Optimal Payment Practices: A Framework for Analysing. The Colombian Payments Ecosystem

Working Paper AUTHOR OR EDITOR Jean Charles Rochet Publication Date: Monday, 19 of October 2020
This report concludes my mission in the Banco de la República de Colombia (BR). This mission took place in Bogotá on December 9-13, 2019. It had three main objectives:

- Provide a conceptual framework for assessing the payments ecosystem of a modern country, in order to evaluate the pros and cons of different combinations of regulation and public provision of public services.
- Apply this conceptual framework to the Colombian case, taking into account the specific characteristics of the Colombian economy.
- Assist BR staff in preparing recommendations for the Colombian authorities in order to bring the Colombian payments ecosystem to its optimal levels of safety and efficiency.

The main message of this report is that the private sector is unable to generate on its own the efficient outcomes for the payment system. There is a need for defining a public policy for payments and for the Parliament to pass a law on payments, specifying in particular:

- Why: what are the exact reasons for public intervention in the payments industry?
- What: what are the precise objectives of intervention?
- Who: which activities and which agents are going to be regulated?
- By whom: which public authority will set the rules (regulation) and which ones will monitor their implementation (supervision)?

The report is organized as follows:

- Section 1 characterizes payment systems and provides a taxonomy and an economic analysis. It reviews the main features of payment activities from an industrial organization perspective: economies of scale and scope, network and platform externalities, and the implications of technological development on the three functions of money.
- Section 2 provides a conceptual framework for a public payment policy: the reasons for public intervention and the precise objectives for this intervention.
- Section 3 reviews the possible options for Colombia: a completely public provision of electronic money, i.e. a Central Bank Digital Currency (CBDC), a simple regulation of completely private solutions, or a mixed duopoly.
- Section 4 discusses implementation issues: the perimeter of payment policy and the ways to solve possible conflicts of interest between the Banco de la República and private institutions.
- Section 5 concludes.

Fuente: https://www.banrep.gov.co/en/optimal-payment-practices-framework-analysing-colombian-payments-ecosystem