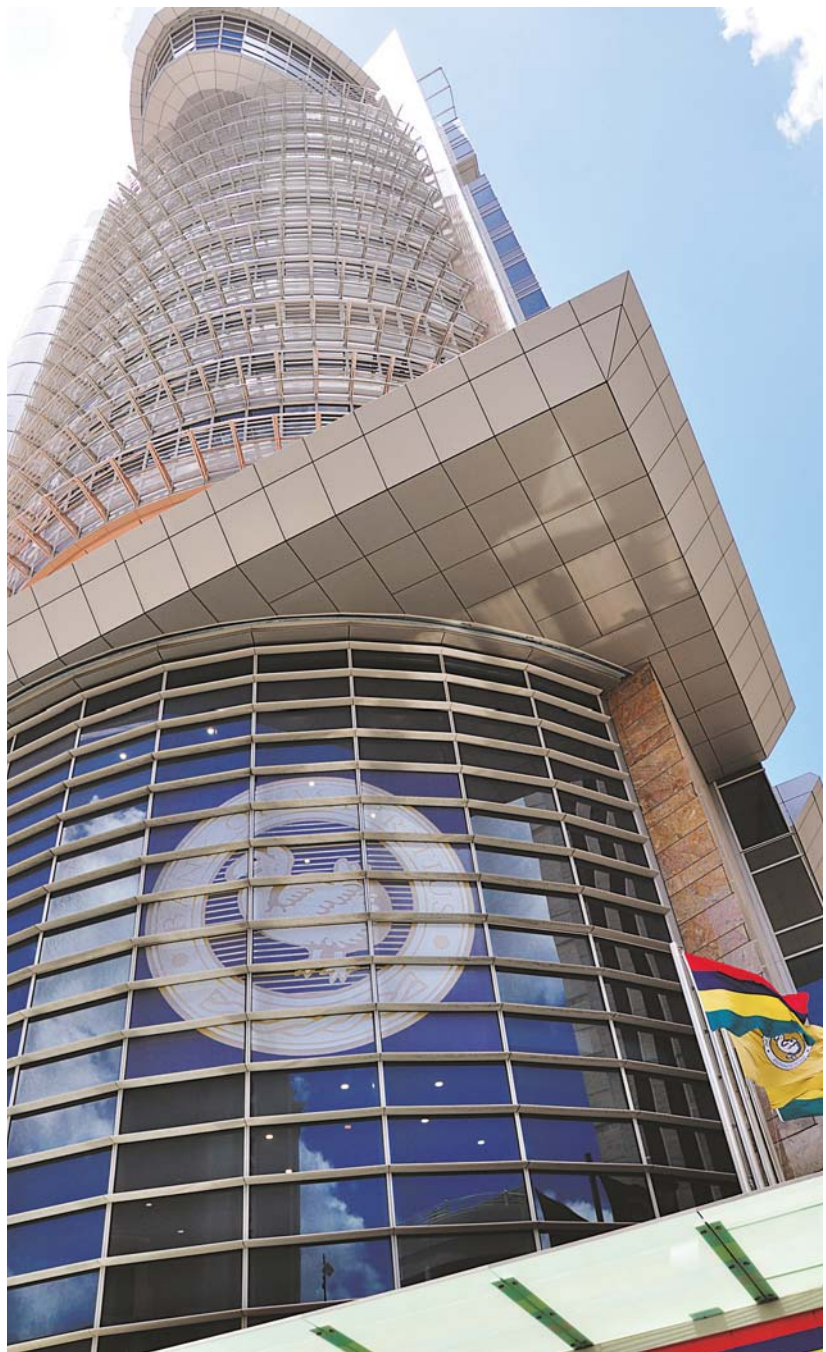
A new era for retail banking

Leading players in the retail banking industry share their views on the implications of the National Payment Systems Act 2018, which sets the framework for a National Payment Switch and an Instant Payment System which aim to bring the Mauritian retail banking system into the digital era



The retail banking landscape in Mauritius is set to move into a new era, further to the adoption of the National Payment Systems Act 2018, which creates a new framework for the regulation, oversight and supervision of national payment systems.

The much-anticipated legislation was adopted in the National Assembly in Mauritius on 21 November 2018, further to consultations with the industry and the public, and entered into operation on 31 January 2019. During the passage of the legislation, the Hon. Prime Minister and Finance Minister of Mauritius, Pravind Kumar Jugnauth MP, said that he was confident that the Bill would be a "game changer" and that it would "allow for greater competition in the provision of payment services, attract more investors, boost financial innovation, expand payment activities and thus contribute positively to growth and allow us to progress more rapidly towards our ambition of developing our country into a FinTech hub for the region."

The Hon. Prime Minister and Finance Minister commented that "sound payment systems are important to secure the stability of the financial sector, maintain low transaction costs and promote efficient use of financial resources, amongst others". He also explained that the legislation would provide for the licensing of new operators which would "especially benefit consumers by significantly reducing the cost of payment transactions", which could include FinTech firms, and that all payment system operators in the domestic market in Mauritius would be brought under the purview of the Bank of Mauritius.

Towards more effective methods of digital payments

So why does Mauritius need a new National Payment System and what are the problems it is seeking to resolve? Stephanie Ng Tseung, Head of Cards at MCB, comments that "The National Payment System project, under the supervision of the Bank of

Mauritius, makes provision for two payment systems: a National Payment Switch to cater for card-based payments and an Instant Payment System geared for instant account to account payments across any participants of the IPS. Retail payments in Mauritius are still predominantly done in cash and the National Payment System aims to provide the country with the adequate infrastructure to convert cash into more effective methods of digital payments."

Saleem Ulhaq, COO of Bank One, elaborates that the National Payment Switch (named as the Mauritius Central Automated Switch (MAUCAS)) is being implemented by the Bank of Mauritius with all commercial banks as participants to the project. He describes the National Payment Switch as a "platform through which interbank transfers transit before being credited onto the receiving party's account. The main advantage of a switch is that it connects all banks onto a single platform and this is the foundation which allow banks to transfer money instantly from one bank account to another".

Furthermore, Mr Ulhaq notes that the National Payment Switch is a secure platform which aims to support the growth in e-commerce activities. "It reflects the increased use of internet and mobile payments as well as the rise of new technological developments and a trend towards customers having relationships with multiple account providers. This will make internet and mobile payments easier while helping customers to manage their accounts and make better comparison of service quality. The ultimate aim is to facilitate the transition towards a cashless society," he underlines.

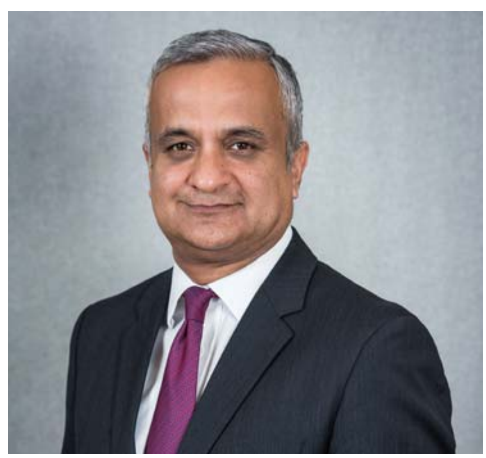
Introducing new benefits

The Bank of Mauritius has stated that the National Payment Switch will lead to a number of benefits. Speaking to an MCCI awareness session in April 2019, Mr Dhanesswurnath Thakoor, Assistant Director, Payment Systems & MCIB, stated that the National Payment Switch would introduce common state of the art technology, act as a direct interface with the clearing system of the Bank of Mauritius, reducing concomitant floats, and would also provide a unified interface to international payment networks.

In terms of pricing, Mr Thakoor explained that the National Payment Switch would lead to differential pricing for debit and credit cards. He said that there would be a standardised fee structure, with standardised operating rules set by the Bank of Mauritius. Furthermore, he stated that the National Payment Switch would reduce infrastructure acquisition, ownership or participation costs for all players, and it would lead to a reduction in merchant fees and Point-of-Sale (POS) installation costs.

A new phase for retail banking

MauBank, which was one of the first banks to pilot the new system, anticipates that under the National Payment Switch merchants will see a reduction in commissions paid, that the implementation of a national card will lead to the elimination of commissions to international card schemes, and that there will be low cost sharing of ATMs so that fees paid by customers for cash withdrawals at ATMs of banks other than their own will be reduced. MauBank considers that "ultimately the reduction of associated commissions on card transactions will be to the benefit of the customer". In addition, MauBank notes that the Bank of Mauritius will be using the National Payment System for a quicker transfer of funds between banks and will also bring in new payment types.



> "Banks will be required to develop the interface to the system"
>
> Saleem Ulhaq, COO, Bank One

In terms of the impact on operations, Stephanie Ng Tseung highlights that the main changes that the National Payment Switch will bring will impact the back end of the payment flow. She explains: "Today when a card from bank A is accepted on a point of sale terminal of bank B, this local transaction is switched via the international networks such as VISA