

**POLICY RECOMMENDATIONS OF
THE 5TH MEETING OF THE COMCEC FINANCIAL COOPERATION
WORKING GROUP**

The COMCEC Financial Cooperation Working Group (FCWG) successfully held its 5th Meeting on October 15th, 2015 in Ankara / Turkey with the theme of “Retail Payment Systems in the OIC Member Countries”. During the Meeting, the participants discussed some crucial policy issues in light of the main findings of the research report prepared specifically for the Meeting and the responses of the Member Countries to the policy questions that were sent by the CCO in advance of the Meeting. Accordingly, the working group has come up with the policy advices below.

The Member States of the FCWG are kindly invited to convey their views and observations on this document to the COMCEC Coordination Office by November 10th, 2015. Any comments received after this date will not be able to be incorporated into the Document. After incorporating the Member Countries’ contributions, this document will be submitted to the 31st Session of the COMCEC to be held on 23-26th November, 2015 as an outcome of the 5th FCWG Meeting for further action.

Policy Advice 1. Increasing awareness of the benefits of modern retail payment systems through providing education on basic financial controls and prudence as well as increasing transparency in order to protect consumer rights.

Rationale:

Low financial literacy and lack of awareness in many Member Countries are major challenges that diminish the potential benefits of financial inclusion. Financial literacy is the main element that creates knowledge and demand for payment instruments. Especially for the low-paid and others who are unbanked, certain retail payment systems such as mobile and pre-paid card systems provide significant benefits. These benefits include greater security and convenience than cash payments, easier control over personal accounts, and greater mobility options. Retail payment systems can also be coordinated with credit/loan schemes, providing capital access to those who cannot avail themselves of banking services. This can bring significant benefits to small businesses and help improve living standards by enhancing financial inclusion.

Any programme to promote awareness of the benefits of modern retail payment systems need to provide education about basic financial controls and prudence. They should also instruct on the use of instruments such as checking/savings accounts, automatic teller machines (ATM), etc. Moreover, public education should include basic numeracy skills, record-keeping techniques and awareness about risks associated with overspending and debt. Moreover, all these measures and instruments increase transparency in order to help consumer rights and ease of access for the efficient use of channels.

Policy Advice 2. Exploring ways to further decrease the cost of retail payments and seeking ways for interoperability

Rationale:

Expenses incurred by consumers discourage people from using some retail payment systems when they travel among OIC Member States. Better interoperability can reduce costs to

operators as well as consumers and encourage wider use to promote financial inclusion and reduce payment risks. Good practices can be found in some Member States, such as Gambia's Gamswitch system that is country wide, web based and coordinated with the West African region. This kind of good practices can be disseminated among the member countries.

Policy Advice 3. Establishing/ maintaining OIC payment systems data collection and reporting framework

Rationale:

An integrated database system should be established to provide transparency of credit data. Governments need to focus on the fragmented, stand-alone, or non-existent credit bureaus. Standards and practices in credit data management must be developed. Credit worthiness should also be examined and, at a national level, there must be payment data available to credit bureau services.

A common reporting system is useful both for the establishment of interoperability and to assist in future policy formation. A basic framework, such as that used in the analytical study prepared for this Meeting would be the starting point to a standardized monitoring system.

Instruments to Realize the Policy Advices:

- ***COMCEC Financial Cooperation Working Group:*** In its subsequent meetings, the COMCEC Financial Cooperation Working Group may elaborate on the above mentioned policy areas in a more detailed manner.
- ***COMCEC Project Funding:*** Under the COMCEC Project Funding, the COMCEC Coordination Office calls for project each year. With the COMCEC Project Funding, the Member Countries participating in the Financial Cooperation Working Group can submit multilateral cooperation projects to be financed through grants by the COMCEC Coordination Office. For the above mentioned policy areas, the Member Countries can utilize the COMCEC Project Funding and the COMCEC Coordination Office may finance the successful projects in this regard. The projects may include seminars, training programs, study visits, exchange of experts, workshops and preparing analytical studies, needs assessments and training materials/documents, etc.
- ***Meetings of the OIC Central Banks and Monetary Authorities:*** In its next meetings, the OIC Central Banks may focus on the above mentioned policy areas.