

# **15<sup>th</sup> SAARC Payments Council Meeting & 1<sup>st</sup> SPC Seminar**

***9 –10 May 2014, Park Village Hotel, Kathmandu, Nepal***

***Inaugural Address by Dr. Yuba Raj Khatiwada,  
Chairman of SAARCFINANCE & Governor, Nepal Rastra Bank***

***Chairman of SAARC Payments Council, Mr. Kazi Abdul Muktedir, Deputy  
Governor of State Bank of Pakistan,***

***Deputy Governors Mr. H. R. Khan of Reserve Bank of India and my  
Deputy Governor Mr. Maha Prasad Adhikari,***

***SPC Delegates and Distinguished Guests,***

***Ladies and Gentlemen***

It gives me immense pleasure to inaugurate the 15<sup>th</sup> SAARC Payments Council (SPC) Meeting & 1<sup>st</sup> SPC Seminar. It is an honor for Nepal Rastra Bank to host the SPC meeting after a period of more than 5 years. As the Chairman of SAARCFINANCE, I would also like to welcome the delegates and participants from member countries attending this event.

***Dear delegates,***

Payment and settlement systems being crucial part of the financial infrastructure of a country, it is essential that they function safely and efficiently. As central banks are mostly entrusted for developing a secured and efficient payment system in the country, they have thus to have a strong oversight system in place.

We know that payment and settlement systems around the world have become more interdependent as a result of increasing cross-border activities and higher aversion to settlement risks. This applies at regional level economic activities as well. This trend has contributed to the strengthening of global financial infrastructure through the reduction of settlement risks and costs. At the same time, tightened system connections have reshaped the risk landscape and increased the potential

for contagion across interrelated systems. The smooth and efficient functioning of interdependent systems also plays a role in weathering regional and global financial crises.

We have experienced that cross-border payments are intrinsically inefficient because there is not one single ubiquitous global payment system. This is because (i) most payment systems are based on local laws and practices within existing domestic banking and financial structures; (ii) there is lack of a common global standard and variations between systems have reduced the ability of both bank and corporate treasury/enterprise systems to seamlessly pass data between each other; and (iii) government regulations keep on changing on how payments are made. Payments are subject to domestic regulations which compound the challenges of cross-border payments because of varying rules between an originating and receiving country.

*Dear delegates,*

The roots of SAARC Payment Initiative (SPI) are intertwined with the spirit of SAARC – shared regional prosperity through greater economic integration. In the recent summit declaration, SAARC members have expressed the aim for attaining South Asian Economic Union. For streamlining this long journey of fuller economic integration, greater coordination of payment systems is necessary. In this regard, as we know, SAARCFINANCE, a network of Central Bank Governors and Finance Secretaries of the SAARC region, has agreed to establish a SAARC Payments Initiative (SPI) in its 16<sup>th</sup> meeting in October 2007.

Subsequent establishment of SPI was a landmark in the development of payment systems in the SAARC region. Let me reiterate that SPI has the Vision of "Converging to internationally recognized benchmark for efficient and safe electronic payment and settlement system infrastructure to cater to the emerging needs of the region" with a mission to "Collaborate and assist in implementing enhanced and cost effective use of electronic banking and payment systems as recognized in the statement of common objectives." In this perspective, since its launch, the SPI has been guiding the efforts of member countries in

modernizing their national payment systems, assisting in setting up appropriate technological links with others in the region and bringing their payment systems to suitable standards consistent with international standards. Likewise, through the SPI, we member countries are learning to develop a credible payment system from the efforts and experiences of member countries within the region.

It is good to note that the SAARC Payments Council (SPC), which is the apex governing body of the SPI and is responsible to take it forward, has had fourteen regular bi-annual meetings held in SAARC countries resulting in a greater familiarization towards members' payment challenges and also increased coordination and cooperation in this region.

***Dear colleagues,***

Let me recall that, taking forward the vision of the SPI mentioned earlier, the Road Map for SPC has been approved at the 14<sup>th</sup> SPC Meeting held on 9 December 2013. This includes developing concrete milestones for the SPC to meet common payment and settlement systems objectives such as to improve legal and regulatory infrastructure, improve governance structure, enhance awareness of all stakeholders, improve cross-border payments and settlements systems, and self assessment of systemically important payment systems.

In this context, I would like to mention that a session has been devoted in this Meeting for comprehensive discussion on SPC Road Map and its implementation. I am indeed happy to learn that SPC has already touched upon couple of these areas relating to the Road Map.

***Dear Participants,***

As all central banks are aware, markets may face persistent hindrances to payment systems development and may become unable to produce efficient and safe services. The occurrence of such hindrances would give rise to policy and operational risks for central banks, especially to their responsibility in achieving the core objectives such as price stability and financial system stability. While it is crucial for the central banks to address these issues, it is indispensable for the region to have a common

understanding and apply, where possible, common standards. This is where the role of SPI comes into the picture which intends "to design a coordinated regional approach to cross-border payments, taking into consideration the implications for trade, investment, central bank policy, and foreign exchange positions."

***Dear Colleagues,***

Let me take this opportunity to brief you on the current state of Nepal's domestic payment system and give a glimpse of future activities to enhance this system. So far in Nepal, most financial transactions are cash based followed by bank cheques. There is an absence of comprehensive legal arrangements in terms of electronic payments; neither have we had a common IT platform for the same. This means that the stakeholders of the National Payment System (NPS) are not directly linked, and there has been a need for widening and strengthening the existing mechanism. Additionally, we need to develop an oversight authority for the efficient payment system and financial market infrastructure for handling large value payments.

Nepal Rastra Bank has formulated Nepal Payment System Development Strategy. Following this Strategy, NRB has initiated to establish a separate specialized Payment System Division with a view of setting up a full fledged department on the same in due course. This set up will facilitate to steer domestic payment system for developing comprehensive legal measures such as laws and bylaws, development of necessary market infrastructure including that for Real Time Gross Settlement (RTGS), and oversight of the payment system. To enhance participation of the financial transaction stakeholders, we are also considering the set up of the National Payment Council to be headed by Nepal Rastra Bank Governor.

***Ladies and Gentlemen,***

I note that the previous SPC meetings were productive and the activities are thus appreciated. I also note that one of the objectives of SPC is to "initiate to set up a National Payment Council (NPC)/Committee in each

member country, where such a committee does not currently exist". We look forward to the support from SPC in this regard.

I am confident that you will have productive sessions during these events by sharing each other's experiences. I would also like to appreciate a sideline Seminar among the SPC delegates as well as local partners, the first one of its kind.

Let me conclude by once again welcoming you all and expressing my confidence that the discussions will be both stimulating and constructive.

Thank you very much and my best wishes for the successful conclusion of these events.