



Interoperability in the Mexican payments market: the role of
Banco de Mexico, April 19 2017

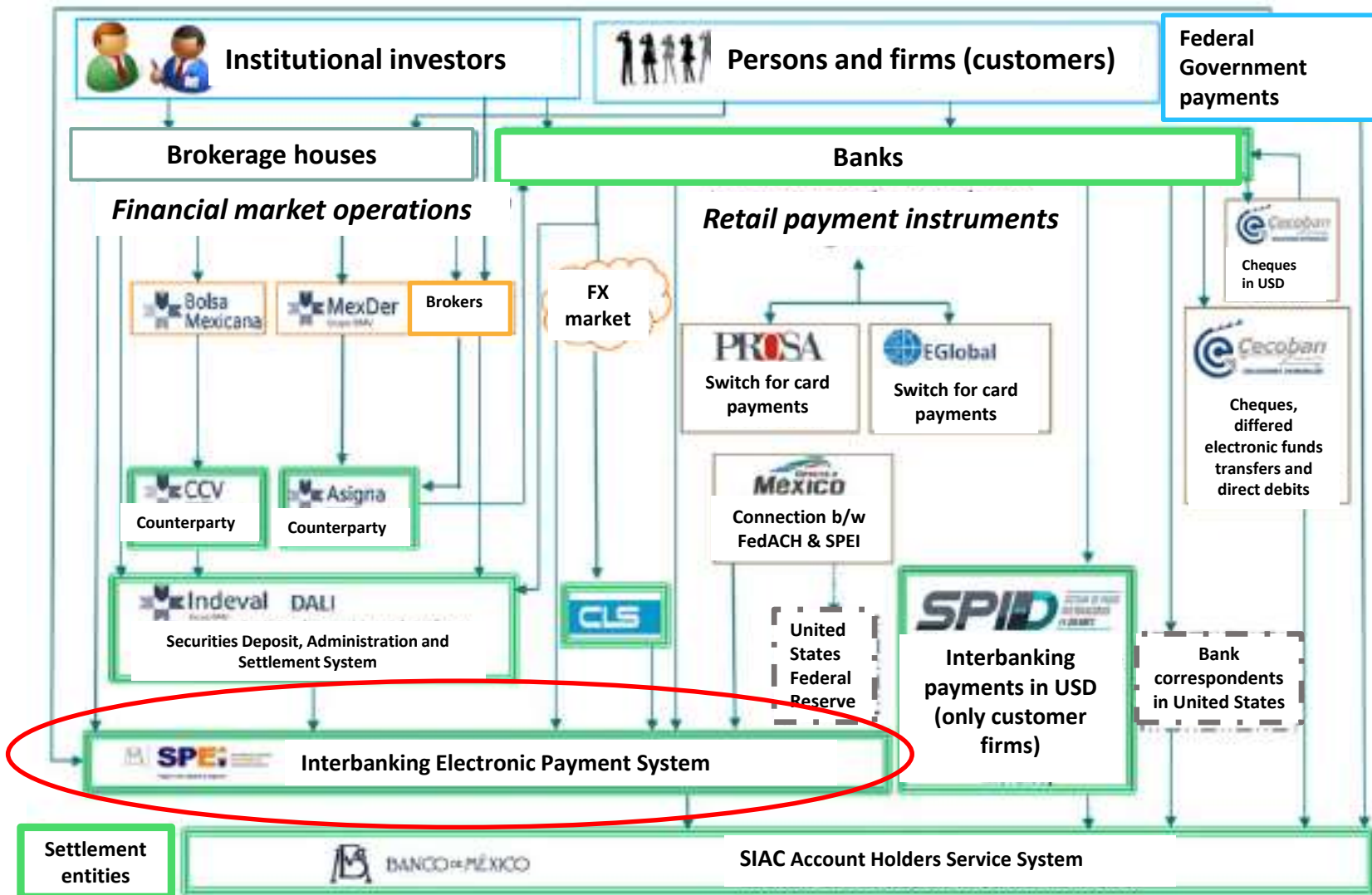


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Mandates of Banxico regarding financial market infrastructures

- The Committee of Payments and Market Infrastructures (CPMI) defines a financial market infrastructure as a multilateral system among participating financial entities, including the system's operator, used to compensate, settle or register payments, securities, derivatives or other financial transactions.
- The Law of Banco de México mandates the central bank to provide the economy with currency, while preserving its purchasing power, as well as **to promote the healthy development of the financial system and to propitiate payment systems' well-functioning** (Article 2 of Banco the México Law).
- These mandates orient the general policies of Banco de México (Banxico), in regards to its functions as regulator, supervisor, user and operator of financial market infrastructures.

Payment systems and financial market infrastructures in Mexico



- **Payment systems (PS):** SPEI, SIAC, Cecoban (interbank cheques, differed electronic funds transfers and direct debit), Prosa and E-global (payment cards) systems, **Transfer (mobile payments)**
- **Central securities depositories (CSD):** Indeval
- **Securities' settlement systems (SSS):** DALI
- **Central counterparties:** CCV (securities), Asigna (derivatives)
- **Trade repositories (TRs):** ???
- **Cross border and FX payment systems:** Directo a México, SPID.

Interbanking Electronic Payment System (SPEI) as an example of some recommendations of the ITU-T Focus Group DFS in practice

- **SPEI is Mexico's principal payment system.** It started operations in August 13, 2004.
- Banxico owns, administers and operates SPEI, with the objective that settlement of electronic payment orders from its participants and customers is timely, efficient, safe and cheap, by means of:
 - **Processing electronic payment orders almost in real time.** (It runs a process frequently, every 3 seconds or 300 accumulated payment orders, to decide which **payments can be settled with the participant's balances** held at that moment).
 - **Avoiding either credit or liquidity risks.** (If a payment cannot be settled due to a sender's lack of liquidity, the payment is held in queue until the next cycle in the process. **Participants are not allowed to incur overdrafts** in their accounts, so the central bank does not grant credit. Pending payments are canceled at the end of the day. Afterwards, the SPEI account balances are transferred to the corresponding accounts in the SIAC system.)
 - **Offering a high quality service for participants and users, with adequate measures for business continuity and risk management.** (SPEI's **STP** reduces risks from manual operations. It uses an **open protocol** that allows participants to develop automatic processes. Safety is based on **digitally signed messages**, using the **Public Key Infrastructure** developed by Banco de México. Participant banks must send customers payment orders to recipient banks within 30 seconds after an order is made. Recipient banks must credit payments to their customers within 30 seconds after a payment is received.)
 - **Easing the provision of services and information about payment orders to customers.** (Participants can make transfers among themselves on behalf of themselves or their customers. Each payment order contains information allowing identification of the sender client and the client to whom the payment should be credited.)

Participation in SPEI

Rules

- Initially, only banks participated directly in SPEI. But due to SPEI's operation, technical and risk management characteristics, Banxico allowed the participation of other regulated financial Institutions (such as pension fund management firms, brokerage firms, foreign exchange firms, and insurance companies) on August 2006. Some non-financial entities authorized by Banxico also participate in SPEI.
- Persons and firms use their bank accounts to transfer funds through SPEI.
- Banks offer SPEI to customers through many channels (internet banking, mobile apps, or branch).
- Participants can transfer funds to any customer of any other system participant.

Pricing scheme

- Prices aim to cover the full costs of developing, maintaining and operating SPEI.
- Prices charged by Banxico to participants reflect marginal processing costs, to incentivize among participants an efficient use of SPEI and reduce entry barriers. Specifically, Banxico sets a yearly fixed fee per participant based on SPEI's costs and a monthly variable fee based on the participant's number of payment orders sent to CLS, SIAC or DALI, of returned payments and of information requests. There are no fees per transaction.
- In regards to charges from participants to customers, regulation forbids charges for receiving payments, but allows free pricing for sending payments. **Banks must register all their customer fees at Banxico.**

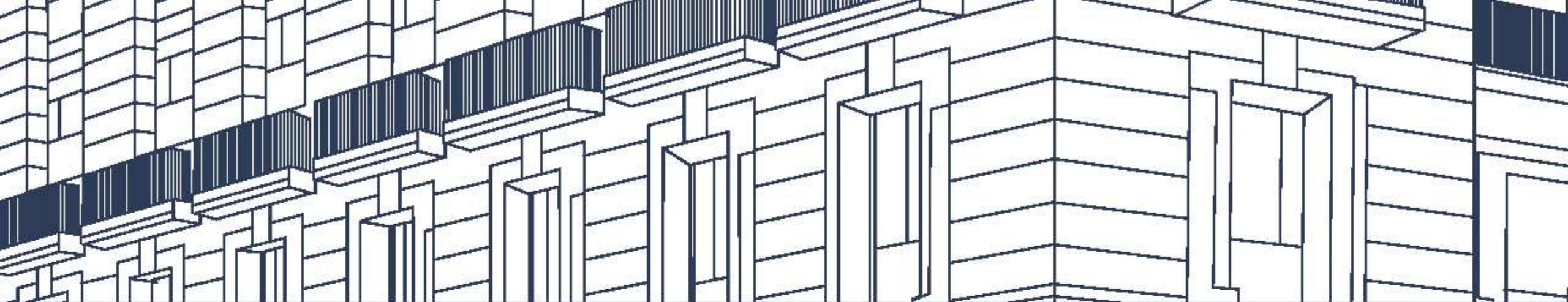
SPEI's interoperability with other FMI and roles of Banxico in the system

Relation of SPEI with other FMI

- SPEI's participants can transfer funds between their SPEI current account and their SIAC and DALI current accounts anytime within these infrastructure's operating hours.
- DALI is a SPEI participant. Its account balance is equal to the sum of cash balances of DALI's participants. This structure improves safety and efficiency features of settlement in DALI.
- The MXN denominated leg of FX operations are settled in SPEI (CLS).
- SPEI and FedACH connect in the provision of retail cross border payments (Directo a Mexico)
- Clearing houses for funds transfers through mobile phones authorized by Banxico (Transfer) must operate in SPEI, to promote interoperability among those schemes and the banking system.

Roles of Banxico in SPEI

- Banxico's main roles are as **operator, regulator and supervisor**.
- But it **also plays a user role**, since it sends through SPEI its own payroll and provision payments and those from TESOFE, as financial agent of the federal government.



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