

# Payment Systems of Bangladesh

---



Payment Systems Department

**Bangladesh Bank**

Monday, September 18, 2017



# Banking Industry In Bangladesh..

---

- 170 Million Population
- 6.20% GDP Growth (2013-14)
- US\$ 1200 Per Capita Income
- 19% SLR Including 6% CRR
- 56 Commercial Banks having 9,800 Branches
- 31 Non Bank Financial Institutions
- US\$ 23 Billion Foreign Exchange Reserves (22<sup>nd</sup> Feb 2015)
- 110 Million Mobile Subscribers



# Banking Industry In Bangladesh

---

- 35 Million Internet User
- 7,000 ATM and 25,000 POS Terminals
- 10 Million Cards (1 Million Credit Cards and 9 Million Debit Cards)
- 25.10 Million account under Mobile Financial Services (MFS)
- 10 Million ten taka bank account for poor farmers
- 3.5 Million of bank accounts under social safety nets
- 1,00,000 bank accounts under school banking
- New Window of central bank: Agent Banking, Green Banking, Corporate Social Responsibility, etc.



# Payment Systems of Bangladesh: Major Components

---

- Bangladesh Automated Clearing House (BACH)
  - Bangladesh Automated Cheque Clearing Systems (BACPS)
  - Bangladesh Electronic Fund Transfer Network (BEFTN)
- National Payment Switch Bangladesh (NPSB)
- Mobile Financial Services (MFS)
- Internet Banking, E-Commerce and M-Commerce
- Real Time Gross Settlement (RTGS)\*

\* Tender floated



# Bangladesh Automated Clearing House (BACH)

---

## Bangladesh Automated Cheque Processing System (BACPS)..

- All Inter-bank cheques/instruments are now being cleared through 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 per day 1.2 million regular value and 8000 high value clearing instruments valued BDT 25 billion and BDT 45 billion respectively are being cleared through BACPS.



# Bangladesh Automated Clearing House (BACH)

---

- **Bangladesh Automated Cheque Processing System (BACPS):**
  - All commercial banks are connected through secured virtual private network for exchanging of cheque data and image.
  - Implementation of digital certificate to secure the cheque data and image.
  - Positive Payment Instruction is made compulsory for transactions amounting BDT 100,000 and above for corporate as well as BDT 50,00000 and above for individuals for clearing the cheques.



# Bangladesh Automated Clearing House (BACH)

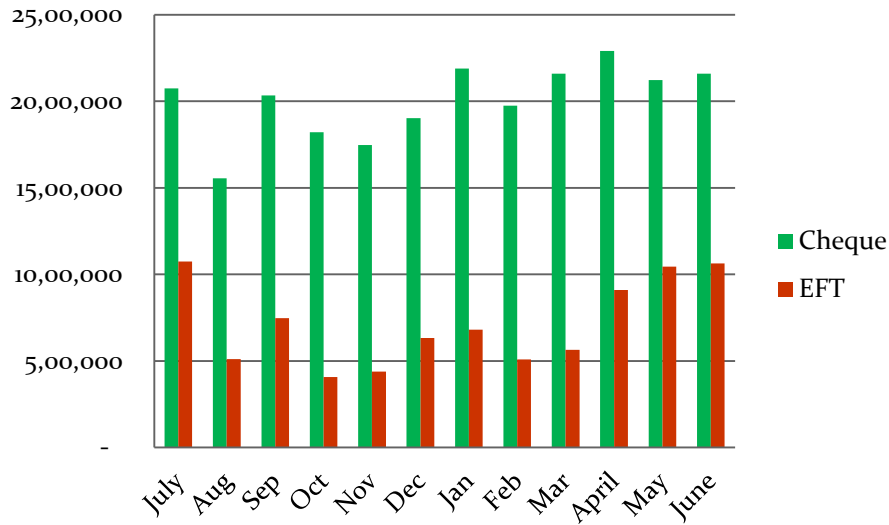
---

## **Bangladesh Electronic Funds Transfer Network (BEFTN):**

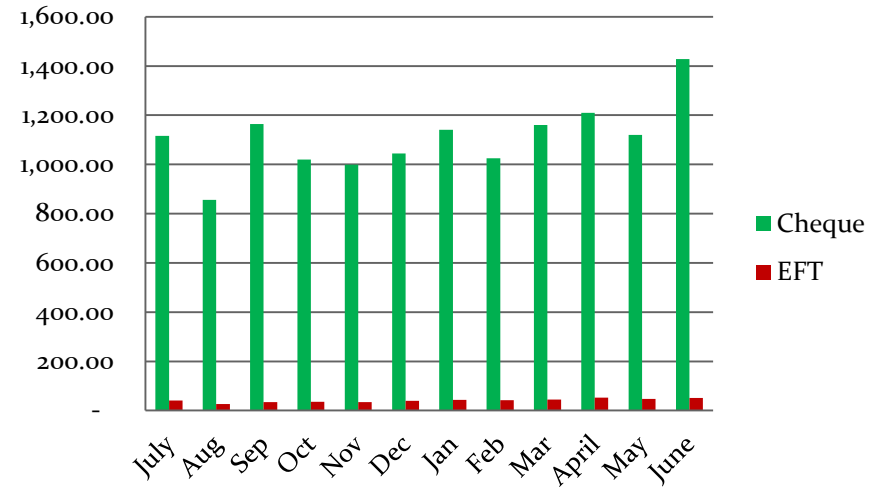
- Secure, safe and prompt relating to cheque based payments.
- BEFTN has become more popular rapidly among the government and corporate bodies of Bangladesh.
- corporate payroll, dividend payment, utility bill payment, inward remittance disbursement etc. are mostly routed through BEFTN.
- At present, per day in total one million credit and debit transactions amounting BDT 3.00 billion are being processed through BEFTN .

# BACPS & BEFTN Transaction at a Glance:

Month-wise Transaction Volume 2013-14



Month-wise Transaction Value in Billion BDT 2013-14







# National Payment Switch Bangladesh (NPSB):

---

- Countrywide common switching platform for inter-bank cards (debit/credit/ prepaid) based retail payments.
- Facilitating electronic payments originating from different delivery channels such as ATM/POS.
- At present 40 banks are connected through ATM based transactions: Cash Withdrawal, Mini Statement and Balance Inquiry.
- Per day total transaction volume and value are 10,000 and BDT 80.00 million respectively.



# Mobile Financial Services (MFS) in Bangladesh:

---

- The rapid growth of mobile phone users and countrywide coverage of mobile operators network has made the delivery channel an important tool-of-the-trade for extending banking services to the unbanked/banked population, especially to expedite faster delivery of remittances across the country.
- From legal and regulatory perspective, only the bank-led model is allowed to operate in Bangladesh.
- Customer account, termed "Mobile Account" having short KYC will rest with the bank and will be accessible through customers' mobile device.



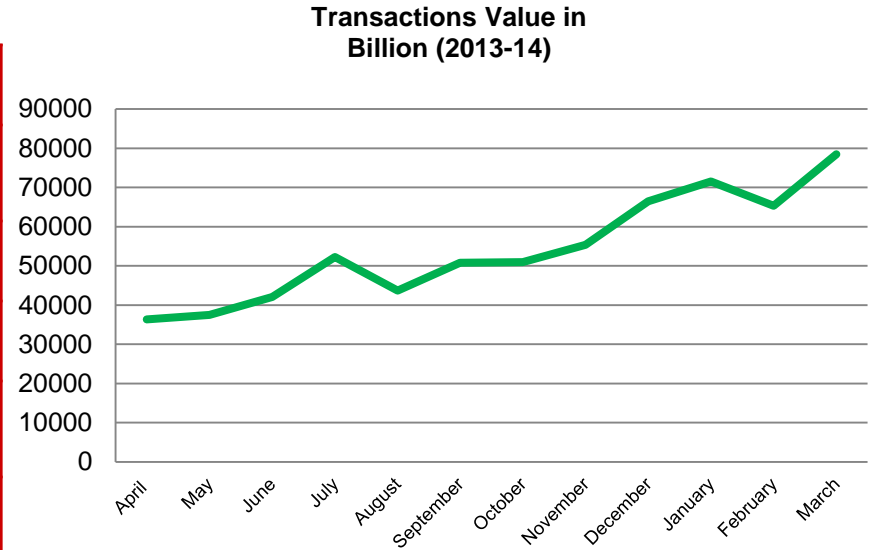
# Type of Services (MFS) in broad Categories:

---

- Disbursement of Inward Foreign Remittance
- Cash in/out using mobile/wallet account through agents/bank branches/ ATMs/Mobile Operator's outlets.
- Person to Business Payments: utility bill payments, merchant payments, etc.
- Business to Person Payments: salary disbursement, dividend and refund warrant payments, vendor payments, etc.

# MFS at a Glance

<b>Number of Banks</b>	<b>:</b>	<b>28</b>
<b>No of Banks are in operation</b>	<b>:</b>	<b>19</b>
<b>Number of Agents</b>	<b>:</b>	<b>550,000</b>
<b>Number of Customers</b>	<b>:</b>	<b>25.10 Million</b>
<b>Daily Transaction Volume</b>	<b>:</b>	<b>2.80 Million</b>
<b>Daily Transaction Value</b>	<b>:</b>	<b>BDT 3.80 Billion</b>





# Internet Banking, E-Commerce and M-Commerce in Bangladesh:

---

- Introducing of 2FA (both token and SMS based) mandated by Bangladesh Bank for card not present transactions.
- Deadline has been given for completion for switching to Chip n PIN based (EMV compliance) technology from Magnetic stripes.
- More than five (5) private banks direct or through third-party Payment Gateway provides E-Commerce services in the country.
- More than ten (10) private banks offer internet banking facilities for intra-bank transactions: fund transfer, bill payment, cheque book requisition, etc.
- Bangladesh Railway, Biman Bangladesh Airlines, Bangladesh Cricket Board, Utility Billers and more than thousand of private merchants receive payments through E-Commerce and M-Commerce.



# Real Time Gross Settlement (RTGS)\*:

- Implementation in progress and system will be live in September 2015.
- V-Shape topology, ISO 20022 message format, multi currency clearing and settlement.
- Uses of existing secured virtual private network for exchanging MX message.
- Both straight through processing and web access will be available for RTGS participants.



# Legal and regulatory framework:

---

- Bangladesh Automated Cheque Processing Rules and Procedures 2010
- Bangladesh Payment and Settlement Systems Regulation, 2014 (Amended)
- Electronic Fund Transfer Regulation, 2014 (Ammended)
- Mobile Financial Services Guidelines 2011
- Guidelines on Agent Banking for the Banks 2013.
- Enactment of National Payment Systems Act is in the final stage.



# International Award:

---

- Bangladesh Bank has been awarded in 2014 by Alliance for Financial Inclusion (AFI) in recognition of innovative and impactful financial inclusion policies for MFS.





# Opportunities of Payment Systems in Bangladesh

---

- Both MFS and Agent Banking can serve unbanked population, specially in the underprivileged section in rural areas.
- Adaptation of new/modern technologies can boost economic growth of the country.



Thank You