

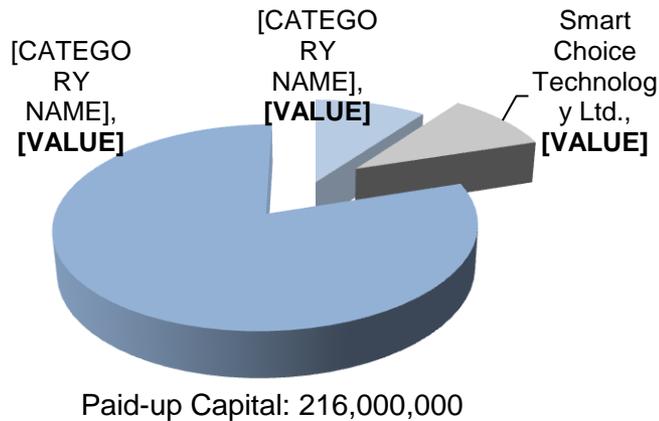


Simplifying Payments Infrastructure: Way Forward for NCHL

Neelesh Man Singh Pradhan
CEO, NCHL

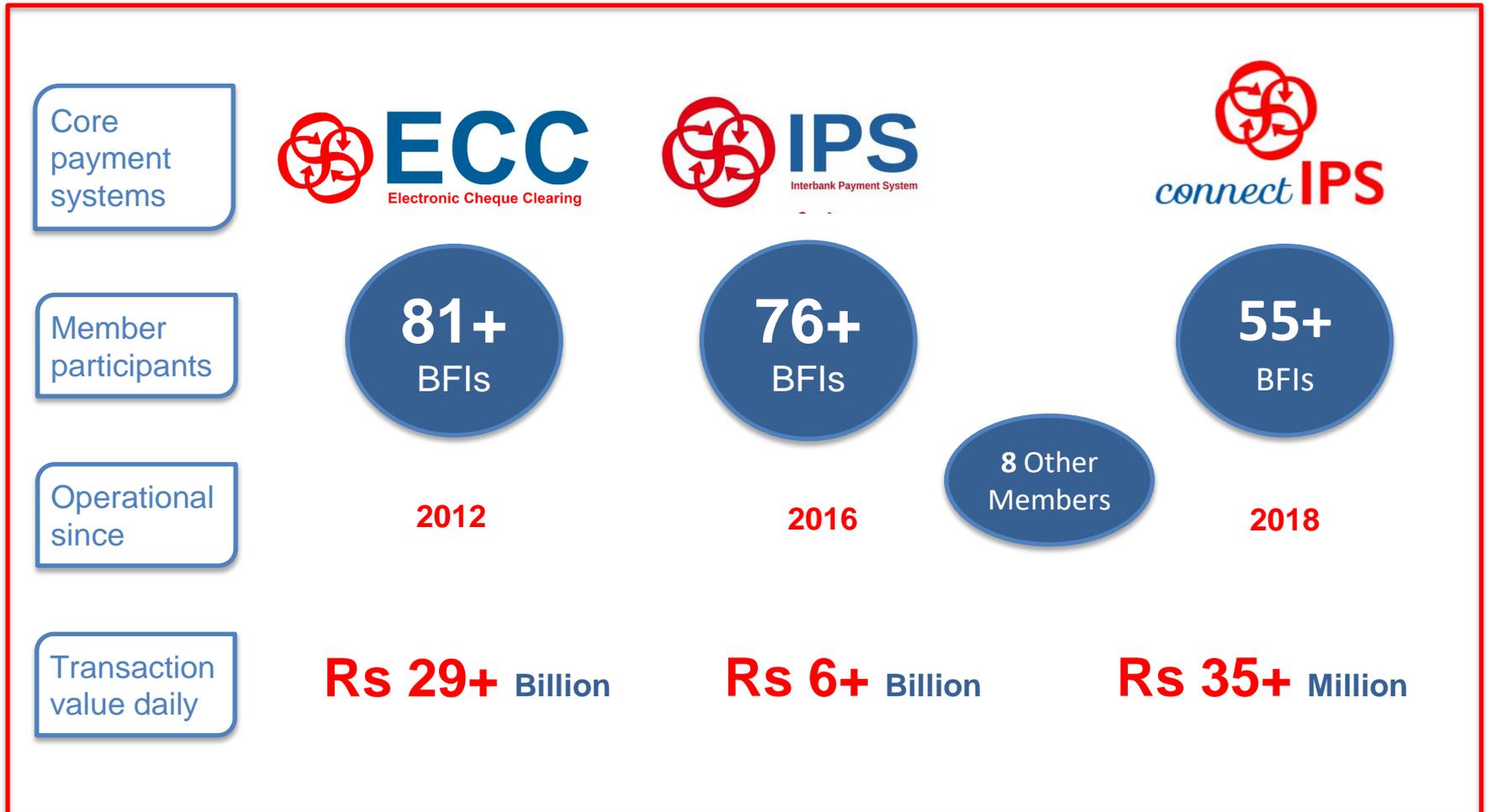
22nd May 2019

NCHL corporate structure

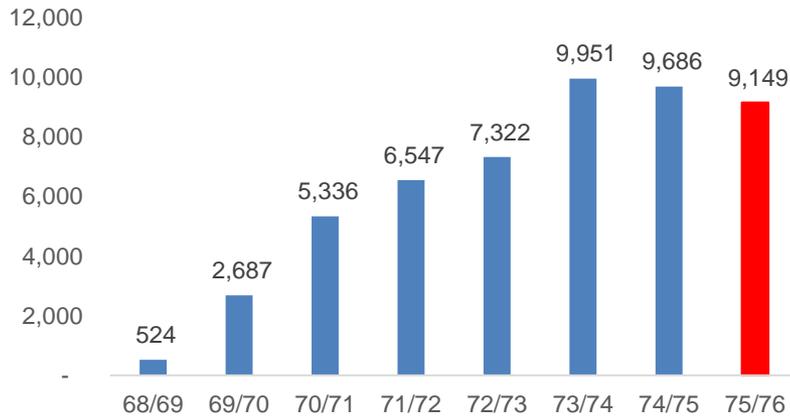


- Licensed and regulated by NRB as PSO.
- Established on Dec 2008, came into operation from Feb 2012 with electronic cheque clearing.
- Promoted by NRB and the BFIs to establish and operate national payment systems in a shared infrastructure model.

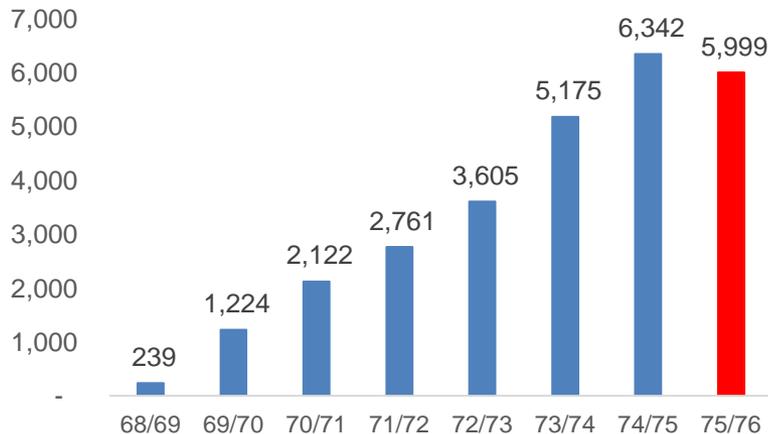
NCHL in numbers



NCHL ECC
Total Transaction Volume in '000



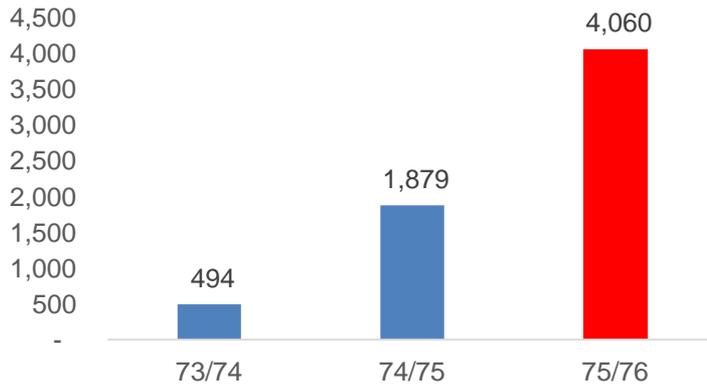
NCHL-ECC
NPR Transaction Value (in Billions)



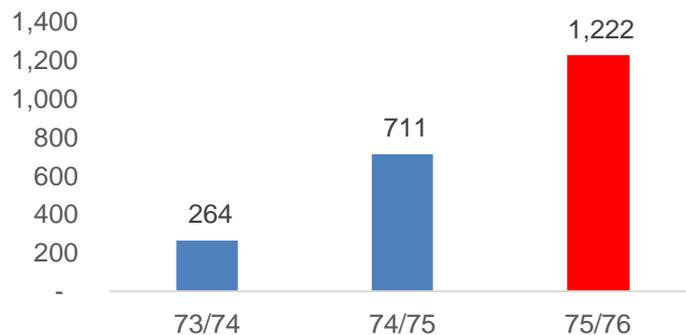
* Data till Baishak 2076

- Cheque truncation system for cheques, drafts, warrants in NPR, USD, EUR, GBP
- Cheque transaction has increased in volume and value.
- Used as **primary non-cash instrument** including high value.
- **T+0 settlement** with urgent clearing with **multiple sessions** a day
- **Stagnated volume** with current level to continue for couple of years since it is expected to decline.

**NCHL-IPS
Total Transaction Volume in '000**



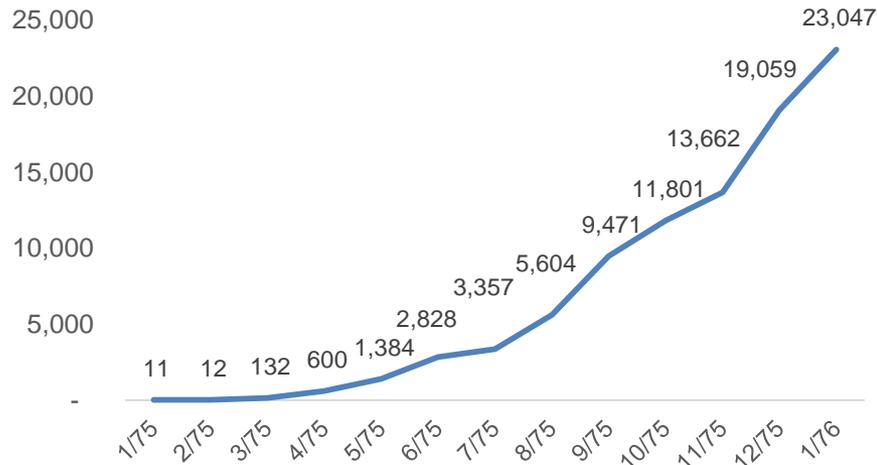
**NCHL-IPS
Total Transaction Value in Billion**



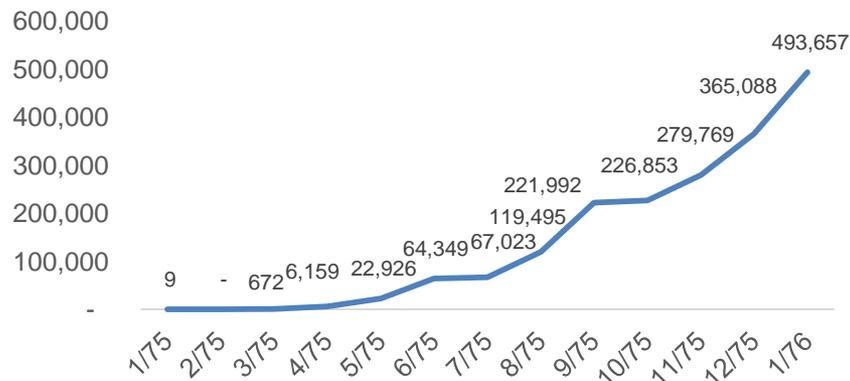
- Transactions increasing at multi-folds in the initial years itself, driven by **G2B, G2P, B2C, C2C** payments.
- Some of the cheque transactions being **cannibalized** by NCHL-IPS.
- Supports single and bulk transactions (direct credit and direct debit) with **T+0 multiple settlements** per day.
- Typical uses cases include customer transfer, remittance, dividends, party payments, salary/pension, government payouts, etc.
- Anticipated transaction growth from B2B, B2C and G2P

* Data till Baishak 2076

connectIPS
Total Transaction Volume



connectIPS
Total Transaction Value in '000



- Officially started from late 2018 with P2P and P2G transactions as **real-time retail payment system**
- Backed by **settlement guarantee fund** to mitigate the settlement default risk.
- Facilitates as payment processor (gateway), fund transfer and biller payments through web and mobile channels.
- Operates under the principle of single payments platform with **multi-bank accounts and global merchant/creditor**.
- Primarily being used for P2P transfers, P2G payments, PSP transfers.
- Focus on **non-conventional creditors for P2G, B2C** – more on push transactions.

* Data till Baishak 2076

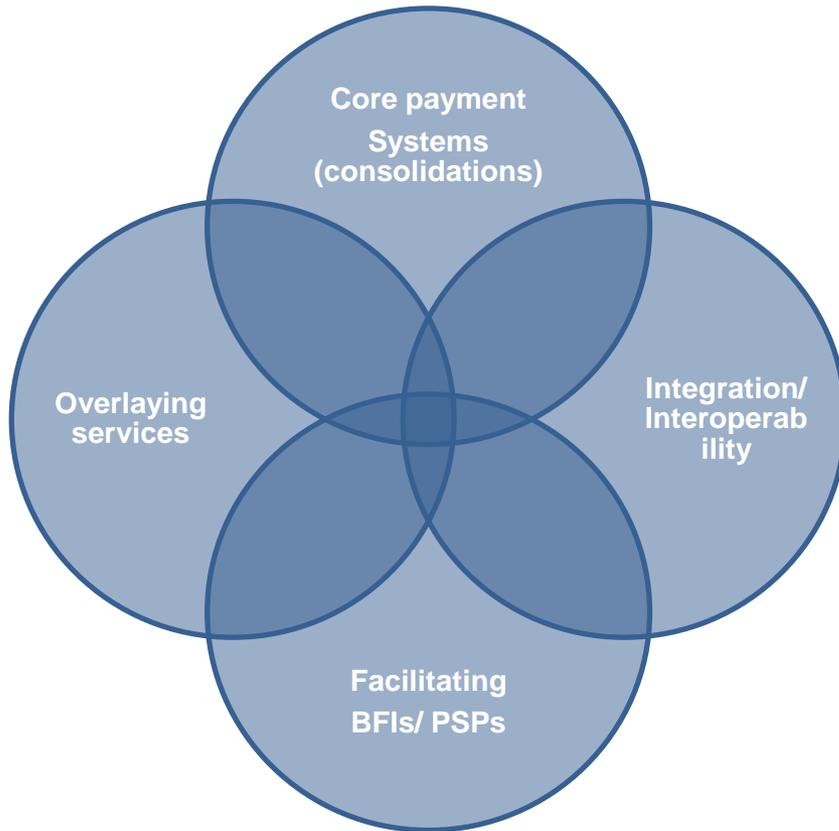
NCHL approach has been...

- Focus on implementing and/or supporting national payment systems (SIPS). Existing efforts on non-card payment systems.
- Hosted model for central infrastructure and bank's systems thereby reducing the capital expenditure.
- New payment systems being implemented under the principle of cross subsidizing from revenue/cash flow of previous systems.
- Bank centric for implementations and rollouts.
- Providing online/offline integrations for the BFIs and NRB for individual payment systems and settlements.
- Onboarding of the service providers on NCHL-IPS and *connectIPS* through BFIs with direct interventions for typical institutions.

Current Industry Status

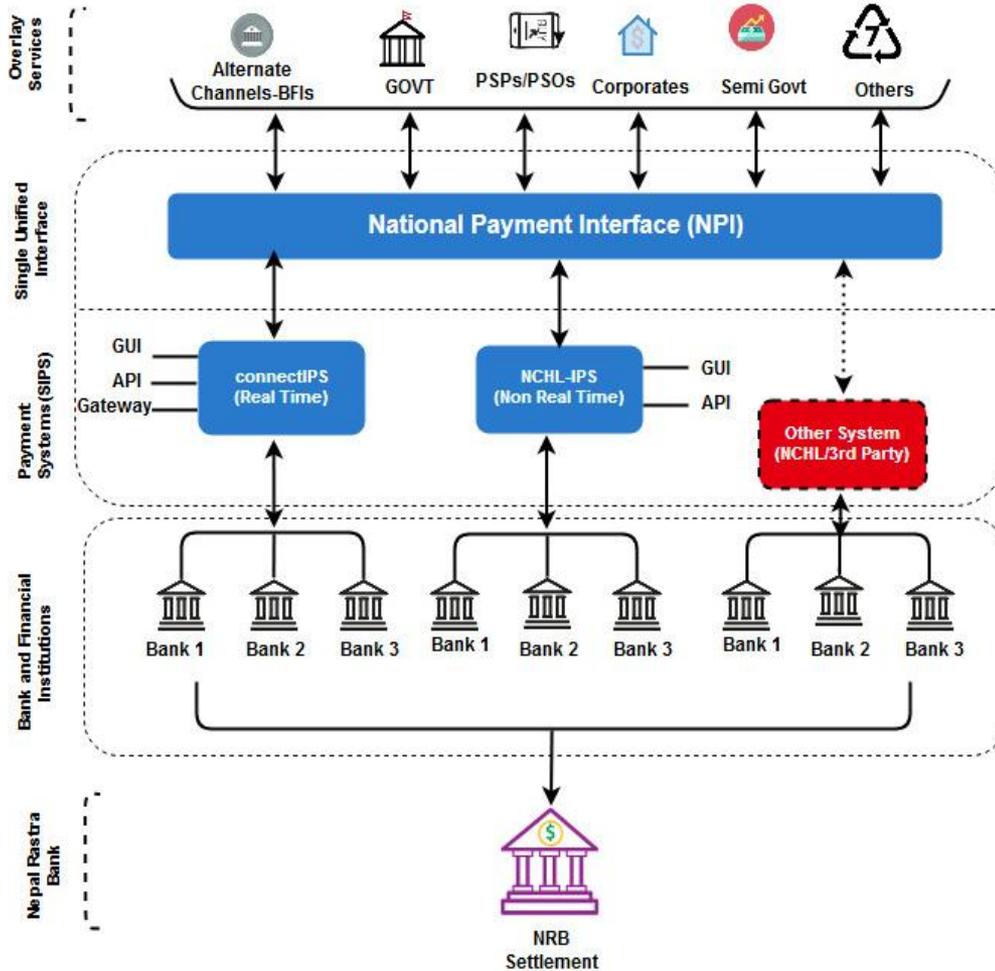
- Relatively high Cash-to-GDP ratio.
- Nepal Rastra Bank's policy direction towards promoting alternate service providers as well. Full licenses of PSP/PSOs issued to 8 with 20+ already received LOI.
- Increased investment in core payment systems expected by banks and PSP/PSOs. But duplication possible in almost same set of infrastructures yet lack of interoperability.
- Limited financial products with focus on utility, top-ups and few others merchants being added by the providers (technology providers).
- Inclined towards infrastructure build-up and issuing side of the payments. Less focused in the acquiring business, and hence less number of services on the digital platform.
- Some tractions on digital payments due to push from the operators/ providers.

NCHL Moving towards...



- Continue with re-investment concept for overall development of payments ecosystem.
- Facilitate BFIs and non-BFIs, including PSPs/PSOs - collaborative approach.
- Bundling of the core payment systems - consolidated APIs for ease to BFIs/PSPs/PSOs, being productized as National Payments Interface (NPI).
- NPI to be used as the central rail for the service providers to access core systems of NCHL and/or of third party.
- Stabilize real-time retail payments system (*connectIPS*) and establish its use cases.
- Extending overlay services through BFIs or directly in case of specific non-conventional providers.
- Facilitation to BFIs/PSPs/PSOs (participating members) on enrollments and in issuing/ acquiring journey.

NCHL Moving towards...



- Already moved from POC phase to initial rollout of NPI with some of the interested members (BFIs, Remit, PSP).
- Available uses cases of credit transfers through underlying core systems.
- Being used for connecting to mobile/internet banking of BFIs, corporate channels, ERPs of large corporates, PSPs, etc.
- Additional use case being added within NPI for supporting overlay services by NCHL and jointly with the stakeholders.

Call to action

As the roll-out of the shared infrastructures of *connectIPS* as real-time retail payment system and NPI continues at NCHL, the banks/PSPs have no time to lose but to develop the capabilities required to participate and open up new product opportunities as

- To provide customer proposition that will be fundamentally competitive (proactive than reactive).
- To move beyond today's payments systems and available services rather extending technology, people and processes across the bank.
- Harnessing the opportunity to develop new products and services for individual consumer, corporate, mobile/internet services and more.



Thank You

neeshpradhan@nchl.com.np