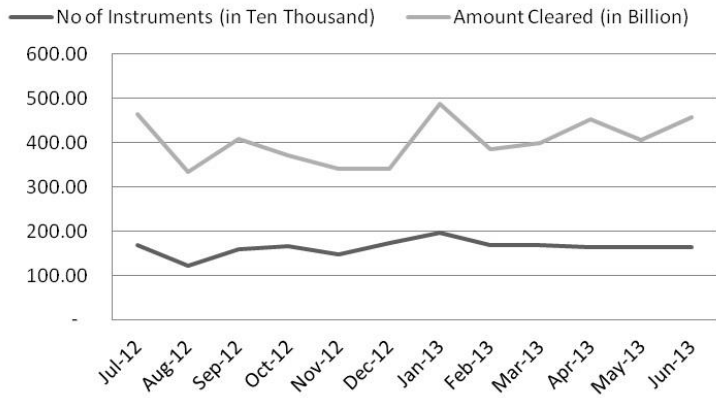
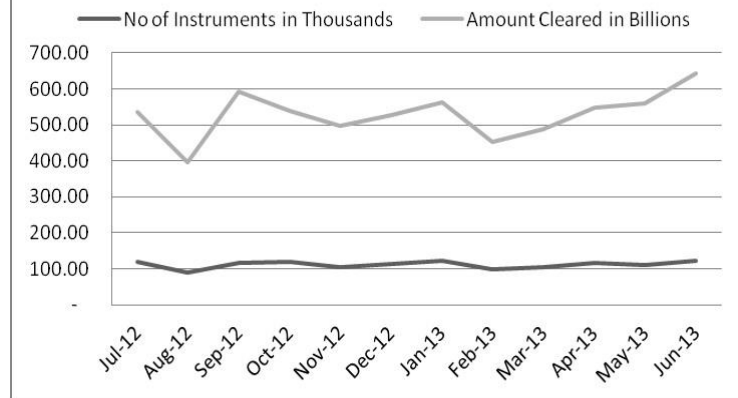


Figure 11.2: No. of High Value Instruments Cleared through BACPS and Associated Amount



Bangladesh Electronic Funds Transfer Network (BEFTN)

8

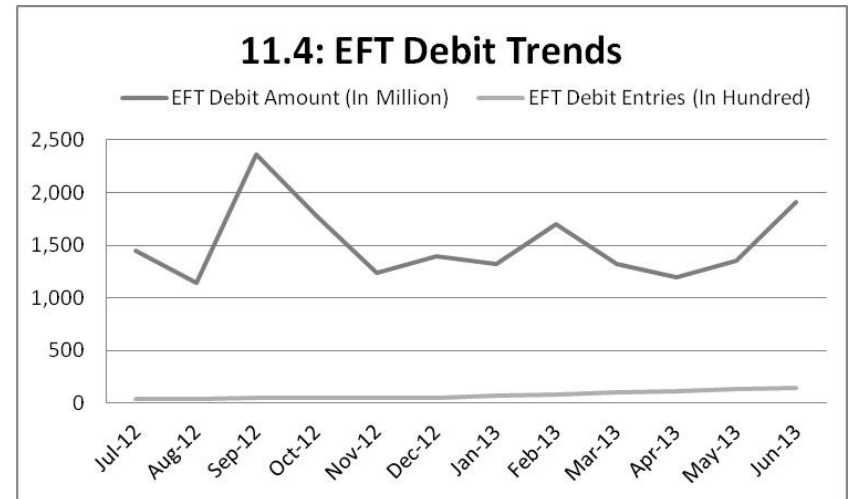
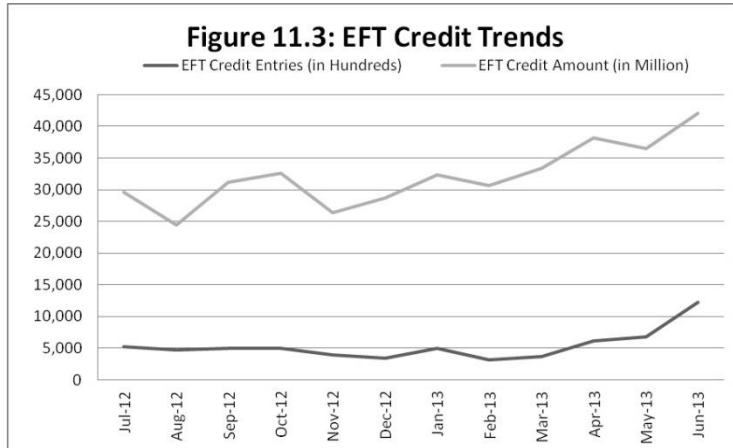
BEFTN

- BEFTN is becoming popular rapidly among the corporate bodies of Bangladesh for myriad payments requirements.
- At present 41 ministries of Government are disbursing employee salaries through BEFTN.
- At present, approximately 5,35,000 EFT-credit and 7,500 EFT-debit transactions are processed per month on an average with an increasing trend.
- Total amount of EFT-credit transaction is approximately BDT26.8 billion and it is approximately BDT1.45 billion for EFT-debit transactions per month.



9/18/2017

EFT Statistics



What is Mobile Financial Service (MFS)

10

- Mobile Financial Service is that kind of financial service where transactions are made with the help of Mobile account.
- Mobile Phone no. creates an account.
- Bank should set up their own solution and reach to the unbanked population through cell ph no.



9/18/2017

Key Concepts of Mobile Financial Services (MFS)

11

- A Bank lead Financial service for the Unbanked people using the Mobile phone device.
- Broad distribution channel
- Provides efficient access for a very large segment of the population.
- Provides financial services to unbanked population.
- Ability to introduce new services in the market quickly
- Electronic disbursement of local leg of the international remittance
- Local Remittances :
 - Utility bill payment (already introduced in Cittagong)
 - Payroll distribution (Low paid unbanked, e.g.Garments workers)
 - Point-of-sale purchases
 - Person to Person transfers



9/18/2017

Important Features of MFS

12

- Only the bank led model followed.
- Mobile Accounts rest with the banks and will be accessible through customers' mobile device.
- Mobile Account will be a non-chequing limited purpose account.
- Short KYC for the customers.



9/18/2017

Transaction Limits

13

- P2P transaction- Tk. 10,000/day, 25,000/month.
- Cash in- 5 times/day, 20 times/month
Tk25,000/day, Tk1,50,000/month
- Cash Out- 3 times/day, 10 times/month
Tk25,000/day, Tk1,50,000/month



9/18/2017

Comparative advantages

14

MFS

- Less human interruption
- Less time needed
- Safe
- Cheaper

Practice

- Mainly handled by human being.
- More time needed
- Risky
- More costly



9/18/2017

Other Benefits

15

Mobile A/C holder can

- ❑ Deposit Money in the mobile account
- ❑ Get interest/profit on the deposited money
- ❑ Avail other financial services like fund transfer, utility bill payments etc.



9/18/2017

Current status (Nov'13) of MFS in Bangladesh

16

- No. of Banks got NOC-28
- No. of Banks Launched MFS -19
- No. of agents- 146955
- No of registered customers- 10.02 million
- Average no. of transactions/ month- 785284
- Average volume of Transaction/ month- BDT 1.69 billion or USD 2 million.



9/18/2017

Present scenario of Card Based Payments

17

- ❑ 24 Switch operated for 30 commercial banks.
- ❑ Total Number of cards 8.08 million.
- ❑ Total Number of ATM 5232.
- ❑ Total Number of POS 22,224.
- ❑ Total Number of Card Based Transactions in 2012, 110.88 million.



9/18/2017

National Payment Switch Of Bangladesh (NPSB) Objectives.

18

- The main objective of NPSB is to create a common platform for the payments originating from different delivery channels and existing shared switches in order to facilitate inter-bank electronic transactions.
- NPSB will facilitate the expansion of the card based payment networks substantially and promote e-commerce, m-commerce and paperless transaction throughout the country.



9/18/2017

NPSB at a Glance

19

- At present 4 banks are participating for ATM transactions and another 14 banks are ready to join. Total transaction volume and value are is 80,000 (appx.) and BDT 27 million respectively per month with an increasing trend.



9/18/2017

Benefits of NPSB (cont....)

20

Customer

- ❑ Any Card (Debit/Credit/Prepaid) can be accessible at any ATM/POS
- ❑ VISA/Master Card/Amex can be used for domestic transaction without touching International Gateway
- ❑ Cost and Time Effective
- ❑ Convenient and hassle free
- ❑ E-Commerce/Cashless Transaction

Banks

- ❑ Settlement in central bank accounts
- ❑ ATM/POS terminal sharing
- ❑ Easy Interfacing with NPSB
- ❑ Automated Cash Transaction Report
- ❑ Easy to know of Liquidity Position



9/18/2017

Benefits of NPSB (cont....)

21

National

- ▣ Saving of Foreign Exchange
- ▣ Financial Inclusion through Mobile Financial Services/Inter-bank Mobile Fund Transfer.
- ▣ Ease and enhancement of Govt. Revenue collection
- ▣ Utility Bills Collection
- ▣ Paperless Transaction (Green Banking)
- ▣ Assist monetary policy formulation



9/18/2017

Private Sector Initiatives....

22

- Presence of Payment Systems Service Operators/Providers :
- DBBL is having the largest ATM networks in Bangladesh and providing switching service to other commercial banks.
- ITCL (Q-Cash) providing switching service to 22 commercial banks for ATM and POS transactions.
- Omnibus another major ATM network in Bangladesh providing switching service to other commercial banks.
- El Dorado is provide inter-bank fund transfer service to other commercial banks.



9/18/2017

m-Commerce

23

- Three Telcos have got permission for m-Commerce related transactions.
- Approximately 700,000 utility (water, gas and electricity) bill payments are transacted using the m-commerce per month.
- Additionally, approximately 18,000 train tickets are sold per month .
- Inward foreign Remittance are disbursed by the banks using MFS.



9/18/2017

e-Commerce

24

e-Commerce activities has been permitted for the banks from November 2, 2009.

- Online payment of utility bills from client's accounts to recipients accounts.
- Transfer of money from one account of a client to another account in the same bank.
- Payment/collection of money from/to buyers bank account to sellers bank account for buy/sale of products.
- Transaction via internet using credit card in local currency.



9/18/2017

On Going Initiatives....

25

Security for e-Payments:

- Ensuring security of Card transaction, E-commerce and
- M-commerce through EMV card and Two Factor authentication.
- Encourage banks to switch to EMV card from Magnetic stripes.
- Feasibility and viability of Two factor authentication is
- under consideration and assistance from SPC countries
- which are already introduced it.
-



9/18/2017

On Going Initiatives....

26

Real Time Gross Settlement (RTGS):

- Establishment of RTGS within first quarter of 2016.
- Training has been planned to design and develop effective business model for RTGS system and also to build capacity on overall PS oversight issues.



9/18/2017

On Going Initiatives....

27

Business Continuity Plan (BCP):

- Design a proper business continuity plan for BB to ensure smooth operation of all Payment Systems related components.
- Suggests and helps commercial banks to design their BCP and supervise its proper continuation.



9/18/2017

Legal & Regulatory Framework

28

Payments Systems Regulatory Support

- Article 7 A (e) of the Bangladesh Bank Order (BBO) states that one of the Bank's functions shall be
 - ▣ “To promote, regulate and ensure a secure and efficient payment system, including the issuance of bank notes”.

- Article 82(1) of the BBO, empowers the Bangladesh Bank to issue regulations.

- Regulatory goals
 - ▣ Ensure the safety and efficiency of the payment and settlement systems
 - ▣ Promote, regulate and oversees all kind payment system

- Recently BB has been empowered by the Banking Companies Act 2013 (Amendment) to direct any Banking Company for the proper functioning of the Clearing and Payment S;



9/18/2017

New Objectives for Modernizing country's Payment and Settlement Systems

29

- ❑ Establish required legal and regulatory framework for risk mitigation of electronic payment systems.
- ❑ Promote and encourage the use of electronic funds transfer, mobile financial services, e-commerce, m-commerce, shared ATM, POS, etc.
- ❑ Establish and Develop National Payment Switch (NPS) for facilitating electronic payments originating from different delivery channels e.g. ATM, POS, Internet, Mobile, etc.
- ❑ Establish e-Payment gateway.
- ❑ Initiate the Agent Banking.
- ❑ Establish Real-Time Gross Settlement (RTGS).



9/18/2017

Thank you

**Thank you for Your Patient Hearing
And Nice Hospitality.**