

Recent Payment System Developments in Bangladesh



Bangladesh Bank

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Payment Systems of Bangladesh Major Components

- Bangladesh Automated Clearing House (BACH)
- National Payment Switch Bangladesh (NPSB)
- Mobile Financial Services (MFS)
- E-Commerce
- M-Commerce
- Real Time Gross Settlement (RTGS)*

* Tender floated



Bangladesh Automated Clearing House (BACH)

Bangladesh Automated Cheque Processing System (BACPS):

- Countrywide clearing cycle time has been brought down to t+0 for high value cheques and t+1 for regular value cheques.
- At present 1,800,000 (appx.) regular value and 1,20,000 high value clearing instruments valued BDT437 billion and BDT625 billion respectively are cleared through BACPS per month .
- Almost 95 percent of all the clearing instruments are now being cleared through BACPS.



Bangladesh Automated Clearing House (BACH)

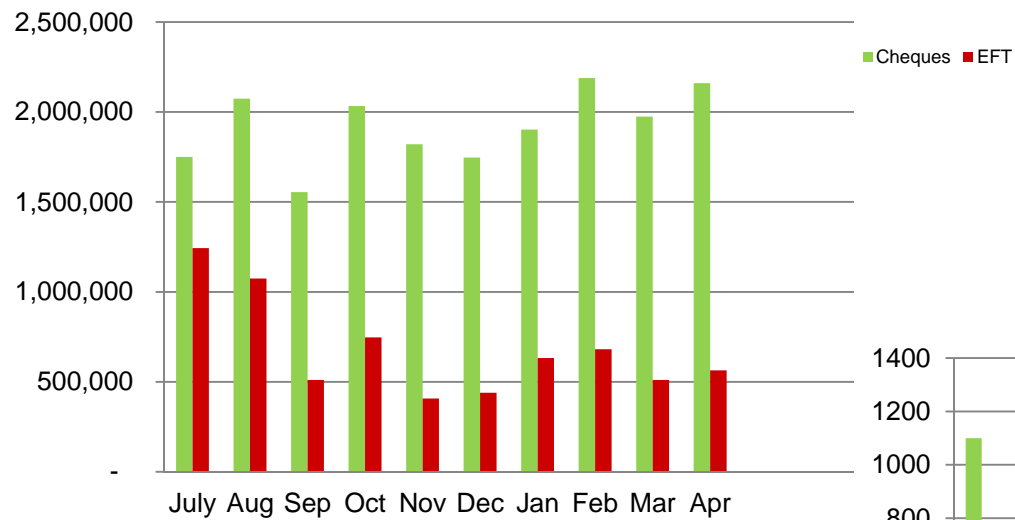
Bangladesh Electronic Funds Transfer Network (BEFTN):

- BEFTN is becoming popular rapidly among the Government and corporate bodies of Bangladesh.
- At present, approximately 6,80,000 EFT-credit and EFT-debit transactions are processed per month on an average with an increasing trend.
- Total amount of EFT-credit and EFT-debit transactions are approximately BDT 37.40 billion per month.

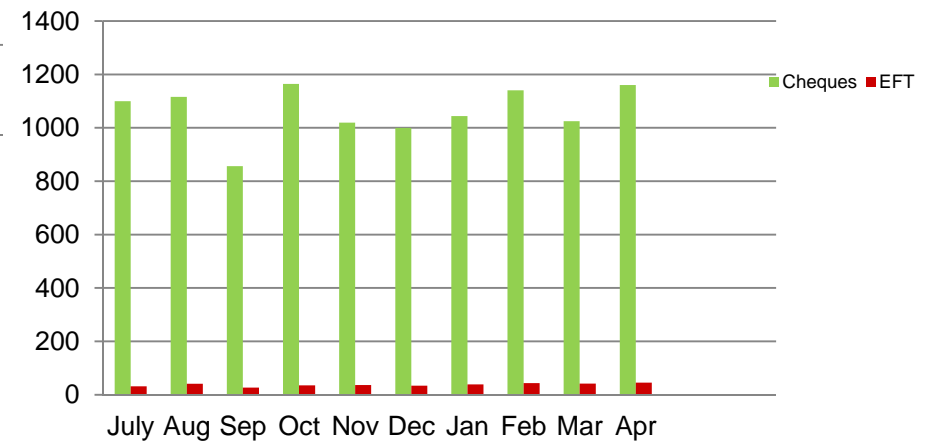


BACPS & BEFTN at a Glance

Transaction Volume 2013-14



Transaction Value 2013-14





National Payment Switch Bangladesh (NPSB) :

- Facilitating electronic payments originating from different delivery channels.
- At present 8 banks are participating for ATM transactions and another 5 banks are ready to join.
- Total transaction volume and value are is 20,000 (appx.) and BDT 60.00 million respectively per month with an increasing trend.
- POS, Internet Banking will also be incorporated in NPSB in future.



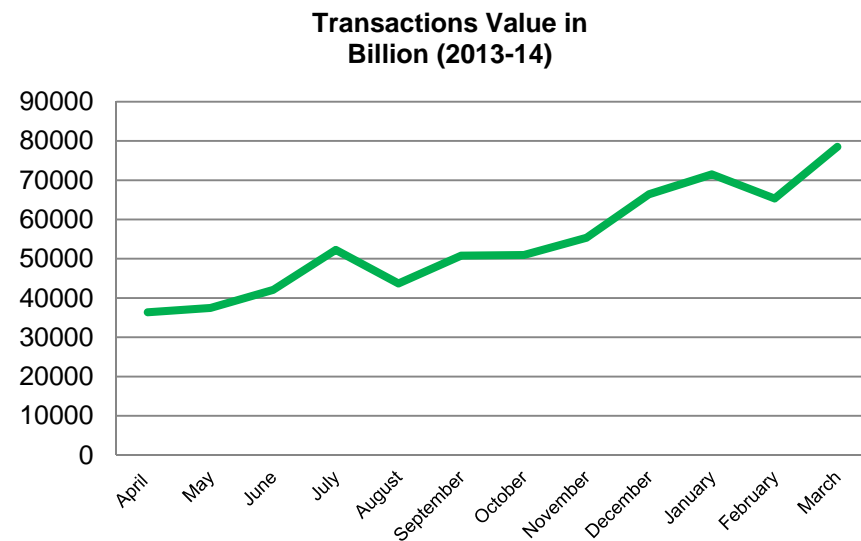
Mobile Financial Services (MFS) :

- Steps are taken to accommodate full fledged banking services through Mobile Accounts.
- Registered Customers of MFS is increasing at 3% rate on a monthly basis.
- Average daily transactions of MFS is increasing at 15% rate on a monthly basis.
- Average daily value of transactions of MFS is increasing at 20% rate on a monthly basis.



MFS at a Glance

No of Banks permitted	:	28
Started MFS Operation	:	20
Registered Customer	:	15.02 million
Agents	:	0.3 million
Daily Transaction Volume	:	1.10 million
Daily Transaction Amount	:	2.7 billion Taka



(upto March 2014)



Private Sector Initiatives....

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 providing inter-bank fund transfer service to other commercial banks.
- bKash is a very successful model for MFS.



Initiatives for PS Security

- Positive Payment Instruction is made compulsory for transactions amounting Tk 1.00 lac and above for corporate and Tk. 5.00 lac and above for individuals for clearing cheques.
- Two Factor Authentication is made compulsory for “Card not Present (CNP)” transactions amounting Tk. 5000.00 and above.
- Working on to fixed Deadline for completion for switching to CHIP n PIN based (EMV compliance) technology from Magnetic stripes.



Future Initiatives....

Real Time Gross Settlement (RTGS):

- Establishment of RTGS within first quarter of 2016.
- Already visited RBI to understand , design and develop effective business model for RTGS system and relevant legal and regulatory framework.
- Bid Document of RTGS has already been published.
- Discussion within Stakeholders has been started.



Future Initiatives....

Features of proposed RTGS:

- Topology : V Shape
- Message Format: ISO20022
- Multi currency clearing and settlement
- Connectivity : VPN (like BACH,NPSB)
- Certification Authority : BB (like BACH,NPSB)



Legal and regulatory framework :

- Enactment of National Payment Systems Act is in the final stage.
- Bangladesh Payment and Settlement Systems Regulation, 2014 (approved by BB Board)
- Electronic Fund Transfer Regulation, 2014 (approved by BB Board).
- Agent Banking Policy has been drafted.



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.



Awareness Building:

- Sensitization and creation of awareness through Financial Literacy Program.
- Advocate the banks to arrange regular seminars on PS related frauds and their prevention methodologies.
- Design poster, booklet, advertisement and post them in public places for greater public awareness.



Opportunities of Payment Systems in Bangladesh

- Both MFS and NPSB can serve banked & unbanked population at large
- Adaptation of new/modern technologies can boost economic growth of the country
- Enactment of law can make the financial systems robust and safe