



Governors Remarks, At The Bahamas Digital Payments Expo

British Colonial Hotel
26 September 2024

Good evening.

As many of you know this is the third expo that has been held under the Live Digital Campaign. This is the outreach and public education part of a broader initiative to improve the Bahamian payments system and access to financial services. In August, our campaign engaged with the business communities in Central Eleuthera and North Andros.

In 2021, the Central Bank announced that it was working with the commercial banks to discontinue the use of cheques, on a timeline that would have taken us through the end of 2024. While this effort was suspended, the broader initiatives, which we highlighted even then for payments system modernisation and financial inclusion, remain relevant.

Coming out of the very public focus on cheques, the Central Bank established a Steering Committee, to assemble broad input on public concerns about payments and the ease of banking, and to focus on crafting substantive responses to such concerns. This collaboration enlists the commercial banks, credit unions, digital payments providers; and a cross-section of others including the Ministry of Finance, the Bahamas Insurance Association, the Bahamas Real Estate Association, the Bahamas Institute of Chartered Accountants, Civil Society Bahamas and of course the Bahamas Chamber of Commerce and Employers Confederation. While, it was not the start of our focus on payments, it fine-tuned our efforts, in keeping with the historical emphasis in the Central Bank's Strategic Plan.

The Central Bank has put forth that using digital channels to supply Bahamian financial services is necessary to make access more equitable, given the very sparse and spread out nature of our population, especially in the Family Islands. Only the digital approach will ensure that even the most remote settlements can experience the same quality and level of access to banking and financial services as those who live on New Providence.

That said, more inclusive access through digital channels also matters for the efficiency of transactions and operations of individuals and businesses in New Providence and other more developed parts of The Bahamas. We also have the potential to boost the returns from tourism, if visitors could pay digitally for more of the products and services offered by small businesses.

From a resiliency point of view, digitally enabled platforms outfit our financial services to recover swiftly and more effortlessly, in the aftermath of devastating hurricanes, like Dorian in Grand Bahama and Abaco, and Joaquin, in the case of Acklins, Crooked Island and Long Island.

Let me disappoint you and say now cash will not disappear from use—perhaps not even in the next hundred years. It is not the Central Bank's intention to promote such an outcome either. However, over-reliance on cash, especially in the Family Islands is a serious vulnerability; and the playing field is not level unless every business and individual have a genuine opportunity to adopt digital alternatives.

While we are focused on public education to encourage, faster adoption and increase use of digital channels, we also recognise that we have to be accountable to make measurable improvements to the system.

So, what are we doing about this?

First, we are looking to improve the quality of the experience with payments. This will include a very important transition of The Bahamas to a real-time, fast payments system over the next two to three years; integrated fully with the SandDollar and other existing infrastructure. It would settle retail payments instantly, both between digital wallets and deposit accounts. The Central Bank is insisting that credit unions upgrade their capabilities to function on such a platform alongside banks and digital wallet providers. This framework would also impose more discipline among our digital wallet providers, because a single QR code standard would have to apply for all scan-to-pay transactions. We expect to make good progress for fast payments, between now and the end of 2025.

Next, it is necessary to improve the ease of establishing business accounts--which may lead to new regulations, keeping in mind that from a risk-based point of view the process still has to be compliant with anti-money laundering and related standards. In the context of the SandDollar rollout, the Central Bank has already identified some simplification that would allow small businesses to open merchant accounts, by just satisfying the personal due diligence requirements for the proprietors at the on-boarding stage. Our next effort is to explore how new anti-money laundering compliant rules could allow an even wider range of business accounts to be established speedily.

For financial inclusion, the Central Bank has already begun work towards the requirements for a basic bank account for individuals, which would restrict fees on those accounts. This would empower all persons to be able to afford and maintain banking accounts. However, it is being proposed that only lower income earning individuals would qualify for these accounts, based on defined limits on the value and volume of transactions through such accounts.

Next, we are exploring what regulations would be applicable on the standards for checking services that continue to be provided. This would touch on the transparency rules, and

standards that should govern how instruments may be presented for cash or deposit at any bank.

We are also looking at how to develop an agency-banking framework, which particularly would augment the Family Island payments and banking and experience. On an interim basis, entities wishing to immediately provide agency services are encouraged to obtain a money transmission or payment services provider license. An important governing principle for agency arrangements would be that operators should be able to provide their services to multiple banks or credit unions at once.

The Central Bank has also started to develop a regulatory framework, to give greater ease access of Fintech firms to develop software and platforms on which financial services can be supplied. This is a pretext, eventually, to open banking standards.

There are other defined work areas both inside the Cheque Reduction Steering Committee and within the Central Bank that will be publicised in the months ahead, including some with a strong consumer financial protection and market conduct emphasis, and some with a focus on how banks might continue to work to improve general customer service experience, even given a shift to digital channels.

Admittedly, the infrastructure over which digital service services are provided will also need to improve. In this regard, the Central Bank continue to formulate input that could guide government policy. One aspect of this we believe will be to guarantee basic access to data services for individuals who need to conduct payments and financial transactions on their computers, tablets and smart phones. This, in addition to any continued progress that could be made to invest in a better infrastructure.

With these thoughts in mind, I would like to thank our stakeholders and everyone present for attending this evening event. I hope that it helps to enrich the conversations that we have already started around digitalization, while continuing to highlight how we work to improve the Bahamian financial services infrastructure. Be assured that we will be very transparent, consultative and engaged as we continue these initiatives.

Thank you.