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PAPUA NEW GUINEA'S FINANCIAL SECTOR REFORM

PRESENTATION TO CAPI WORKSHOP

4 February 2016



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Outline of Presentation

1. Financial Sector Reforms in PNG
2. Other Financial Sector Reforms
3. Purpose and Objectives of Financial Sector Reforms
4. Outcomes of Financial Sector Reforms
5. Future Reforms – Key Deliverables



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1) Financial Sector Reforms

- Start of 2000 major reforms were implemented
- Banking sector – strengthening governance of banks with prudent management standards and guidelines
- Superannuation funds – introduce voluntary superannuation and increase wider participation by the workforce (reduce employees to 10 from 15)
- Life Insurance – introduced good governance and management practice standards and guidelines
- Savings and loan societies – enhance market-oriented institutions and improved management (reduced from 100 to 21)



2) Other Financial Sector Reforms

- Exchange Control Liberalisation – ease of doing business
 - 1992, exchange contracts were broadened allowing residents to remit more abroad
 - 2004 – restrictions on (kina) lending to non-resident companies from domestic banks liberalised
 - 2005 – current account transactions
 - 2007 – capital account transactions
 - Only few controls in place
- Financial Inclusion towards the end of 2000s – further reforms striving towards financial inclusion and interconnectivity
 - Establishment of Centre of Excellence for Financial Inclusion (CEFI) to promote growth of microfinance
 - Reach out to the large non-bank population
 - Introduced financial literacy programmes to develop inclusive financial system



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Other Financial Sector Reforms (cont'd)

- Improve National Payments System – enhance efficiency of payment system
 - Introduction of New Payments System, Kina Automated Transfer Systems (KATS) - improve efficiency and safety of transactions (real time settlement for high value payments, cheque truncation, direct credits)
 - Reduce incidence of fraudulent transactions
- Anti-Money Laundering & Countering Financing of Terrorism – reduction in criminal use of financial system
 - Establishment of a unit (FASU) at the central bank to monitor, investigate and report proceeds of crime to Police
 - Passage through Parliament to enact relevant Acts
 - Criminal code amendment (money laundering and terrorism financing)
 - UN Financial sanctions
 - AML/counter terrorist financing
 - Proceeds of Crime Act



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3) Purpose and Objective of Financial Sector Reforms

- Major reforms beginning in 2000 are an important part of the structural reforms undertaken by the PNG Gov't to address serious shortcomings in the financial system
- Later reforms towards the end of 2000 relate to the need to broaden the financial sector, increase competition and improve accessibility to financial services, and to create a sound and stable financial system



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4) Outcomes of Financial Sector Reform

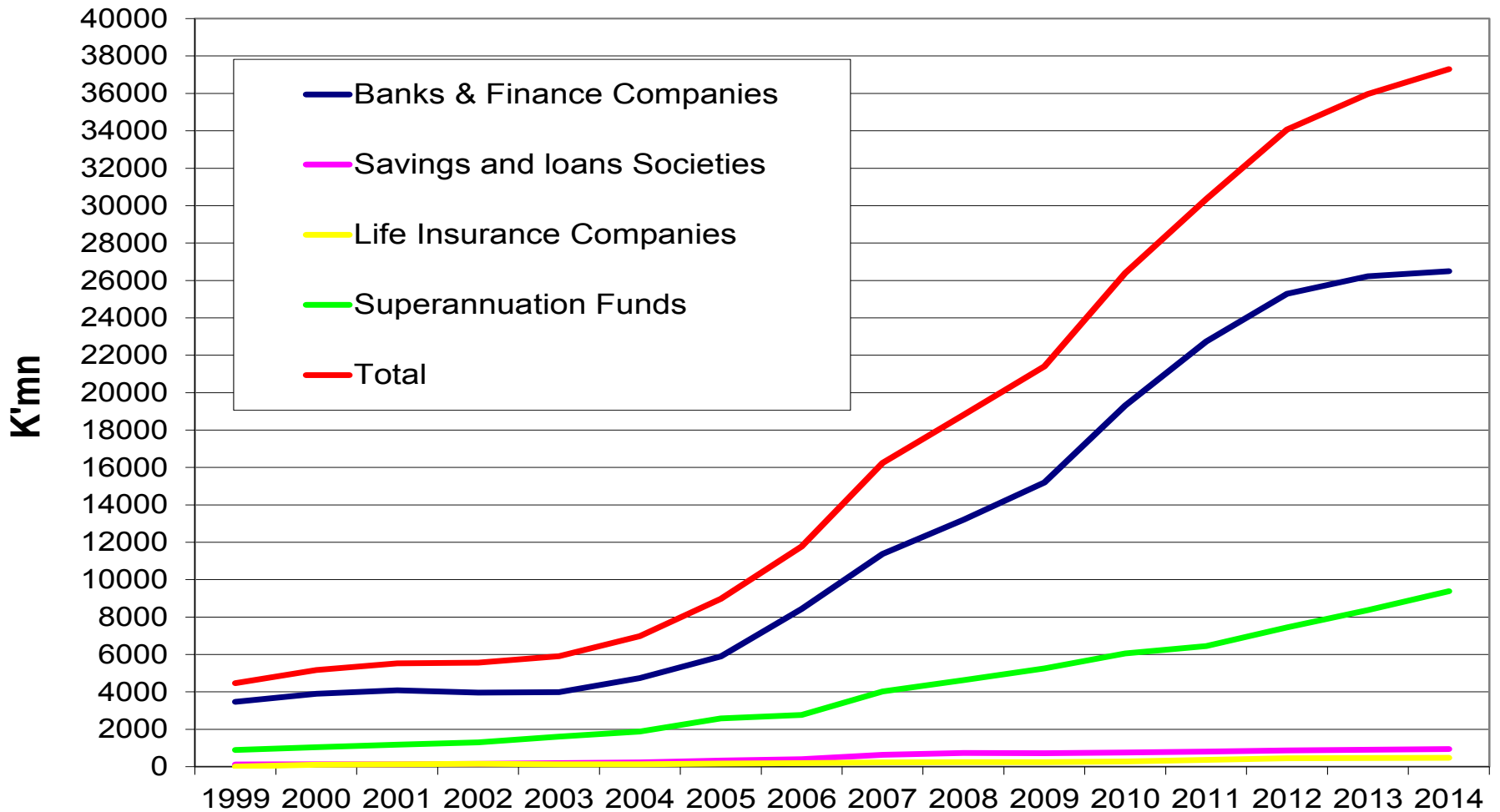
Institution Type/Number	Products Offered
Commercial Banks (4)	<ul style="list-style-type: none">▪ Deposit & Payment services (savings + Cheques)▪ Lending & leasing▪ Payment services (domestic + international)▪ Card Payments & Clearing (domestic + international)▪ EFTPOS (payments + withdrawal)▪ Internet Banking (account statement + fund transfer)▪ Mobile Phone Banking (account statement + fund transfer)▪ Foreign exchange transactions
Financial Institutions (11)	<ul style="list-style-type: none">▪ Microfinance (deposit & payments)▪ Leasing & Lending
Superannuation Funds (4)	Management of retirement savings for contributing members
Savings & Loan Societies (21)	Savings and lending only to contributing members
Life Insurance Companies & Brokers (7)	Manage life insurance liabilities of policy holders
Money Changers (6)	Collect and exchange foreign currencies



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Outcomes of Financial Sector Reform (Cont'd)

(assets of the financial system)





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5) Future Reforms

- Key Deliverables

BPNG

- Separate legislation (Act) for micro-banks, now using BFIA 2000
- Financial Sector Review – increase participation in payments system, central card switch, same day clearance of transactions
- Supervisory Council – all regulators to share information
- Increase number of institutions to increase accessibility to financial services
- Women's engagement in the financial system

Other Agencies

- Capital market reforms – Securities Commission and POMSOX – broaden company listing and investor participation, and development of secondary market for securities
- Credit Bureau – monitor and track creditworthiness of customers
- NICTA – improve frequency allocation and licensing system to ensure effective operation of the financial system



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End of Presentation

Thank you



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Implementation of The National Financial Inclusion & Financial Literacy Strategy (NFIFL) 2014 – 2015: Progress and Challenges

Presentation to the CAPI Workshop

4th February 2016



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Outline of Presentation

- 1) Background
- 2) National Strategy for Financial Inclusion & Financial Literacy 2014-2015
- 3) Key Strategic Objectives
- 4) Challenges
- 5) Proposed Deliverables



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1) Background

- **NSFIFL 2014 – 2015**
 - **Key Guiding Policy Frameworks:**
 - The National Informal Economy Policy, 2011-2015;
 - Pillar Seven – Wealth Creation of Vision 2050;
 - Development Strategic Plan 2010-2030; and
 - Medium Term Development Plan 2011-2015.
 - **Vision:**
 - All Papua New Guineans are financially competent and have access to a diverse range of financial services;
 - **Mission:**

Create a conducive and enabling regulatory environment that promotes and nurtures technical innovations in product and service delivery channels, while also facilitating financial education.



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2) National Financial Inclusion & Financial Literacy Strategy 2014-2015

Developed to conceptualise and set out the implementation management of the 7 Key strategic objectives set out for PNG and announced during the 2013 Global Policy Forum for the Alliance for Financial Inclusion (AFI) under the Maya Declaration.

AFI is a global body which comprises of mostly central banks around world.



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NFIFL 2014-2015 Implementation

Department of Treasury

Department of Community Development, Religion and Youth

NEC
Endorsement

National Informal Economy Policy 2011-2015:
Financial Inclusion as 1 of the 2 Policy Priorities

Coordinating
entity for FI & FL
Strategy

CIMC Informal
Economy Committee

Established to assist,
facilitate, promote and
establish dialogue
between relevant
stakeholders as per the
National Informal
Economy Policy 2011-
2015

CEFI

Member

Will participate as
member of each
Working Group, and
lead the coordination,
monitoring and
reporting

CIMC Subcommittee on
Financial Inclusion

GoPNG
BPNG
Donors

Funding &
Technical Support

Knowledge
& Advocacy

Coordina-
tion

Implemen-
tation

CEFI will coordinate
through the Working
Groups established as
sub-groups of the CIMC
Sub-committee on FI

Knowledge & Advocacy
activities will be driven
by the priorities
identified in the
Strategy's Action Plan

Working Groups

Consumer
Protection

FinEd & FinLit

Electronic Banking

Data &
Measurement

Inclusive Insurance

Government
Coordination

Membership consisting of Industry Stakeholders

Members

The Lead Organization /s
in each Working Group,
in collaboration with
CEFI, will assist in
reporting on the
strategic objective areas
of the Action Plan 2014-
2015

- Financial Service Providers
- Government Departments
- Industry Bodies, i.e. ICCC
- Bank of Papua New Guinea
- Financial Literacy Providers
- Others identified in Action Plan



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3) 7 Key Strategic Objectives

1. To reach 1 million more unbanked low-income PNGeans and micro and small enterprises, with a diverse range of financial services. 50% will be women;
2. To lead efforts to create a financially competent generation of PNGeans through financial education and youth-based financial products and financial literacy,
3. To support innovative use of technology for scaling-up access to financial services and financial literacy,
4. To strengthen consumer protection by issuing prudential guidelines and creating a platform for various national regulators and industry networks to monitor consumer protection,
5. To begin the process of integrating financial inclusion in local and national government,
6. To promote regular collection and use of financial access data to inform policy making and help identify key dimensions of financial inclusion in PNG and,
7. To optimise these results through knowledge sharing and effective coordination of stakeholders, including development partners, by the Centre for Excellence in Financial Inclusion (CEFI) chaired by the BPNG.



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Objective 1. To reach 1 million more unbanked low-income Papua New Guineans and micro and small enterprises, with a diverse range of financial services. 50% of people reached will be women.

Achievements

- i) 586,000 new accounts opened (Sept 2015) of which 47% are women
- ii) 112,000 new accounts from the Young Minds Savings Campaign

These achievements are made possible through:

The Financial Sector Reforms (that Mr. Kiang talked about)

The Financial Inclusion Expositions – 2 major and 4 mini

The Young Minds Savings Campaigns – conducted in 12 provinces visiting 112 schools and reaching out to 150,000 students.



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Objective 2. To lead efforts to create a financially competent generation of Papua New Guineans through financial education and youth-based financial products and financial literacy.

- Six financial education modules designed by MEP – Savings, Budgeting, Bank Service, Mobile Banking, Debt Management and Financial Negotiations.
- 35,000 trained in financial literacy by Microfinance Expansion Project (MEP) of which 49% are women.
- Commercial Banks conducting their own in-house financial literacy modules (ANZ's Money Minded, Westpac's Financial First Steps and BSP's Banking Education)
- MEP signed MOA with BSP and other NGO training providers to conduct financial literacy trainings.



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Objective 3. To support innovative use of technology for scaling-up access to financial services and financial literacy

- Mobile Banking Products offered by LFIs
- **BSP Wantok Moni** and **BSP Rural**
- **ANZ Go Money**
- Nationwide MicroBank **MiCash**
- BIMA's Hausik and Life Insurance
- Westpac **In-store Banking**
- The National Payment System (RTGS)
- All other balance checks and SMS alerts by various institutions



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Objective 4. To strengthen consumer protection by issuing prudential guidelines and creating a platform for various national regulators and industry networks to monitor consumer protection.

- A draft guideline in place;
- Plan underway to host a Consumer Protection Workshop in PNG during 2nd quarter of 2016;
- Should have a Consumer Protection Guideline in place with clearly defined redress mechanism by end 2016.



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Objective 5. To begin the process of integrating financial inclusion in local and national government.

Rolled out the National Financial Inclusion & Financial Literacy Strategy 2014-2015 in 6 provinces (WNB, NIP, Madang, EHP, Simbu and Jiwaka)



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Objective 6. To promote regular collection and use of financial access data to inform policy making and help identify key dimensions of financial inclusion in PNG

- Ongoing exercise by the DMM Working Group
- PFIP support – Appointment of Senior Data Analyst based with CEFI



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Objective 7. To optimise these results through knowledge sharing and effective coordination of stakeholders, including development partners, by the Centre for Excellence in Financial Inclusion (CEFI) chaired by the BPNG

Implemented by CEFI and BPNG through various conferences and workshops conducted already and ongoing.



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4) Challenges

For long run sustainability, Government coordination and commitment needs to be strengthened for providing the infrastructure and FI&FL architecture.



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5) Proposed Deliverables to Promote Inclusive and Sustainable Growth, connectivity for all

- Government support in terms of basic supportive infrastructure;
- Promote Digital Financial Services as the means to reach the mass (both Bank and MNO led);
- Promote financial education in collaboration with Dept of Education in core curricular for Primary and Secondary Schools; and
- Consumer Protection & Redress Mechanism



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End of Presentation

Thank you