Financial Infrastructure Report 2022

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Each year, *Banco de la República* (the central Bank of Colombia) provides a complete overview of the local financial infrastructure with this report.

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Banco de la República's monitoring of the local financial market infrastructure is an additional contribution to the country's financial stability. One of the products of that monitoring has been the Payment Systems Report, which is now known as the Financial Infrastructure Report. The change in name, as of this edition, is intended to reflect in a broader way the issues that are addressed in the report.

The 2022 edition includes several changes that are the result of a comparative study of financial infrastructure reports prepared by other central banks. These changes seek to make the report more fluid and easier to read, including main points and selected key figures for the different interest groups to which it is addressed.

The report shows the financial infrastructure continued to render its services without interruption, with general evidence of good performance in 2021. Additionally, the resilience of the Central Counterparty Risk of Colombia (CRCC) and the Large-value Payments System (CUD) to extreme events was validated, based on stress tests conducted according to international standards (focused on liquidity and credit risk).

The report maintains four objectives in each edition:

- To disclose in a consolidated manner the evolution in numbers of the payment infrastructures, both in the financial markets and in retail payments.
- To present topics that are in the international debate and that are of interest to the industry providing payment clearing and settlement services.
- To provide the public with a conceptual basis on retail-value payment processes, as well as trends in retail payments made in this circuit of natural or legal persons.
- To inform the public, the industry, and other financial authorities of the methodological advances achieved with the applied research line for the analysis of the stability of the financial infrastructure.

During 2021, the Colombian financial infrastructure maintained its services continuously, demonstrating its good performance. As a particular case, the report validates the resilience to extreme events of the large-value payment system (CUD) and the Central Counterparty Risk of Colombia (CRCC).

In terms of retail payments, the use of electronic instruments (credit and debit cards, and electronic funds transfers) increased in 2021 compared to 2020. However, according to Banrep’s survey on the use of payment instruments in 2022, cash continues to be the most used instrument for regular payments (similar to other countries).

In the report, Banrep continues to monitor technological developments that have expanded and modernized the offerings in the international and local payments market.

Key messages, 2022

The local financial infrastructure was secure and efficient during the year.

The financial infrastructure maintained its services continuously, showing good performance.



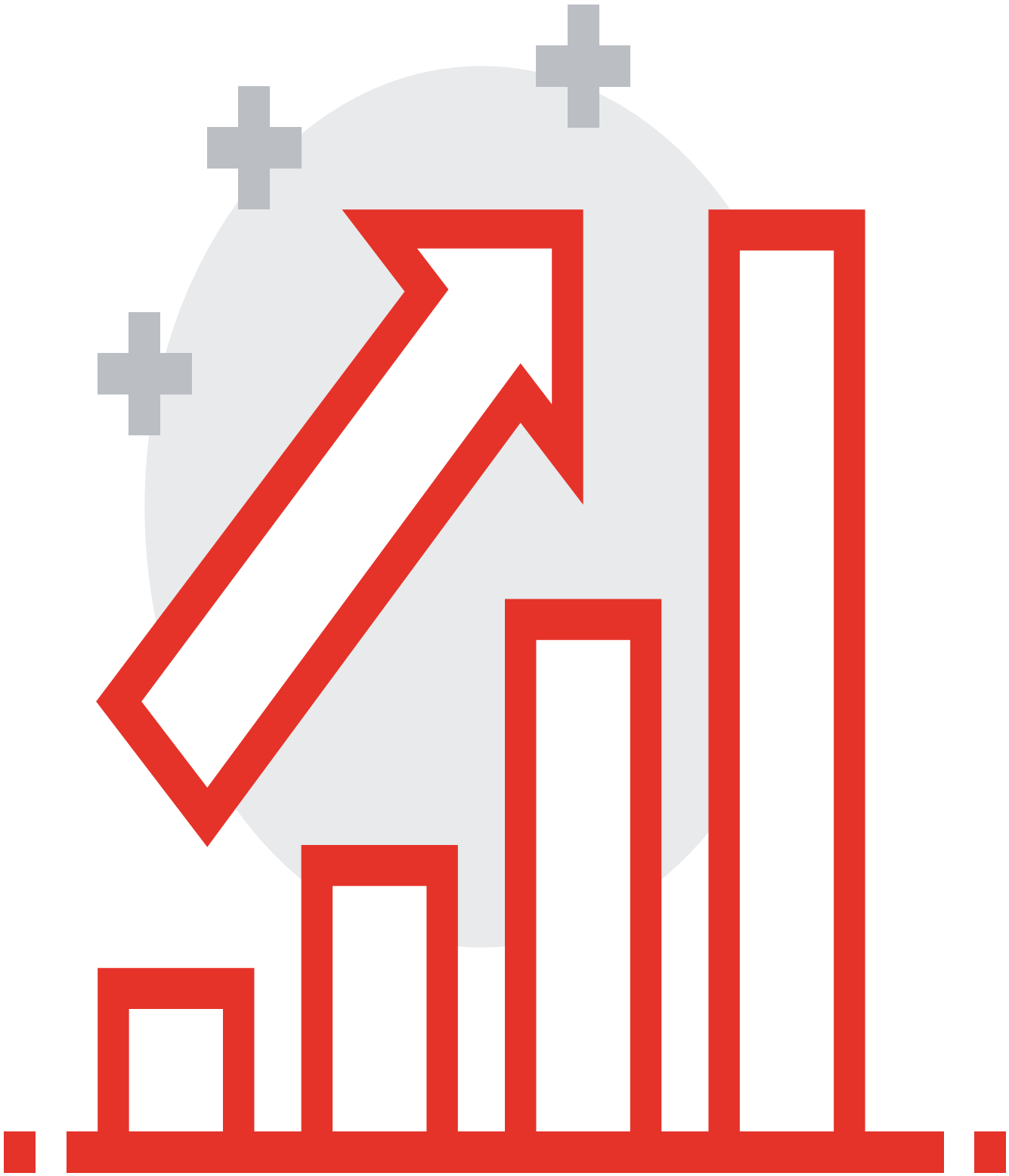
Reduced dynamism in the large-value payment system

The CUD activity decreased compared to the previous year as a result of lower government deposits with the Banrep. This was partially offset by growth in monetary expansion repos and retail-value payments (electronic funds transfers, checks, and cards).



Increased dynamism in the financial market infrastructures

Higher amounts cleared and settled by the Central Securities Depository (DCV in Spanish) due to an increase in the public debt money market. Increase in operations managed in the Central Counterparty Risk of Colombia S.A. (CRCC) due to the inclusion of the foreign exchange segment and the positive evolution of peso/dollar non-deliverable forward contracts.



Increased confidence in the peso/dollar spot foreign exchange market due to the CRC's interposition

The number and value of operations increased due to the adjustment of the risk management model for the foreign exchange segment and the increase in the limit on net selling dollar positions.



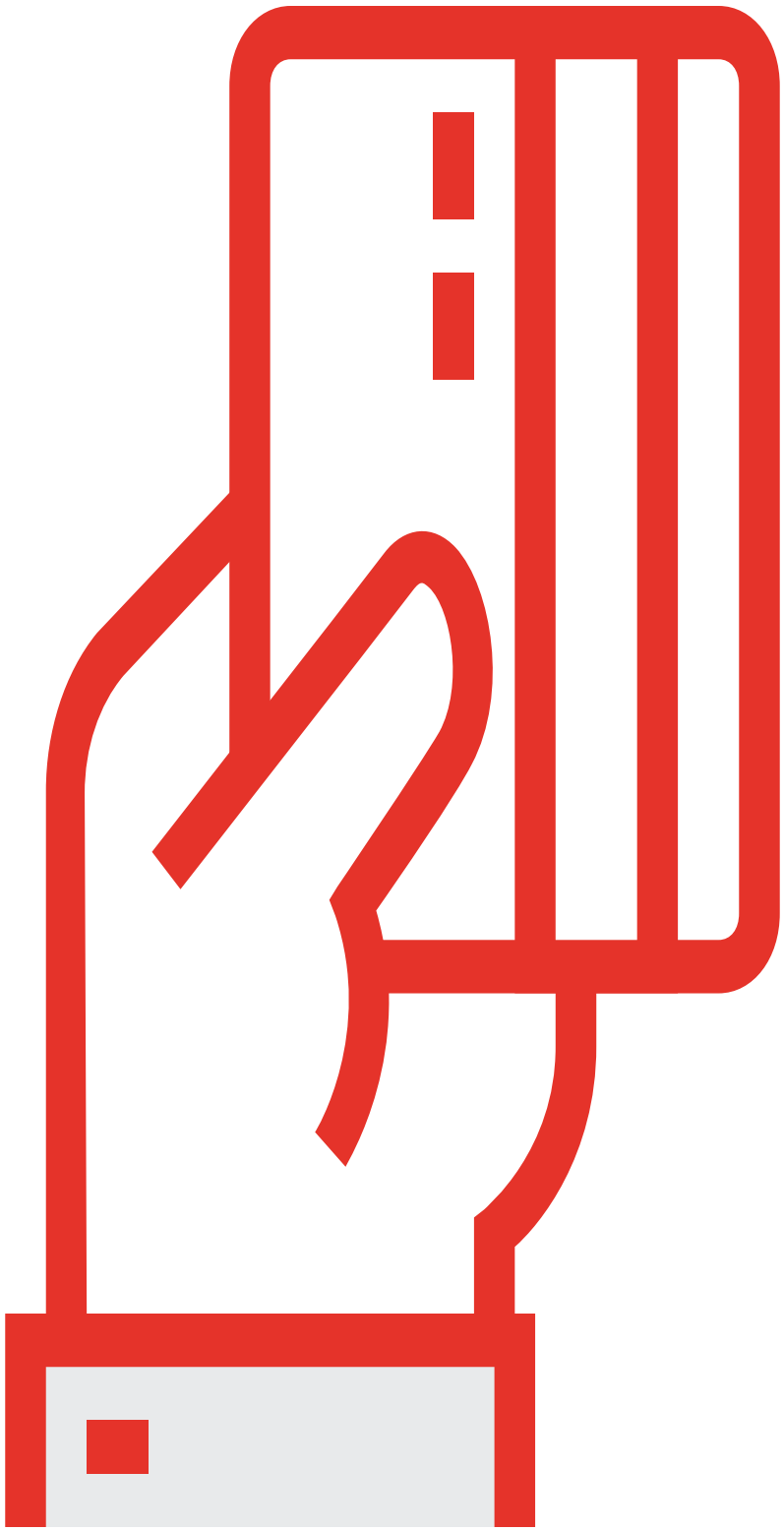
Stress testing to international standards to validate CRCC and CUD resilience

Through stress tests made independently by the SFC, Banrep, and the CRCC, similar to those conducted in England and the United States, it was concluded that the CRCC's risk management model allows it to withstand extreme market events and simultaneous defaults of its main members.
Based on the experience of other Central Banks, Banrep strengthened its intraday liquidity risk stress tests in the CUD by incorporating temporary payment delays. It was quantified that a two-hour delay of a key participant increases the liquidity needs of the system by 0.5%



Electronic payments increased during 2021

According to transactional information, all the electronic payments instruments showed an increase in value compared to 2020 (electronic funds transfers, checks, and debit and credit cards). Electronic funds transfers continued to grow (80% originated by legal persons), with an outstanding participation of closed schemes driven by the use of mobile wallets (35% of the number of intra-transfer transactions). The use of debit and credit cards for payments reached similar levels to those reached in the pre-pandemic year.



Cash continues to be the instrument most used for regular payments

With the results of the survey applied by Banrep in 2022, the perception of its use decreased significantly to 75% (87% in 2019), and for about 50% of the population, cash payments are lower than before the pandemic. The second most used instrument was the electronic funds transfer, which increased to 15% (3.0% in 2019). Also, for merchants, cash was the preferred instrument for its customers. However, several trade channels received more than 10% of their sales in electronic payments (hypermarkets 35%, gas stations 25%, hairdressers 15%, drugstores 14%, and restaurants 12%).



Constant technological developments have expanded and modernized the offerings in the payments market.

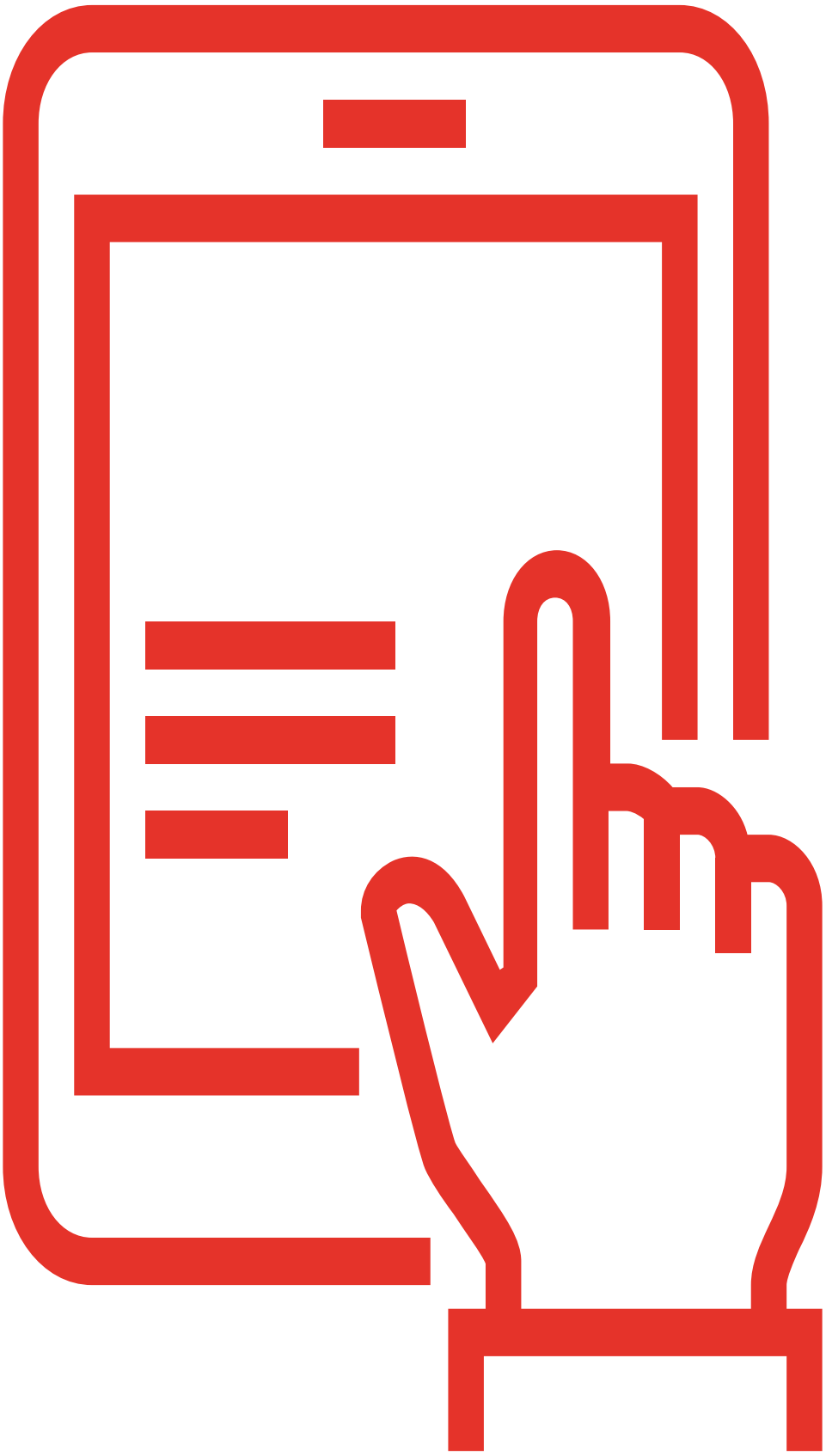
- **Pix (instant payments in Brazil).** The high level of adoption of instant transfers in Brazil prompted a review of its successes: the possibility of different use cases between individuals, businesses, and government; high participation of financial and payment institutions; free of charge for natural persons and the possibility of charging legal persons; and a simple user experience, among the highlights.


pix
powered by Banco Central

- **Digital currencies in central banking.** Several groups of countries have joined forces to conduct wholesale CBDC pilots for cross-border payments. By reducing the costs and increasing their speed, the flows generated by foreign trade, foreign investment, and the sending of remittances between individuals can be processed more efficiently, transparently, and securely. Due to the continuous progress on the issue, Banrep will continue to monitor all CBDC related matters.

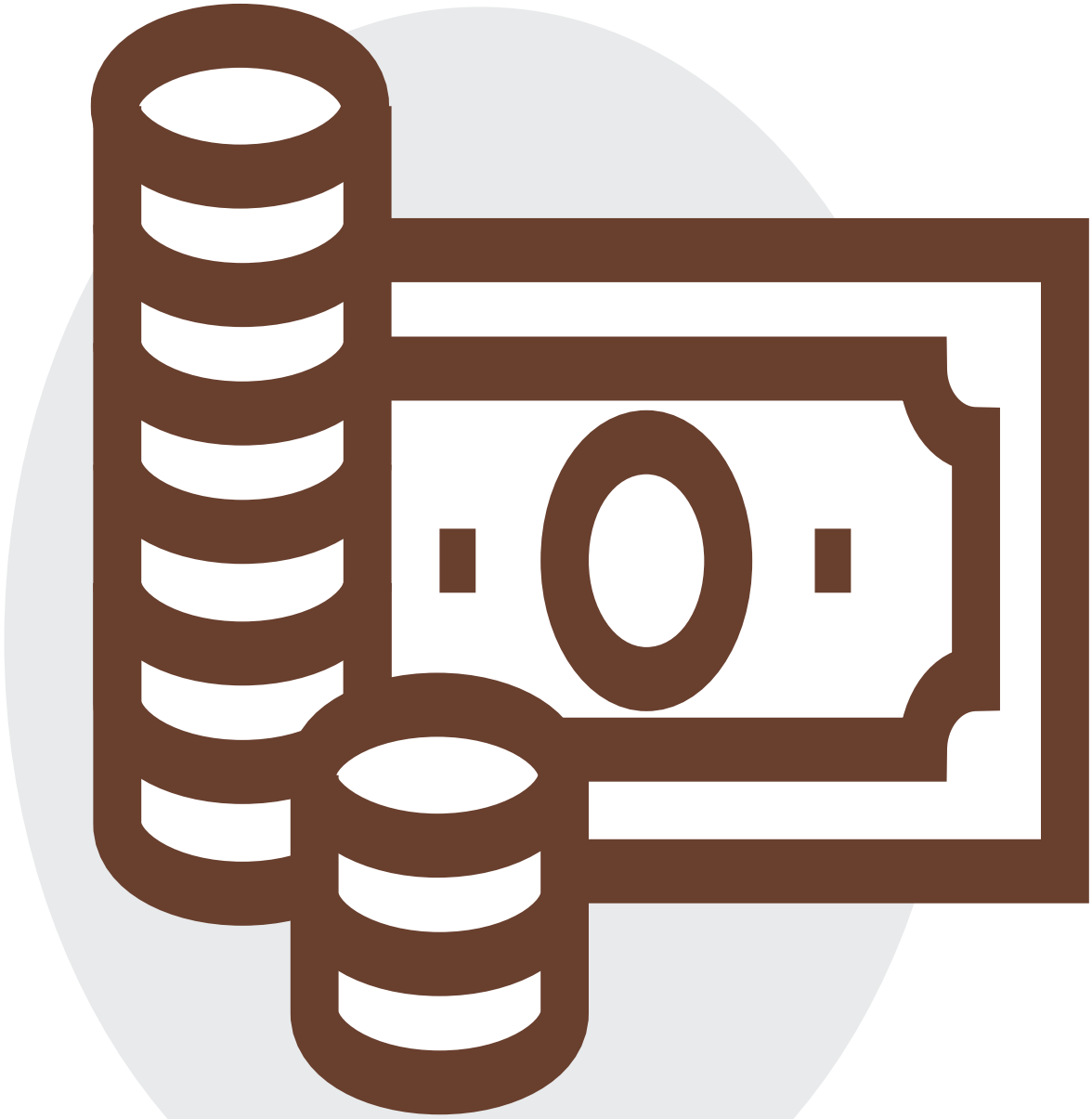
CBDC

- **The fintech ecosystem for payments in Colombia.** A high percentage of existing fintech businesses in the country are engaged in offering digital payment services: wallets, payment gateways, mobile devices (point-of-sale terminals) and acquiring. These have driven innovation in payment services.

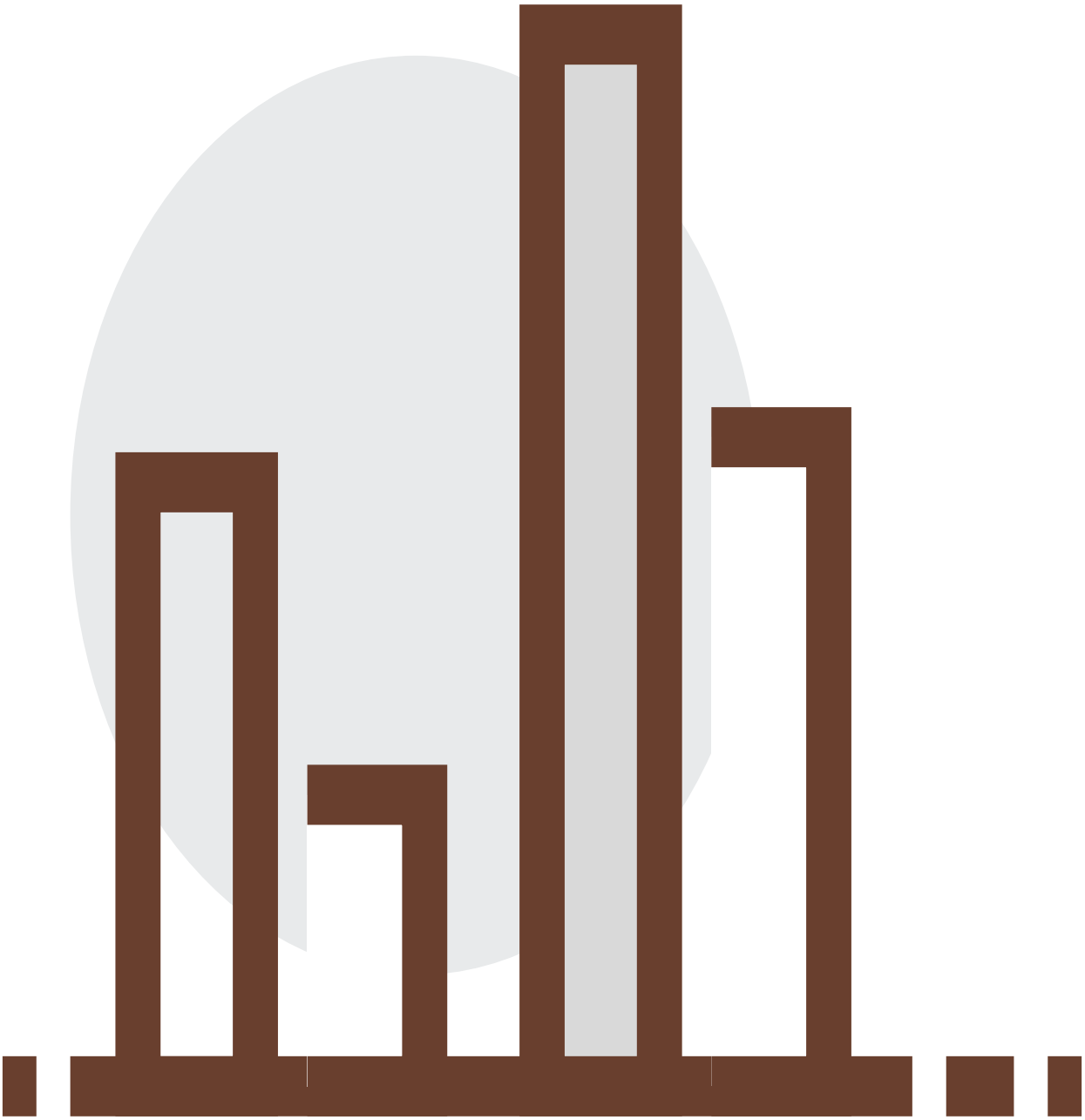


Key numbers, 2022
(In 2021 daily average and annual change, percentage)

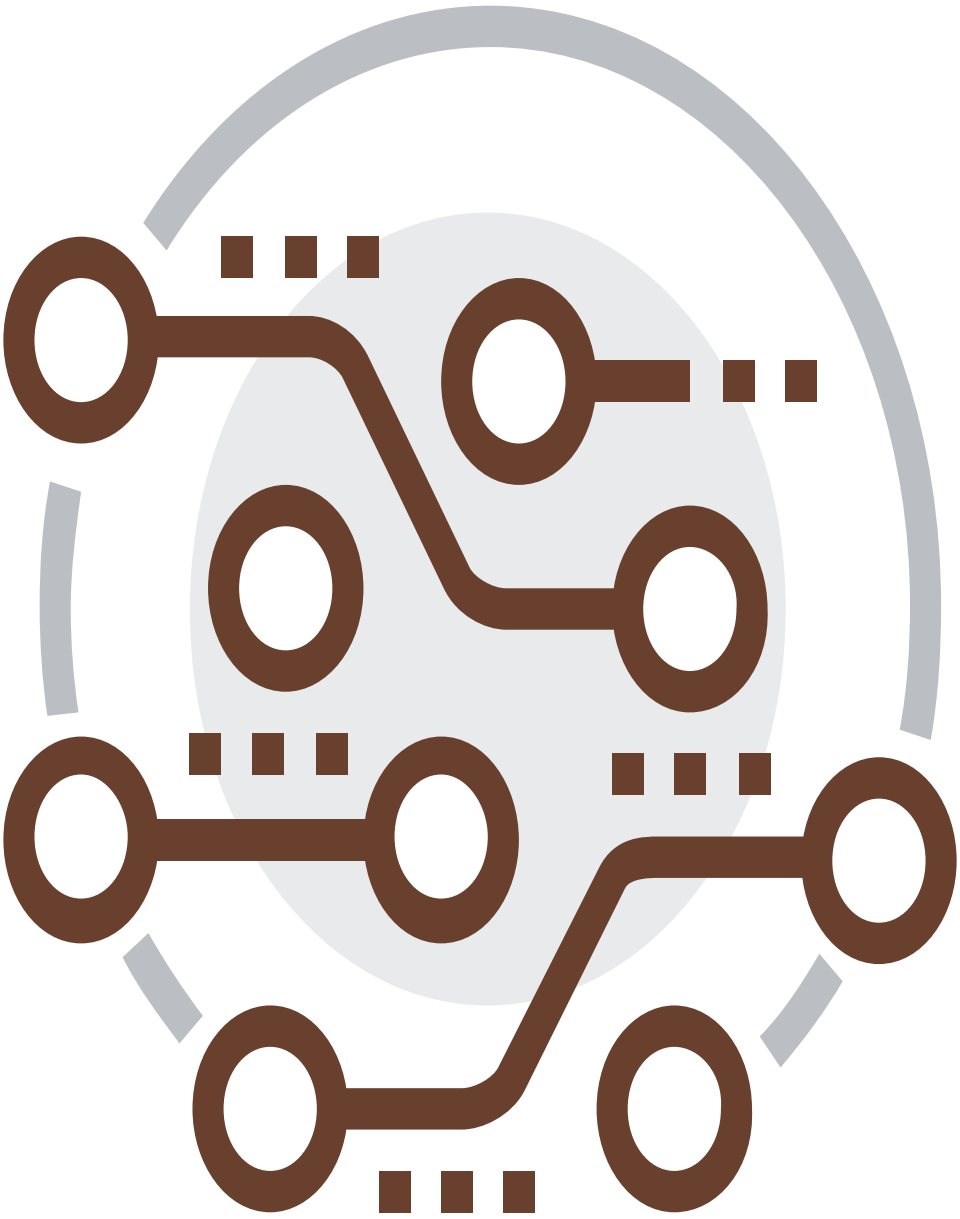
By infrastructure



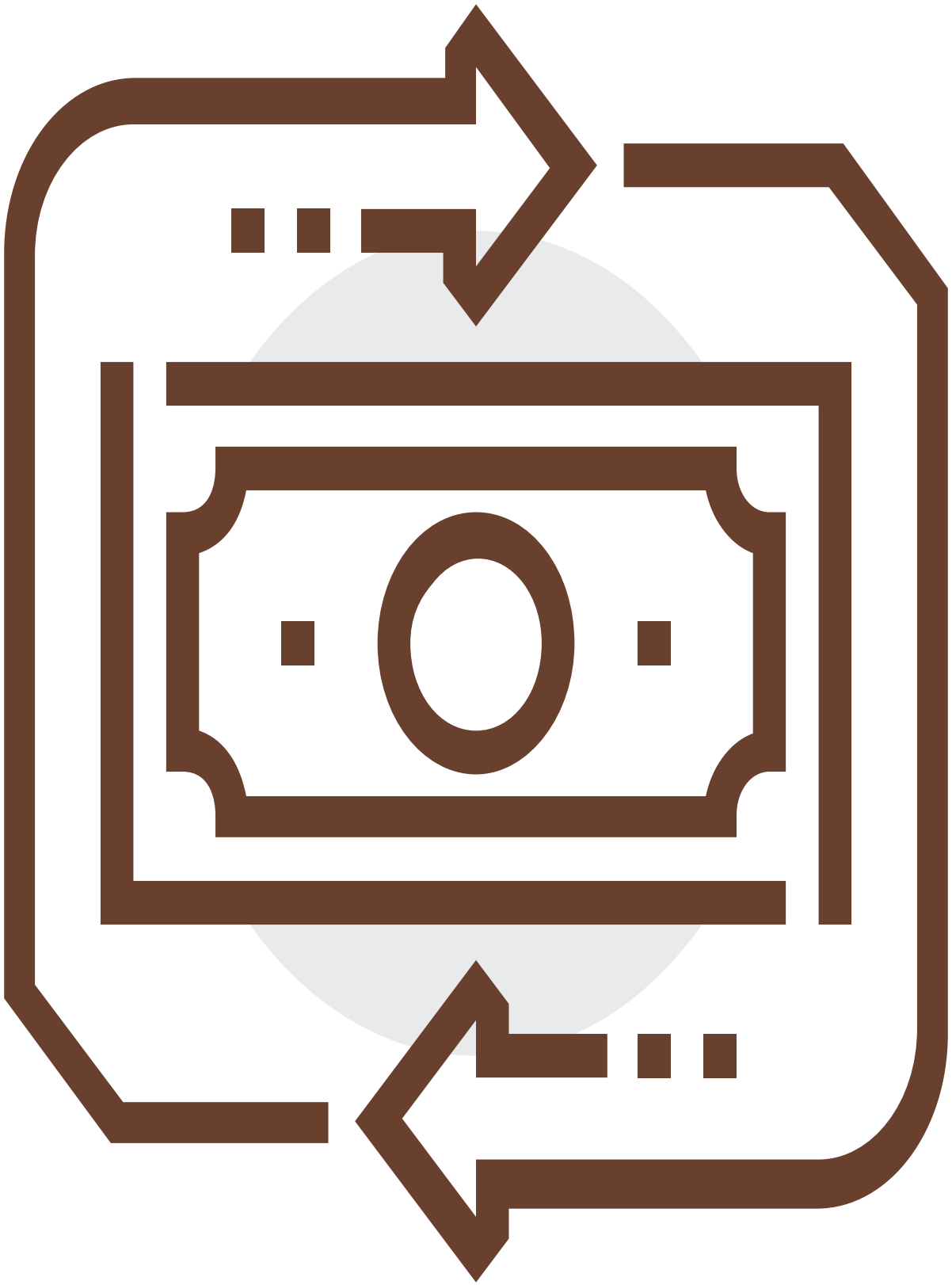
Transactions settled in the CUD	Value	Number	**COP 53.3 b (-4%)**	**6,188 (-5%)**



Payments in financial marketsValueNumberDCV COP 34.4 b (28%)2,150 (3%)CRCC COP 15.7 b (264%)5,814 (186%)Deceval COP 2.6 b (-20%)6,853 (-1%)**COP 52.7 b (45%)14,817 (34%)**



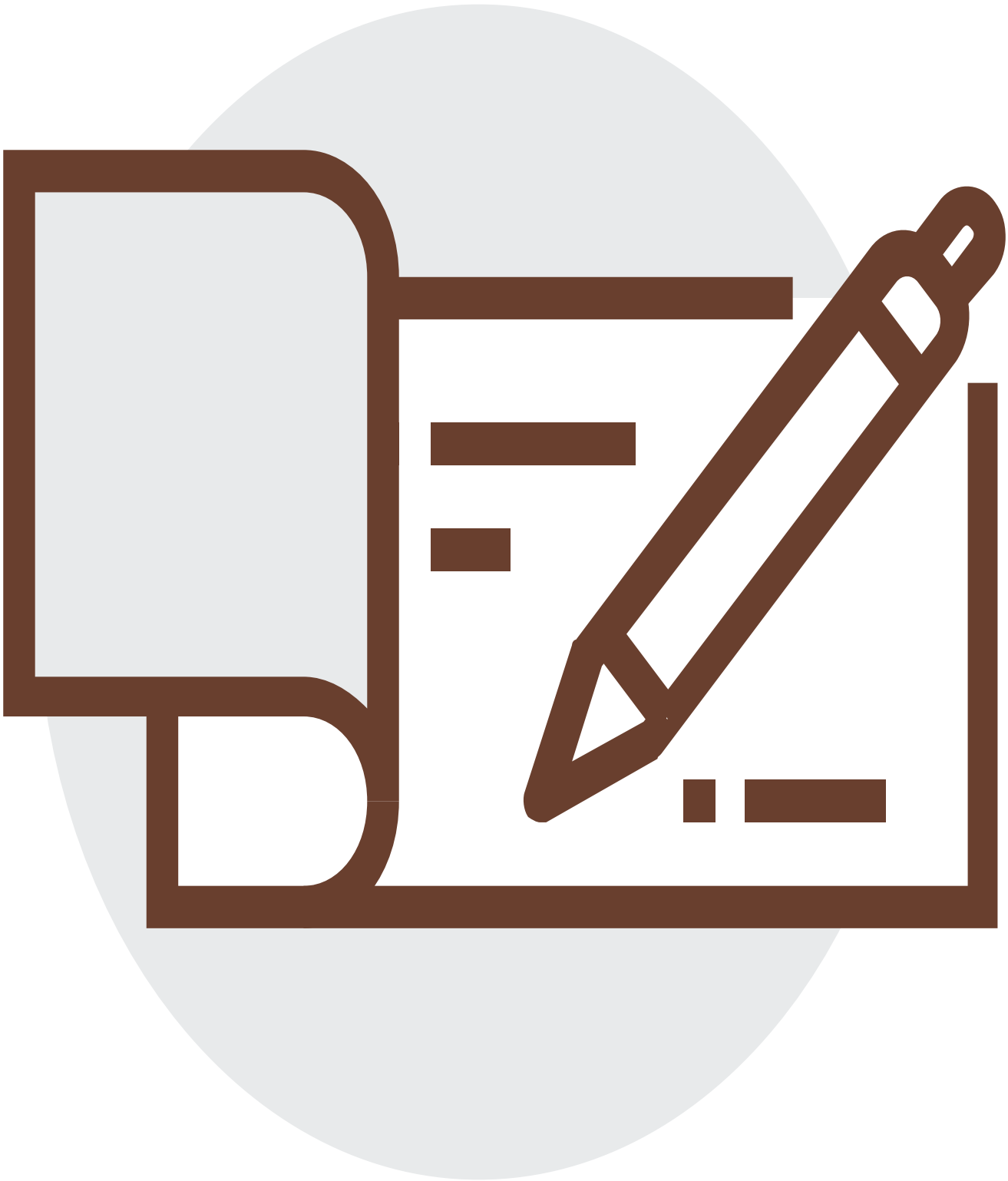
Retail paymentsValueNumberACH Colombia COP 5.6 b (23%)1.2 m (15%)ACH Cenit COP 1.1 b (14%)66,225 (186%)Cedec COP 0.6 b (27%)22,819 (-1%)Card and ATM Networks COP 0.6 (20%)5.5 m (36%)**COP 8 b (22%)6.8 m (31%)**By instrument



TransfersValueNumberIntra COP 13.5 b (2%)3.3 m (62%)Inter COP 6.7 b (21%)1.3 m(16%)**COP 20.3 b(7%) 4.6 m (46%)**



Card transactionsValueNumberDebit COP 845 mm (18%)3.2 m (19%)Credit COP 198 mm (26%)0.8 m (21%)
COP 1 b (19%)4 m (20%)



Check transactionsValueNumberIntra COP 230 mm (18%)13,070 (-21%)Inter COP 621 mm (27%)22,819 (3%)
COP 851 mm (25%)35,888 (-7%)

Fuente: https://www.banrep.gov.co/en/publications/financial-infrastructure-report/2022