

Interoperable Digital Payments for Credit Unions

ACCU Forum 2019

Kuala Lumpur, Malaysia

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Paysys Global

Harnessing the power of digital

Building more inclusive, digital financial systems to empower people across the globe



*Retail payment system
development*



*Digital strategy and
implementation*



*Market landscaping and
research*



*Stakeholder / partner
engagement*

Project highlight: Interoperable digital payments for credit unions (CUs)

Project partners



- WOCCU
- ACCU
- CUCO
- NATCCO
- PFCCO
- Bill & Melinda Gates Foundation

Project objectives



- Design shared digital payment systems for CUs in Indonesia and the Philippines
- Enable CUs to offer digital payment services to their members

Project outcomes



- Improved services to existing CU members
- Expanded reach of CUs to new members
- Increased financial inclusion and reach to the poor

What is shaping the
digital payments
landscape?





Rise of digital natives

32%

Generation Z comprises 32% of the global population

23%

Will comprise nearly $\frac{1}{4}$ of all consumers by 2026

80%

Would trade TV for a day to keep their mobile phones

69%

Use their mobile banking apps daily or weekly

The global population is increasingly young and mobile-centric

Demand for instant and seamless



The market demands immediacy – same day deliveries, instant sharing of experiences on social media



Same goes for payments – there is no patience to wait days for a payment to clear



The demand is not for digital payments, but for seamless experiences across daily activities



Growth of faster payment systems

To respond to the changing landscape, governments, central banks, and payment industries globally are modernizing their payments infrastructure

- 45 Live real-time payment systems
- 13 Planned real-time payment systems
- 58 Across 58 countries and regions globally

Traditional financial institutions are overhauling their systems to keep pace



Collaboration between market actors



Market actors are collaborating to build shared infrastructure



Competition is increasingly based on products and services, not on infrastructure



Market players recognize the benefits of open-loop systems to enhance the value of their own offerings



Imperative to lower cost to serve



Serving low-income segments means dealing in low-value transactions



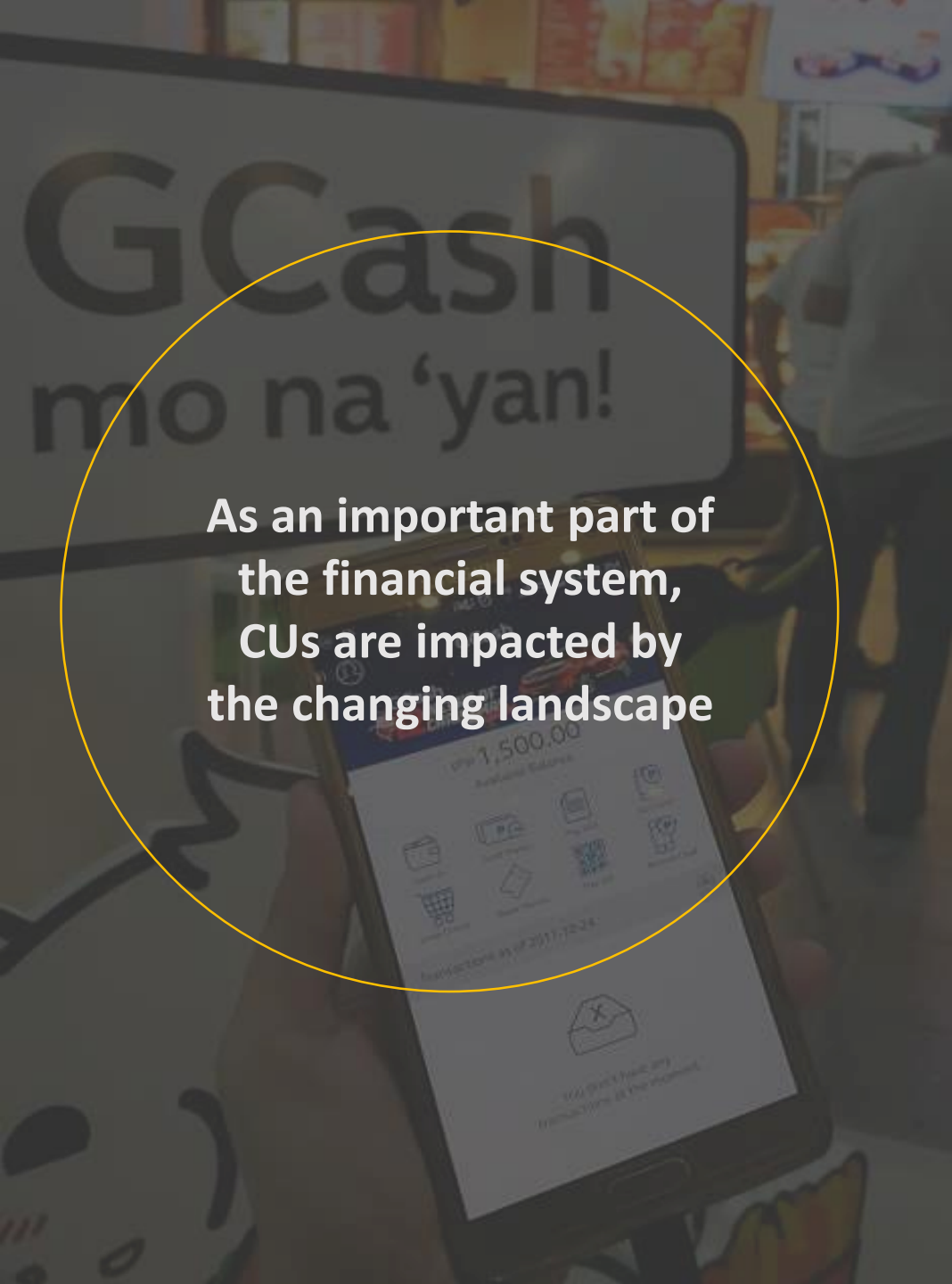
Financial institutions must be able to process high volumes at low costs



In the digital financial inclusion space, sustainability of providers depends on maximizing scale + operating efficiency

What does this
mean for credit
unions?



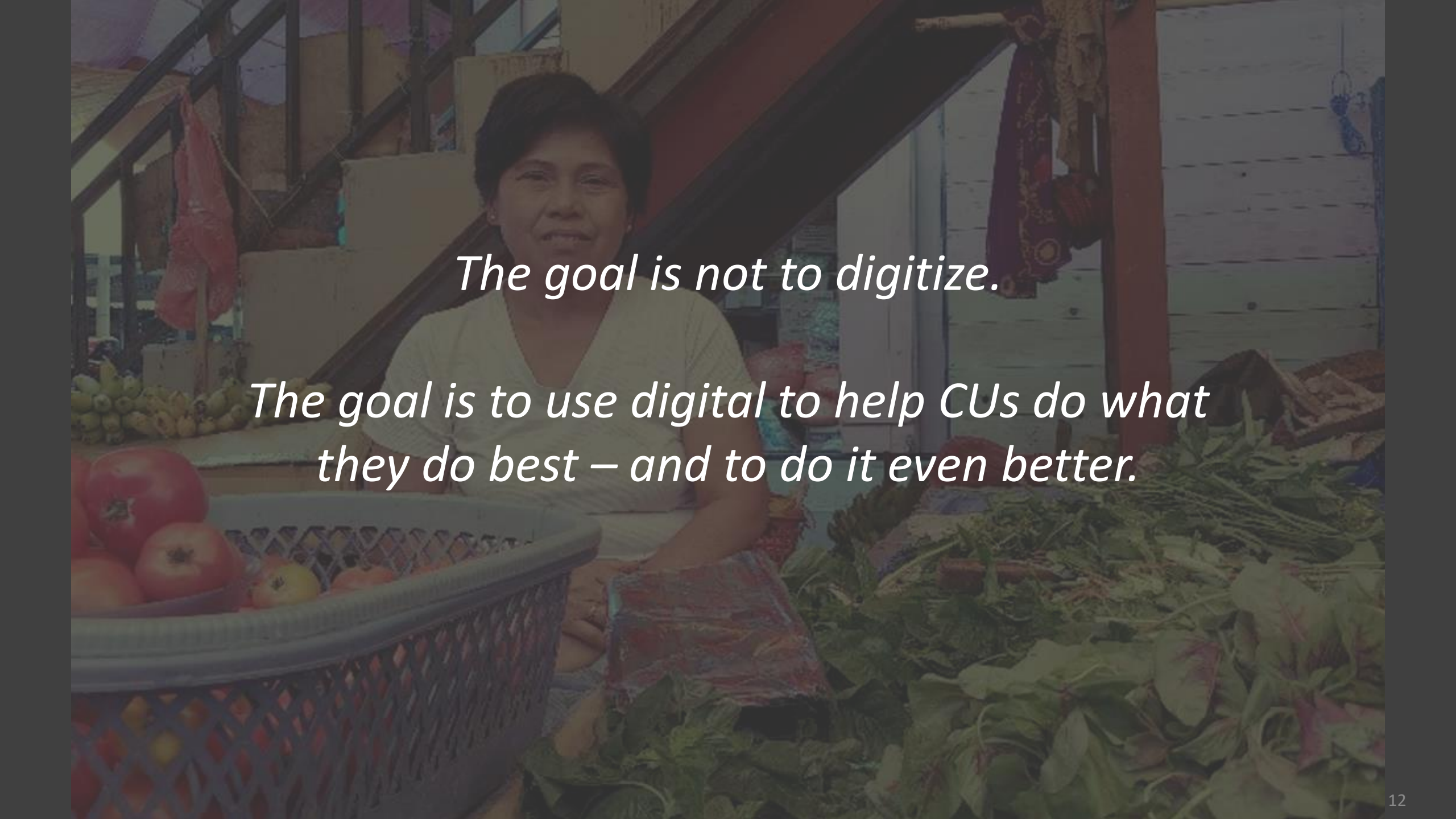


**As an important part of
the financial system,
CUs are impacted by
the changing landscape**

- To grow their member base, CUs must target the youth
- To stay competitive, CUs must modernize their systems
- To lower their costs, CUs must share investments
- To increase the value of CU accounts, CUs must connect to the broader payment ecosystem



Shared digital payment systems that connect CUs to each other and to the national payment ecosystems enable CUs to achieve this

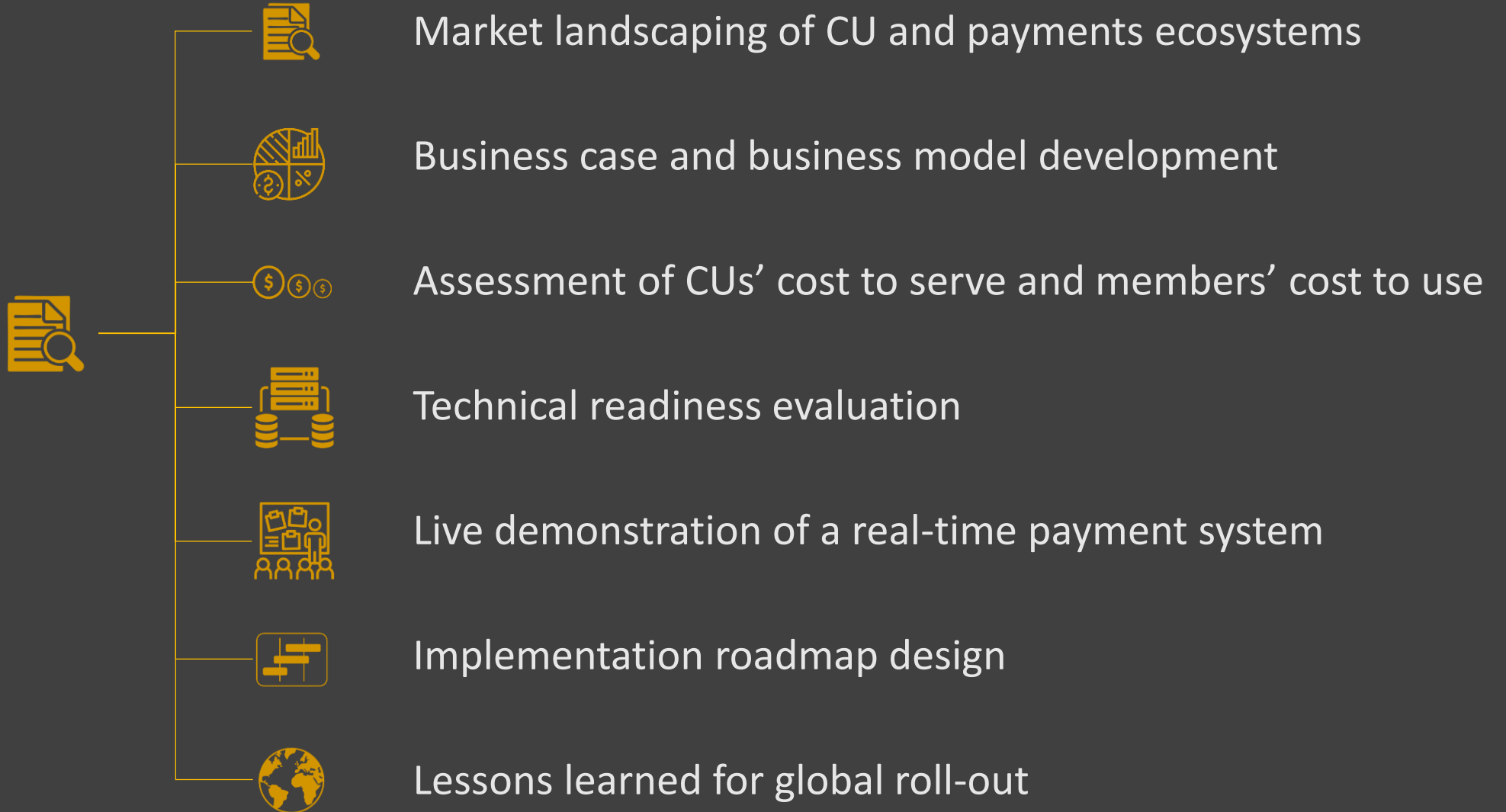
A woman with short dark hair, wearing a white V-neck shirt, is smiling and sitting behind a vegetable stall. In the foreground, there are several baskets filled with fresh produce, including red tomatoes and large green leafy vegetables. The background shows a wooden structure, possibly a staircase or part of the stall, and some hanging items. The overall scene is a market setting.

The goal is not to digitize.

The goal is to use digital to help CUs do what they do best – and to do it even better.

Insights from Indonesia and the Philippines

Assessment and planning phase



1. CUs have a unique value proposition

In comparison with other financial institutions, CUs:

- Offer products and services that empower and support growth
- Generate trust and a strong sense of community
- Provide flexibility and relevance to members' needs
- Operate in areas unserved by most traditional players
- Provide more than financial services – create *opportunities*



Celestina del Mundo, Member of Ligas Cooperative in Bulacan, Philippines

2. CU members demand convenience and accessibility



Paulus Salempa, Member of Sauan Sibarrung CU in South Sulawesi, Indonesia

While several members explicitly demand digital channels from their CUs, many members do not consider themselves technologically-savvy.

However, they all demand greater convenience and accessibility, specifically related to:

- Checking balances
- Withdrawing funds
- Transferring funds
- Making bill payments

3. CUs have made important investments to digitize through shared infrastructure

CUs recognize the importance of digitization and many have automated their back-end systems and provide digital channels

- Shared core banking systems
- CU-issued cards and ATM channels
- Shared mobile apps and wallets



Advertisements for Kaya, a shared mobile wallet for cooperatives in the Philippines

4. However, there are several challenges to scaling CUs' digital initiatives



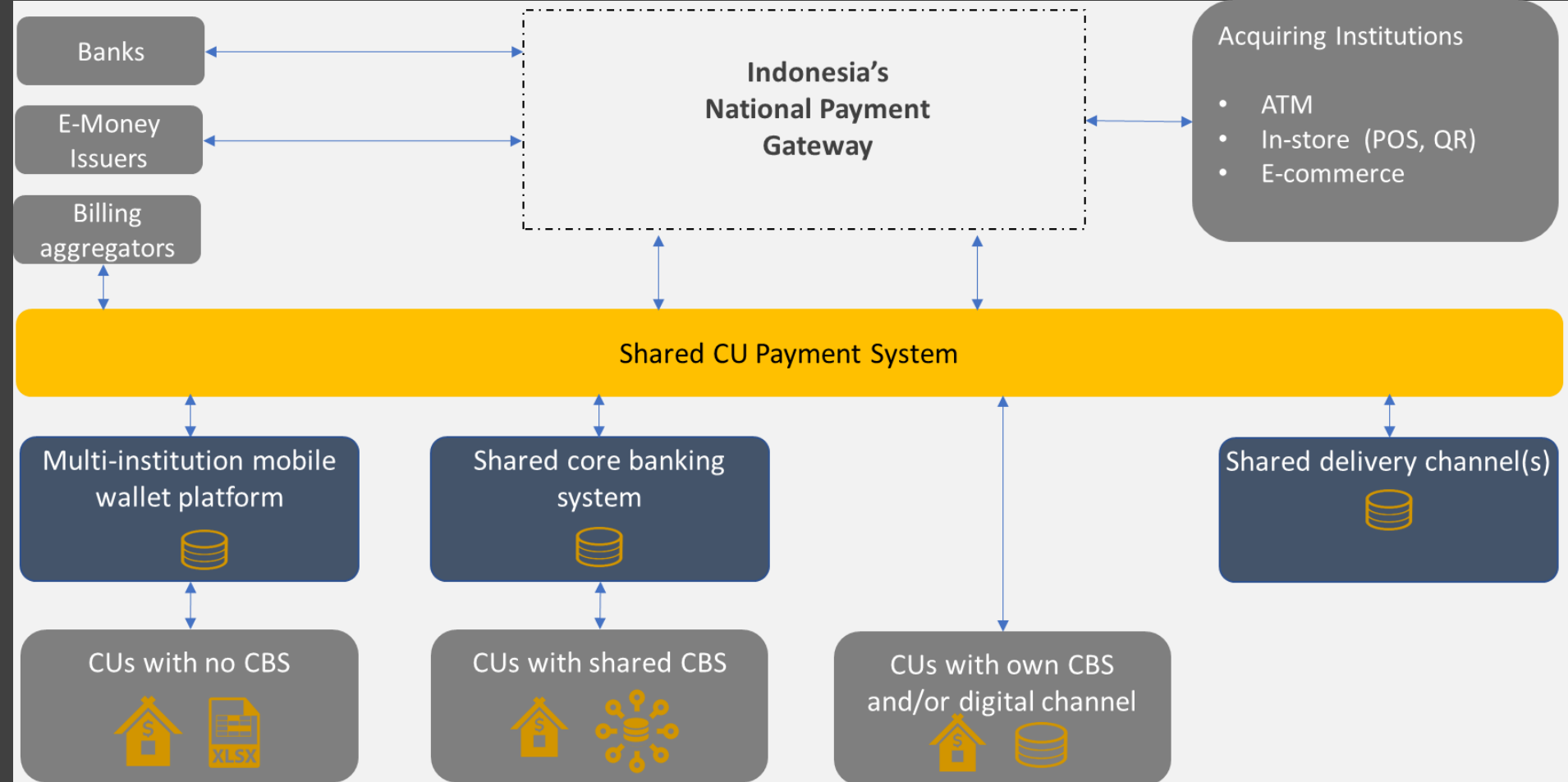
- Initiatives are siloed
 - Closed-loop
 - Limit scale
 - Increase costs
- Payments are not the core expertise of CUs
 - Technical / IT capacity within CUs may be limited
- Regulatory limitations
 - Lack direct access to the national payment system
 - Limited mandate / capacity of regulators to oversee payment activities of CUs

How is the WOCCU /
BMGF project
supporting
digitization of CUs?



Designing a shared payment system for CUs

- Interoperable
- Open-loop
- Real-time payments
- CU-led



- Connects CUs to each other
- Connects CUs to the national payment ecosystem

Key elements
of the approach
to designing
the CU
payment
system

*1. Based on Level One Project
(L1P) principles*



Open loop



Real-time, push payments with
same-day settlements



Governed by the participants



Cost-recovery-plus-
Investment model



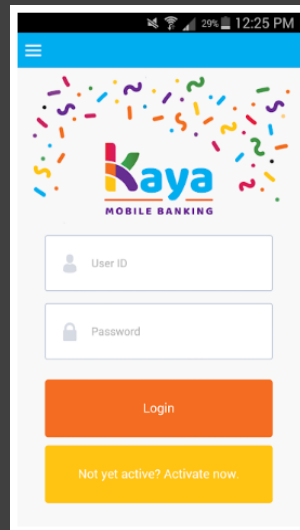
Shared services

*2. Considers the use of
Mojaloop*



**Key elements
of the approach
to designing
the CU
payment
system**

3. Builds on existing initiatives and investments



4. Enables participation of CUs with varying levels of automation



CU with no or offline core banking system



CU with shared core banking system



CU with own core banking system

5. Emphasizes partnerships with other payment system actors



BancNet



Project outcomes



Enhanced capability of CUs to provide a robust suite of digital financial services to their members



Lower costs for CUs to expand reach and better serve existing and new members

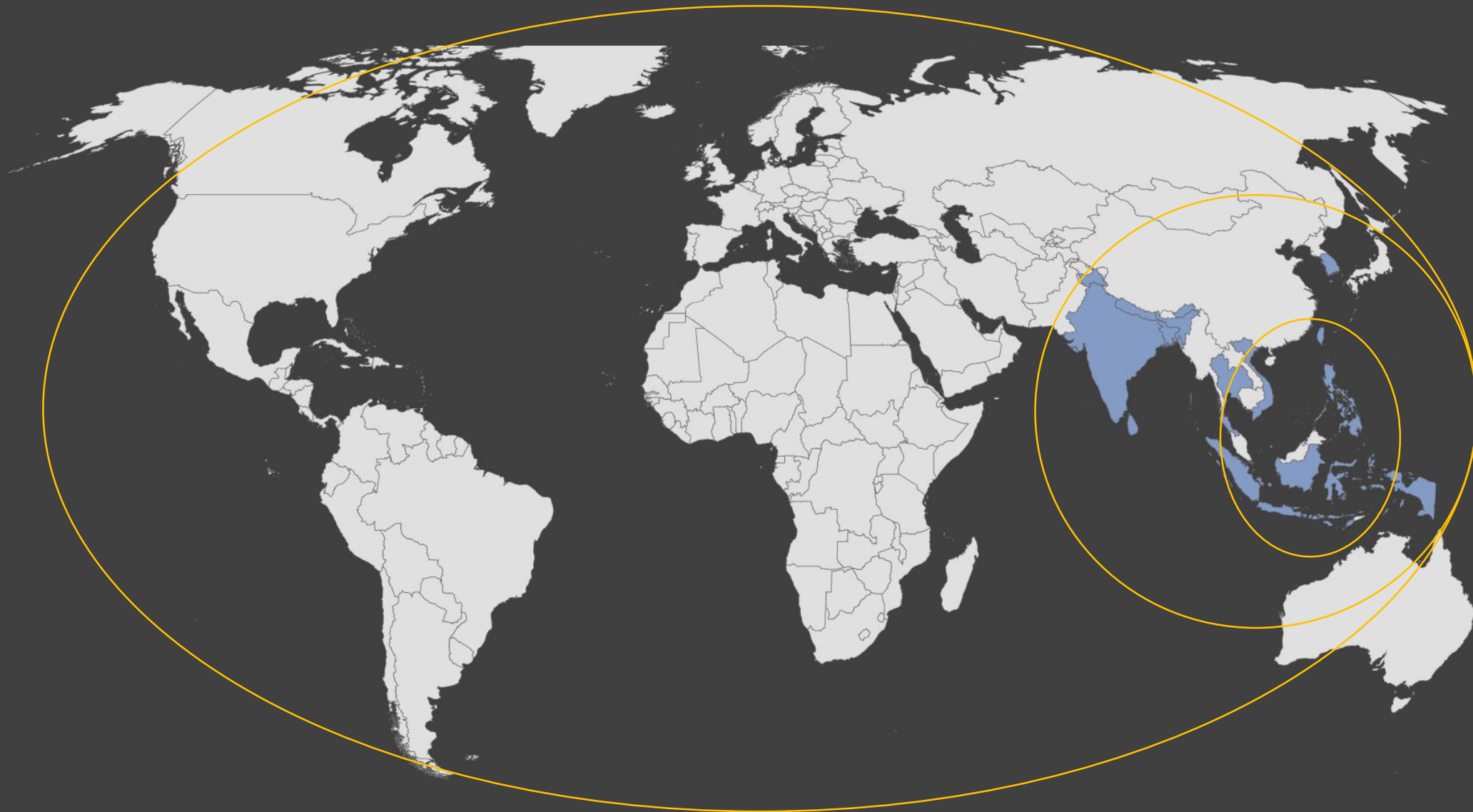


Connected CUs regionally and globally for cross-border payments



Increased digital financial inclusion in the markets where WOCCU has presence

Where do we
go from here?



1



*Indonesia
Philippines*

2



*Other ACCU
member
countries*

3

Global

“It is not the strongest species that survive, nor the most intelligent, but the ones most responsive to change.”

- Charles Darwin

Thank you for your participation!



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