



October 2017

GPI Subgroup on Markets and Payment Systems

Terms of Reference¹

1. Background

The Markets and Payment Systems Subgroup was formed in 2014 to work towards the achievement of G20 commitments on remittances, and inclusive digital payment systems. The Subgroup seeks to advance the utilization of inclusive payment systems, including remittances, in the pursuit of increased, responsible and sustainable financial inclusion.

The Subgroup undertakes activities that establish a supportive and secure environment for remittances, focusing on approaches that seek to reduce transaction costs of and improve the quality, access, and the use of, remittance services. It also promotes inclusive digital payment ecosystems, focuses on emerging technologies and models and incorporates strong links to market-based approaches through engagement with financial services providers. Inclusive payment ecosystems are an important on-ramp to financial inclusion and contribute to driving financial sector deepening and economic development.

Since its formation, the Subgroup has focused its efforts on developing policy analysis and recommendations to support the responsible and inclusive uptake of digital payment systems. The Subgroup also explored the multi-faceted barriers to affordable and accessible remittance flows, including the issue of the decline in correspondent banking relationships (also known as de-risking), and has advocated for targeted international and domestic actions to address these. Key activities undertaken by the Subgroup include:

- Update of *G20 National Remittance Plans*, to be finished by October 2017;
- *Update to the Leaders on Progress Towards the G20 Remittance Target*, delivered in June 2017 and, September 2016;
- *Guidance Note on Building Inclusive Digital Payment Ecosystems*, delivered in June 2017;
- In collaboration with the Regulation and Standard-Setting Bodies Subgroup, supported the Financial Stability Board and Financial Action Task Force to set-up public-private workshops in 2017 to deepen exchange on the issue of de-risking;
- In collaboration with the Regulation and Standard-Setting Bodies Subgroup, assisted with the development of panels focused on the issue of de-risking at the May 2017 GPI Forum and July 2016 GPI Forum.
- *Report on the G20 Survey on De-risking Activities in the Remittance Market*, delivered in November 2015;
- *The Use of Remittances and Financial Inclusion*, delivered in November 2015;

¹ GPI Subgroup Terms of Reference define the content of Subgroup work in relation to the G20 FIAP. Note that the Subgroup Terms of Reference are focused on content, and therefore related to the G20 FIAP, whereas the GPI Terms of Reference focus on GPI organization and processes, including the work of the GPI Subgroups. See in particular Sections 3.4, 3.6, 4.2.3, and 4.2.5 of the GPI Terms of Reference for the functioning of GPI Subgroups.



- *Innovative Digital Payment Mechanisms Supporting Financial Inclusion Stocktaking Report*, delivered in November 2015;
- *Digital Financial Solutions to Advance Women's Economic Participation*, delivered in November 2015;
- *G20 National Remittance Plans*, delivered in November 2015;
- Supported the fifth Global Forum on Remittances and Development, convened by GPI Implementing Partners – the International Fund for Agricultural Development and the World Bank as well as the European Commission – held in Milan, Italy in June 2015;
- *G20 Plan to Facilitate Remittance Flows*, delivered in December 2014; and,
- *The Opportunities of Digitizing Payments*, delivered in August 2014.

Over the coming years the Subgroup will focus its efforts on the continued implementation of the High Level Principles for Digital Financial Inclusion, supporting the G20's commitment to the 2030 Agenda, including its target on remittances and focusing attention on improving the environment for remittances. Key pieces of work the Subgroup will focus on include:

- highlighting the important role of remittances in supporting financial inclusion and the achievement of the 2030 Agenda, including evaluation of the linkages between remittances and other financial products (for example insurance, credit, and savings) to support risk mitigation, formal channels of financial transfers, and economic development;
- continued assessment of the factors that create a supportive, transparent and secure environment for remittances;
- continuing efforts to analyze and identify adequate measures to address the money transfer operator bank account closure issue;
- exploration of the ability of innovative digital payments to support achievement of the 2030 Agenda Sustainable Development Goals, while ensuring consumer protection;
- building upon the 2016 High Level Principles for Digital Financial Inclusion and the 2017 Guidance Note on *Building Inclusive Digital Payment Ecosystems*, developing further advice focused on the key challenges in developing inclusive digital payment ecosystems;
- managing and leading the third update of G20 and interested non-G20 country National Remittance Plans in 2019; and,
- annual progress reports of G20 and interested non-G20 country National Remittance Plans.

The Subgroup will also focus on emerging technologies and business models and how they advance and support inclusive and responsible payment systems, incorporating strong links to market-based approaches through engagement with financial service providers. Further stakeholder involvement will include G20 groups (such as the Development Working Group), Implementing Partners, non-G20 countries and the private sector, as appropriate. The Subgroup will also continue to work in close collaboration with other GPI Subgroups, particularly the Regulation and SSB Subgroup (see below). To avoid duplication, the Subgroup will also work in collaboration with other international bodies active in the same field, such as the FSB Correspondent Banking Coordination Group (in particular its workstream 5 on remittances), the CPMI, etc.

2. Scope of Work

2.1. Goal and Action Areas of the Subgroup

The Markets and Payment Systems Subgroup advances the utilization of payment systems, including remittances in the pursuit of increased, responsible and sustainable financial inclusion. It also promotes inclusive digital payment ecosystems, focuses on emerging technologies and business models and incorporates strong links to market-based approaches through engagement with financial services providers.

Action Area	Activities and Outputs foreseen until 2020 ²	Indicators	Expected Results (as framed in the FIAP, p. 17-22)	Annual tracking of outcomes ³ (2018-2020)
Action Area 7 - Help to analyze and consider ways to address the money transfer operator (MTO) bank account closure issue, including consideration of the various factors affecting de-risking.				
	<ol style="list-style-type: none"> In collaboration with the Regulation and Standard-Setting Bodies Subgroup, work with the Financial Stability Board (FSB), the Committee on Payment and Settlement Systems (CPMI) and Financial Action Task Force (FATF) to explore the issue of de-risking and potential means to address the issue. In addition to the work with the FSB and FATF, the Subgroup will participate in and encourage discussions with key stakeholders such as international organizations and remittance providers on this matter as appropriate. 	<p>Degree of implementation of Subgroup work plan activities that contribute to analyzing and monitoring this issue, working with other forums as appropriate.</p> <p>Degree of implementation of Subgroup work plan activities that address the de-risking issue.</p>	The GPMI developed an increased understanding of the size, impacts and drivers of de-risking and explored options to address these drivers, and shared this understanding with the public and private sectors through publications and activities (link to SDG 10.6).	
Action Area 8 – Reduce the cost of sending remittances taking into account systemic causes of high remittance transfer costs, while ensuring the quality of remittances services and service delivery, and working to establish a supportive policy and regulatory environment for competitive remittance				

² i.e. specific research/ stock-taking, White Papers, conferences, outreach to specific stakeholders, etc., consistent with the Subgroup's action areas (see FIAP, p.12/13)

³ In this column, the annual outcomes should be tracked annually. Please use *completed/on track/not yet addressed*

markets, as well as to maximize their impact on local economic development.				
Reduce the cost of sending remittances taking into account systemic causes of high remittance transfer costs, while ensuring the quality of remittances services and service delivery, and working to establish a supportive policy and regulatory	1.	Progress reports on the implementation of National Remittance Plans are produced annually and updates to National Remittance Plans are developed every two years for G20 and interested non-G20 countries.	Number of G20 members and interested non-G20 countries implementing the international or domestic policy actions outlined in their National Remittance Plans to reduce the costs of sending remittances and improve accessibility of remittance flows.	The GPFi conducted activities and released publications to support the reduction of average transaction costs of migrant remittances by 2030 to less than 3 per cent and eliminate remittance corridors with costs higher than 5 per cent (link to SDG 10.c), for example by monitoring and supporting the implementation of the G20 National Remittance Plans.
	2.	Report/s highlighting the important role of remittances in supporting financial inclusion and the achievement of the 2030 Agenda, including evaluation of the linkages between the remittances and other financial products (for example insurance, credit, and savings) to support risk mitigation and formal channels of financial transfers.		
	3.	Explore the impact of de-risking on remittance flows, and with particular focus on engaging with public and private sector stakeholders, support the sharing of knowledge and experience on best practices across the sector.	Degree of implementation of Subgroup work plan activities (policy options and/or recommendations) relating to addressing de-risking activities, including engagement in international forums and in collaboration with private and public sector stakeholders.	The GPFi and G20 countries improved their understanding of the impact of de-risking activities on remittance flows and costs, and shared this understanding through collaboration with the public and private sectors (link to SDG 10.5).
	4.	Include data on domestic and international remittances and where appropriate, analysis of this data in reports.	Obtain and publish data on domestic and international remittances through regulated and non-regulated channels, including the use	The GPFi increased advocacy and conducted activities to support the improved availability of data on prices/costs of payment mechanisms used for domestic and international
	5.	Explore opportunities		

	and impediments to the digitization of remittance flows.	of the Global Payment Systems Survey (GPSS) and CPMI Red Book. Degree of implementation of Subgroup work plan activities that provide effective technology driven remittance models and their comparative advantages compared to in cash remittances.	remittances from authorities and development partners, while providers benefit from improved demand-side survey data, including for regulated and non-regulated channels.	
	6. Participate in at least one high level forum each year to explore and highlight strategies to improve remittance flow affordability and accessibility. 7. Report/s highlighting best practice strategies and considerations to support improved remittance flow affordability and accessibility.	Degree of implementation of Subgroup work plan activities that support collaboration across the sector to improve the affordability and accessibility of remittance flows. Degree of implementation of Subgroup work plan activities, which examine the barriers to accessing and using remittances services experienced by underserved and vulnerable groups, and identify approaches to address these	The GPFIs supported increased collaboration between private sector actors, regulatory and standard-setting bodies to assess and consider strategies to address barriers to accessible and affordable remittance transfers, including issues related to de-risking (link to GPFIs cross-cutting issue 2: collaboration across sectors/private sector).	
Action Area 9 – Expand opportunities for innovative approaches to grow responsible financial inclusion as to incorporate strong links to market based approaches through engagement with financial services providers, including banks and non-banks, and technology providers.				
Expand opportunities	1. Develop guidance notes focused on the key challenges in building inclusive digital payment ecosystems. 2. Issue reports exploring the ability of	Degree of implementation of Subgroup work plan activities that support the development and uptake of policy frameworks and approaches	The GPFIs conducted activities and released publications, engaged with private sector initiatives and innovations to support the development and provision of inclusive, accessible and	

	<p>innovative digital payments to support the achievement of the Sustainable Development Goals, including their role in optimizing remittances' development impact in the country of destination.</p> <p>3. Engage with private sector stakeholders to identify initiatives and innovations and highlight these in reports on payment systems and remittance services.</p>	<p>enhancing the effective use of innovative payment mechanisms.</p> <p>Degree of implementation of Subgroup work plan activities that advocate for and support the development of payment systems that are inclusive, responsible and accessible.</p> <p>Degree of implementation of Subgroup work plan activities that support engagement with the private sector to explore the effective use of innovative financial products.</p>	<p>responsible payment systems. These will all contribute to achieving the 2030 Agenda (link to SDG 10.5 and GPF cross-cutting issue 2: collaboration across sectors/private sector).</p>	
	<p>4. Issue report/s which explore policy and strategic frameworks to promote financial inclusion through digital payments and innovative approaches, with particular focus on underserved and vulnerable groups.</p>	<p>Degree of implementation of Subgroup work plan activities, which support policy and strategic frameworks that promote financial inclusion through digital payments and innovative approaches amongst underserved and vulnerable groups.</p>	<p>The GPF conducted activities and released publications to support policy and strategic frameworks that promote financial inclusion among underserved and vulnerable groups (link to GPF cross-cutting issue 4: underserved/vulnerable groups).</p>	
	<p>5. Issue report/s exploring the role of digital financial services in supporting women's economic participation, building upon the GPF Report <i>Digital Financial Solutions to Advance Women's Economic Participation</i>.</p>	<p>Degree of implementation of Subgroup work plan activities that enhance the opportunities for digital financial services to support women's economic participation.</p>	<p>G20 countries increased their promotion of improved and inclusive access to digital financial services for women and girls, including activities supporting the implementation of the HLPs. Link to SDG 5 and GPF cross-cutting issue 5: women's economic empowerment.</p>	

	6. Include data on inclusive payment systems and remittances from G20 GPI indicators.(due to be updated in 2018 with Findex data) and where appropriate, analysis of this data in reports.	Obtain and publish data on the progress of countries in developing inclusive payment systems.	The GPI reviewed the use and relevance of the 2016 G20 Financial Inclusion Indicators to assess and monitor progress on developing inclusive payments at the country-level.	
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2.2. The Subgroups contribution to the Cross-cutting Issues of the GPI

GPI's cross-cutting issues	Expected contribution by Subgroup	Annual tracking of outcomes (2018 – 2020)
1) Enable innovation to increase digitization	A key focus of the work of the Subgroup is on supporting innovation (e.g. new business models) and digitization in advancing inclusive payment systems, including remittance transfers.	
2) Engagement with the private sector	The Subgroup will actively seek to engage the private sector in its work on remittances and payment systems. The subgroup will also look to expand the channels in which the Subgroup's work is published and to participate in relevant events, to reach a broader audience.	
3) Achieve data harmonization	The Subgroup will actively seek to further enhance its data use in the development of policy advice and analysis and consider the potential and challenges of new Big Data sources. This data will also support the ability of the Subgroup to monitor developments in how remittances and payment systems support financial inclusion and on the inclusivity of payment systems.	
4) Target underserved and vulnerable groups	The Subgroup will seek to include consideration of underserved and vulnerable groups across its work on payment systems and remittances, with a particular focus on how to address barriers to access and use for such groups.	
5) Advance women's economic empowerment	The Subgroup will target its policy advice and research efforts on how payment systems and remittances can be developed and implemented to support women's economic empowerment.	

2.3. The Subgroups contribution to the four Principles of the 2030 Agenda for Sustainable Development

Addressing the 2030 Agenda's Sustainable Development Principles	Expected contribution by Subgroup	Annual tracking of outcomes (2018 – 2020)
1) Balancing the social, economic, and environmental dimensions of sustainable development ⁴	Through its examination of the role of payment systems and remittances in supporting the 2030 Agenda, particularly SDGs 1, 3, 4, 5, 7, 8, the Subgroup will seek to balance the three dimensions of sustainable development.	
2) Universality ⁵	The Subgroup will seek to provide guidance and policy advice that is based on principles that can be applied broadly, while providing advice on how such guidance can be adapted to specific contexts. An example of such work is the <i>Guidance Note on Building Inclusive Payment Ecosystems</i> produced in 2017.	
3) Integrated and cross-sectoral financial inclusion approaches and activities ⁶	Inclusive, affordable and responsible payment systems and remittances are an integral aspect of financial inclusion. Recognizing this in the coming years, the Subgroup will explore the role of payment systems and remittances in supporting financial inclusion more broadly as well as optimizing the development impact of remittances in the country of destination.	
4) Transformative multi-stakeholder partnerships ⁷	The Subgroup will continue to collaborate with the Regulation and Standard Setting Bodies Subgroup on the issue of remittances. As part of this collaboration the Subgroup will support the GPMI's engagement with the FSB and FATF on the issue of de-risking. The Subgroup will also seek to explore further linkages with other	

⁴ Please describe if and how your Subgroup balances the three dimensions of sustainability in its approaches and activities [Example: The report "Climate-smart financing for rural MSMEs" covers the economic (financing and business opportunities), ecological (climate adaptation) and social (equal opportunities) dimensions of sustainability]

⁵ Please describe if and how your Subgroup activities and approaches are applicable to all countries (developing and G20 countries) [Example: Minimum standards for data protection in G20 and non-G20 countries]

⁶ Please describe if and how your Subgroup might create synergies with other sectors (e.g. education, agriculture, infrastructure, climate, etc.).

⁷ Please describe your Subgroup's cooperation mechanism including linkages and overlaps with other Subgroups and possible stakeholders (from the G20 tracks and beyond). Are there new alliances and partnerships needed in order to bring the FIAP to life?

3. Membership⁸

The participants in the Markets and Payment Systems Subgroup include Member Countries, participating non-G20 countries, Implementing Partners and Affiliated Partners, as defined in the GPFI ToRs. The current Co-chairs are Australia and Mexico. Other Member countries currently participating in the Subgroup's work are Brazil, Canada, the European Union, France, Germany, Indonesia, Italy, Republic of Korea, Turkey, the United Kingdom and the United States of America. The non-G20 countries participating in the Subgroup's work are Switzerland and the Netherlands.

Implementing Partners are Alliance for Financial Inclusion, the Better Than Cash Alliance, Consultative Group to Assist the Poor, International Fund for Agricultural Development, International Finance Corporation, and the World Bank Group. New members including non-G20 countries are welcome.

In addition, the Subgroup benefits from the support of, and supports, Her Majesty Queen Máxima of the Netherlands, the UN Secretary General's Special Advocate for Inclusive Finance for Development (UNSGSA) and Honorary Patron of the GPFI.

4. Communication and Reporting

All approved Subgroup publications according to section 5 of the GPFI Terms of Reference and other documents are disseminated through www.GPFI.org, as are those materials from Subgroup gatherings that are intended for public consumption. At the same time, the Subgroup also recognizes that issues arise in its work that benefit from close-door discussion pursuant to the Chatham House rule.

The subgroup is responsible for producing an annual work plan and an annual progress report to the Leaders and reviews of the ToRs/FIAP, with consideration of the GPFI Troika.

5. Outputs and Timeline

The specific outputs of the Subgroup, and when outputs will be achieved, will be set out in the Subgroup's annual work plan at the beginning of each year.

⁸ Membership conditions are described in Section 2 (overall membership) and Section 3.5 (Subgroup membership) of the GPFI Terms of Reference