

[VERBATIM REPORT]

VIRTUAL MEETING OF THE S/C ON JUSTICE, LAW & HUMAN RIGHTS

BILL

National Payment System Bill 2020 [Bill No. 48/2020]

INSTITUTIONS: Reserve Bank of Fiji (RBF)
Vodafone Fiji
Post Fiji Limited

VENUE: Big Committee Room (East Wing)

DATE: Friday, 22nd January, 2021

VERBATIM NOTES OF THE VIRTUAL MEETING OF THE STANDING COMMITTEE ON JUSTICE, LAW AND HUMAN RIGHTS HELD AT THE BIG COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS, ON 22ND JANUARY, 2021 AT 8.55 A.M.

Interviewee/Submittee: Reserve Bank of Fiji

In Attendance:

- | | | | |
|-----|---------------------|---|---|
| (1) | Mr. Ariff Ali | - | Governor |
| (2) | Mr. Esala Masitabua | - | Deputy Governor |
| (3) | Mr. Praneel Prasad | - | Project Manager, National Payment Systems (NPS) |
| (4) | Mr. Mervin Singh | - | Manager Corporate Communications |
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MR. CHAIRMAN.- I would like to welcome the team from Reserve Bank of Fiji (RBF). On behalf of the Committee Members, I would like to welcome the four representatives from RBF, to provide a submission on the National Payment System Bill 2020. Before we go into the submission, I will introduce the Honourable Members of the Committee.

(Introduction of Committee Members by Mr. Chairman)

Without further delay, I now give you the opportunity to make your presentation.

MR. A. ALI.- Thank you. Mr. Chairman and Honourable Members of the Standing Committee on Justice, Law and Human Rights, a very good morning to you all. I will introduce the members of my team.

(Introduction of RBF Team by the Governor RBF)

Mr. Chairman and Honourable Members, please, allow me to firstly extend our appreciation to the Committee for this opportunity to present the National Payment System Bill and hopefully, respond to any related queries or clarifications that you may have.

Mr. Chairman and Honourable Members, for several years now, RBF has been working to reform Fiji's payment system, in alignment with international best practices. The reform requires both, a supportive and forward-looking payment system legislation that will provide an enabling and guiding framework to create a transparent and level playing field and support our move towards a less-cash or cash-reduced society with innovative digital payment solutions.

The Bill promotes interoperability, enhanced connectivity, the protection of stakeholders and ultimately, aims to reduce costs to consumers. The absence of such a framework could potentially allow unregulated and unaccountable operators to enter and operate payment systems within the country, which could threaten the safety of our consumers and the stability of our financial system. The National Payment System Bill 2020 not only offers Fiji this protection but encourages innovation and the development of payment solutions that will encourage commerce, industry and economic growth.

Honourable Members, I wish to provide context to this reform by firstly defining what a payment and National Payment System is. At the most basic level, a payment system is defined as any system used to settle financial transactions through the transfer of monetary value. At the

aggregate and macro level, the National Payment System constitutes the complete ecosystem relating to the initiation and settlement of financial transactions in the country. It refers to the entire matrix of institutional and infrastructure arrangements, including systems for the payment, settlement and clearing of transactions.

The Bank of International Settlements, an international financial institution and payments standard-setting body, notes that a National Payment System forms an integral part of an economy's financial system and comprises a number of distinct components, including payment instruments, infrastructure, financial institutions, market arrangements and the supporting legal environment.

As I have alluded to earlier, the objective of a payment system is to connect economic actors (individuals, governments, businesses) so that they can pay and be paid. At a national level the system should create efficiency and network effects, promote seamless linkages, manage risks, foster innovation, promote financial inclusion, protect consumers and ultimately support monetary policy and financial stability.

Honourable Members, I will next talk a bit about RBF's responsibilities in relation to the National Payment System. Apart from its other roles, the RBF is responsible for the soundness of Fiji's financial system or what we term as 'financial system stability'. Since payment systems form an integral part of the financial system, it is critical that the RBF has necessary powers to approve, monitor and regulate the various payment systems. Any breakdown in reliability, efficiency and safety of our payment systems and the delivery of payments will have critical repercussions on the financial system.

Since payments form the foundation of all financial transactions, the failure of a particular payment systems to deliver payment means that businesses may not be able to buy or sell their goods, individuals will not be able to receive their salaries or make retail purchases and Government will not be able to receive taxes, purchase public goods or pay out social benefits. This poses the question of reliability and credibility of the payment system and affects the operations of commercial banks and financial markets as a whole. Where such payments are large, these can lead to instability in the financial system. This is why payment system stability is central to the oversight function of central banks all around the world. In this regard, the RBF has taken the lead role in drafting this Bill.

In carrying out our role of ensuring financial stability, the RBF has guided and noted a number of significant developments in the Fiji's payment system landscape over the years. A few highlights include:

- The introduction of FIJICLEAR in 2007. FIJICLEAR is the country's Real Time Gross Settlement System (RTGS) which settles large value interbank and customer transactions. FIJICLEAR transactions have increased sevenfold since the service was introduced over 12 years ago, that is, from around 20,000 transactions to over 140,000 annually.
- In the last decade, the volume of ATM transactions doubled from 12.6 million transactions per year in 2010 to 23.2 million at the end of 2019.
- Similarly, EFTPOS transactions have tripled since 2010 from 1.8 million transactions to 5.4 million at the end of 2019.
- In the last five years, usage of internet banking transactions grew by almost 109 percent. Over the same period, usage of cheques have fallen by 57 percent.

- In 2010, the RBF, with its limited licensing powers over payment systems, issued conditional approvals to Vodafone and Digicel to offer digital wallet services in their country through their M-PAiSA and Digicel Mobile Money products. These digital wallet solutions allow customers to make person-to-person cash transfers, purchase goods and services from selected merchants, add to their Unit Trust investments and make a range of bill payments, including town rates, Land Transport Authority (LTA) fines, et cetera.
- Since 2011, we have witnessed an eight-fold increase in the volume of mobile money payments, that is, from 0.3 million to 2.3 million transactions in 2019.
- Similarly, the number of customers actively using mobile money has grown over seven times to about 150,000 customers at the end of 2019 from about 20,000 in 2014.
- In terms of value, payments totalling \$71.1 million were processed through mobile money platforms in 2019, compared to around \$13 million in 2014. The value of electronic money in circulation has increased significantly to \$32.2 million at the end of 2019, compared to \$4.5 million five years ago.

Honourable Members, as my predecessor, Governor Whiteside highlighted to this Standing Committee five years ago when providing RBF's feedback on the Fiji Interchange Network (Payments) Bill, there is no specific or overarching legislation governing payment systems in Fiji. In early 2000 when the RBF was contemplating setting up the Real Time Gross Settlements System (RTGS), the RBF had to resort to its powers under the RBF Act (Cap 210) to issue a regulation to enable it to put this system in place.

In 2013, the RBF started consulting with the World Bank to try and develop an overarching National Payments System legislation. These consultations involved the identification of key players, together with the necessary infrastructure and legislative framework. This project seeks to create an enabling legal environment for the current and future payment needs of our country based on observable trends, experiences and best practices in developing and developed countries.

I am pleased to announce the completion of this step through the drafting of this proposed legislation, which is the subject of our submission today. The National Payment System Bill 2020 is the culmination of countless hours of hard work and collaboration with a range of stakeholders, including the Government, our multilateral development partners, the World Bank, International Finance Corporation and the Commonwealth Secretariat, and domestic stakeholders including the banking and financial industry players.

Honourable Members, the National Payment System Bill 2020 is the legal framework which provides the umbrella legislation for all payment systems operating wholly and partially in Fiji. The Bill, which is aligned to international best practices and provides protection for all stakeholders including consumers, strengthens the regulatory framework of Fiji's payment systems by covering all aspects in a transparent, consistent manner. Other key benefits of the Bill are:

- Vesting clear powers with the RBF to oversee, regulate and supervise payment systems in Fiji, including non-bank and non-financial institutions providing payment services. This is vital not only to ensure the safety of funds of all users, but also maintain confidence in these systems and Fiji's financial system as a whole.

- Providing legal certainty around the finality of payments and protecting all aspects of the payment system and its users. The Bill offers protection against the insolvency of either the system operator or its participants, and extends coverage to all activities that are associated with the sending, receiving and processing of payment orders, transfers of money, the issuance and management of payment instruments, payment, clearing and settlement systems, and service providers operating wholly or partially in Fiji.
- In Fiji's debt securities market, all Government and statutory body securities, such as bonds, treasury bills and promissory notes, are currently issued in physical certificate form. The Bill allows for dematerialisation of these securities, that is, converting these paper-based securities to electronic form which will significantly impact the timeliness and efficiency of their trading, support the development and also enhance the liquidity of the securities in Fiji's financial market.
- The Bill also allows for the setting up of a Central Securities Depository (CSD) in Fiji which will modernise the infrastructure for debt security registries, depositories and settlement, and essentially make related transactions for Government and the private sector safer, faster and more convenient. The introduction of a CSD honours Fiji's commitment to the London Stock Exchange in dematerialising the Fijian Government Green Bond by 2024. I am pleased to inform you that work has already started on this fund to which will cost the bank an investment of almost \$8 million.

Honourable Members, the National Payment System Bill 2020 is a step towards modernising our national payment system. Therefore, please, allow me to highlight the compelling reasons in motivating our efforts around this reform.

Despite the notable developments in Fiji's payments landscape over the years, the upgrade of our payment systems has a critical role to play in fostering private sector-led commerce. While demand for payments has grown with the advancement of innovative technological solution, the payment system's regulatory and infrastructure landscape in Fiji has comparatively lagged. The proposed reform entails enacting the necessary legislation and regulations, and backing this up with the appropriate ICT infrastructure and support to enable the following, the:

- Broadening of the range of payment instruments and services;
- improvement of cost efficiencies;
- enhancement of interoperability and resiliency;
- greater management of risks and provisions of effective oversight;
- promotion of overall efficiency and stability; and
- strengthening consumer protection.

The reform at large also aligns to the Government's Digital Payment Roadmap 2019 and the 5-Year and 20-Year National Development Plans. These Plans and the reform will also address developments for the increasing financial inclusion of our vulnerable population by ensuring that affordable and effective payment products and services are available to the underserved sectors of the economy, including the Micro, Small & Medium Enterprises (MSMEs), the poor and low income families, as well as increasing globalisation of payment systems with resulting drive for regulatory harmonisation, fraud prevention and customer funds safeguarding.

Honourable Members, prior to the tabling of the Bill in Cabinet last month, consultations for the Bill was held with the Ministry of Economy, the Ministry of Communication, the Association of

Banks in Fiji, Fiji National Provident Fund, the Finance Companies Association, Insurance Council of Fiji and the Office of the Solicitor-General.

In conclusion, Mr. Chairman and Honourable Members of the Standing Committee, I wish to conclude with the following points:

- This is a major reform that will revolutionise a critical part of the everyday commerce and industry in Fiji.
- A modern, efficient and reliable payment infrastructure is essential to encourage innovation and commerce, the growth and development of the financial markets and improve the transmission of the monetary policy.
- The capability of dematerialisation and clearing and setting up a wide range of transactions according to international standards will also enhance the business environment which in turn attract foreign direct investment.
- The overall reform is aimed at making a positive holistic impact on Fiji's payment ecosystem. As the national payment system develops, the experience for payment system participants is expected to improve. Businesses are expected to see efficiencies in operations, including declining cash-handling costs and lower administration costs due to increase interoperability between payment system providers, leading to decline in perceptions of payments as a barrier of doing business.
- Finally, end-users will gain access to a greater variety of products through increased interoperability between payment system providers, which will aid financial inclusion and, in turn, positively impact the lives and welfare of all Fijians.

Mr. Chairman and Honourable Members, thank you again for this opportunity to discuss the National Payment System Bill 2020. We welcome any question that you may have, thank you.

MR. CHAIRMAN.- Thank you, Governor, for that overview of the National Payment System Bill 2020 that is before the Committee. I would like to remind Honourable Members who are present here that this particular submission has been recorded for future use and it will be aired actually as a replay to our ...as well. Let us be mindful that everything said today is actually recorded. We might be joining with the media team as well and they will be here in a short while to cover this particular submission.

Nevertheless, we have been going around Viti Levu the whole of last week collecting submissions. At the moment, we are looking at eight Bills but there were certain places whereby few people did come up with certain questions about the National Payment System. I would like to start and then Honourable Members would then follow.

One of the major questions that was actually asked by majority of the people was, "If you are going to regulate this, are you going to regulate the cost of each transaction as well, or you people are just going to regulate the framework, infrastructure and those kind of things - the processes of doing this National Payment System, as you have highlighted?"

MR. A. ALI.- Fiji is one of the very few countries in the world whereby we regulate fees and charges that the bank charge. There are very few countries in the world and Fiji is one of them. So

in respect to this, we do intend to ensure that whoever is providing payment system ultimately we have an input in terms of the fee or charges.

MR. CHAIRMAN.- For example, if you are looking at the payment system, let us say, the ones that are provided by Digicel and Vodafone through M-PAiSA, those transaction costs are also going to be regulated?

MR. A. ALI.- One of the challenges, as we have highlighted, is that currently, we do not have the powers to oversee anything in the system because our legislation is old, our payment system is still evolving and there has been a lot of discussions. So, yes, once this Bill is enacted, we can then sit down with them and look at the charges that they have.

MR. CHAIRMAN.- By way of background, let us say, for example, someone who is trying to send money through M-PAiSA or Money Order to Post Fiji for one of the recipients. For some reason during the transaction, the money gets lost. Is there any current system in place that actually allows the customer to lodge a complaint and try to actually get that money back?

MR. A. ALI.- So this legislation is very clear about our responsibility in making sure that, that happens. Currently, if that happens in any of the institutions that we currently regulate, whether it is the bank or the insurance, they have mechanisms to come to us. But for a payment system, they are using a platform where we do not have the oversight right now and it may be a challenge because they use it right now. So once we get this power, we already have a complaints forum and we can look at it. But I think the legislation is very clear in terms of pay and making sure the end customer's actual responsibility.

MR. CHAIRMAN.- The other thing, it might relate or might not actually relate. There was a Bill passed on National Switch. Is that going to be related to this payment system as well?

MR. A. ALI.- That Bill that came in, in 2016 will now be reviewed on this instance because this is an overarching Bill and now that Bill will be reviewed. For the information of the Standing Committee, some of the key things that was intended in that Bill was, as you know, there were some challenges whereby the larger banks and the smaller banks were...

MR. CHAIRMAN.- Not talking to each other?

MR. A. ALI.- Yes, so the whole issue of interoperability. For example, you could not go to an ATM of one bank using your bank card and withdraw from the others. You can see now that that has changed significantly, you can go and use an EFTPOS machine. With one card, you can use in any machine, so following that Bill, we have had a number of discussions and there has a lot of collaboration and consultation.

One of the other things is that, at that time, the inter-charge fee. If you have a card for a different bank and go and withdraw, for example, from an ANZ ATM, normally at that time the fee was \$1.50. Now, that has been reduced to 50 cents, except for one bank which is still charging \$1.00. So because of that Bill, we have seen cost cutting, but this Bill is now an overarching Bill which, therefore, will create all those things

MR. CHAIRMAN.- Honourable Members, the floor is now open, if you have any other questions to ask the Governor or his team.

HON. DR. S.R. GOVIND.- Mr. Chairman, first of all, I would like to thank the Governor for that comprehensive information on the National Payment System Bill 2020. During our last public submission on this Bill around the island, there was one particular point that was raised and this is to do with payment to Government initiatives, like services or the amount of income expenses across Government Ministries in receiving money from the public. For example, some Ministries accept cheque, some do not. Some have EFTPOS outside the service and some do not....

In one particular case, it happened where they did not accept cheque and they demanded cash, so the client paid a large amount of cash of \$560 for ploughing his land. So it is interesting that some further payment was made and in the weekend, the person from that department came to the client's house and demanded the receipt back, saying that there was some error. The receipt needs to be rectified and he will bring the receipt back. So, he took the receipt back and he never gave another receipt. This guy waited for another two weeks and he went and reported it to the police. So there is a case going on, investigating why this had happened.

What we want to know from you is whether this Bill is only looking at the overarching response or it is looking into details of such payments within the Government departments?

MR. A. ALI.- So the Bill is not specifically in the sense that it should do this and this. I think it creates the right and enabling environment. I think in the example that you gave, it is like someone trying to say, because if a cheque is given in the name of government, he cannot take it and put it into his own account. From what you have told me, it seems that the person who wanted the cheque to be returned and be given cash had an ulterior motive, because he also took the receipt, so this person now has no evidence that he actually gave that amount.

HON. DR. S.R. GOVIND.- Yes.

MR. A. ALI.- One of the things that is also important for Government is to ensure that particularly for large payments, they can be paid online. When I say online, it means that you do not have to carry cash, you do not have to worry about large amounts of money going missing, you do not have to worry about accounting for this, the cashier may calculate wrongly, or things like that.

I think that Government Ministries or State agencies need to ensure that funds are better paid directly into their account. For us at RBF, for a number of years now, we do not issue cheques. We ask people's bank account number and deposit straight into their bank account. In fact, for some of our staff, part of their salary goes into their e-mobile wallet (M-PAiSA) because they need it for transactions. So reducing cash and cash handling comes with cost and risks.

That is an example and I am sure there are a lot of other examples whereby there are lot of Government agencies that do not have EFTPOS. We would rather come and pay EFTPOS than pay in cash, so it reduces cash handling, reduces the fact that someone needs to supervise and count cash at the end of the day.

We need to move in that direction. There is already things available right now, but this legislation further promotes that.

HON. DR. S.R. GOVIND.- So with respect to that case, where will this person can seek redress to resolve that issue?

MR. A. ALI.- Sir, to me, that is a clear case of fraud and it needs to go to the police. I also feel that if he has strong evidence, then, 'yes'. Nowadays it is so easy, all you do is use your camera and take a picture.

HON. DR. S.R. GOVIND.- That is what he did, he told me that.

MR. A. ALI.- Yes, I think he needs to go to the relevant Ministry as well because they need to investigate this person. I do not think that that person needs to remain in Government but the police needs to listen to this. If it is a staff doing that, they have to be concerned about what other things he has done as well. The key message that we want to give is that, as much as possible, we must get away from cash - \$2, \$5, \$10 is alright, but where large amount is involved, tell people to pay from their account.

MR. CHAIRMAN.- Thank you, Governor. Just another question from my side; during the consultation, I do not think e-mobile wallet provided by Vodafone and Digicel being part of the stakeholders for public consultation on the Bill. Do you have any specific reason for that or is it just mixed up?

MR. A. ALI.- I understand they are coming in to make their submission, I just met one of them the other day. But given that, the major players in the National Payment System is the banks and the others, and that is why we focus on that.

MR. CHAIRMAN.- Honourable Members, who are joining us virtually, do you have any question?

HON. M.D. BULITAVU.- Mr. Chairman, I do not have any question.

MR. CHAIRMAN.- Thank you, Honourable Bulitavu. So, Governor, do you actually have the infrastructure in place already or you will be developing the infrastructure once the Bill becomes an Act?

MR. A. ALI.- There are currently infrastructure in place for the payment system. The key thing about this Bill is that right now, it does not give RBF the responsibility to be in charge of the payment system, so that is one important thing that this Bill gives us now.

What it also gives is for others to now come in and say, "There is this payment system legislation, we know what to do, how to operate, who is responsible", and it is an evolving thing. I am sure you all know *Amazon, Alibaba*, et cetera, so a lot of people now do things online.

In a lot of developments overseas, what happens is that it is no longer the banks who create this payment system. Because technologies are more advanced now, there are entities that feel that there is an opportunity to leverage with the financial institutions or banks, and create an ICT platform, et cetera, for people to use, in collaboration with the banks.

What we plan or intend to see, or what we hope to see is more and more people coming to say, "This is what we are looking for." We have got a regulatory stand box in this, and it is basically like a net. A number of entities or businesses have come and said that they wanted to do this in terms of the payment system. So, they are doing it in a trial basis in a controlled environment. Once we are happy, we will let them roll out.

What will happen is that, this will bring about more competition, as well as innovation. I mean, about 10 years or 20 years ago, no one would have thought that we could carry money on our phones. Today, a significant amount of transaction all over the world is done using the phone. If you go to China or to any other place, it is the digital phone, so it is basically that. You can use the money to pay for lunch, bus fare and make payment. So, that is what it means when doing payment, instead of carrying cash, but we need to ensure that people are comfortable using this payment system.

For them to be comfortable and have certainty, they need to know that someone like the Reserve Bank of Fiji is overseeing this. We do not want people to be uncertain or have lack of confidence in that system and ask, “What is the risk? What if I lose my money? What if this entity no longer exists tomorrow? What if I paid you but you did not receive the money? So that gives us the power to say, “Yes, we are comfortable, we are improving it and this is it.” If there is an issue later on, such as you are not receiving the money, then there is a mechanism to say, “Yes, someone will be responsible in ensuring that I was not paid and do things in a manner.”

Try it now, if that entity is no longer there or that person is no longer there or a person says he/she paid the money but really did not pay, who will you go to? That gives us the powers also, so there are already existing payment systems but we hope that this legislation will be more or less a level playing field of creating more innovation with more people to come.

MR. CHAIRMAN.- Thank you, Governor, for coming before the Committee to do that presentation. Definitely, we are having some more submittees coming in so if we need any clarification in regards to any specific clause or anything about the Bill, we can write over or meet again to get some clarification. Thank you once again for attending this meeting.

MR. A. ALI.- Thank you for your time, Mr. Chairman.

The Committee adjourned at 9.25 a.m.

The resumed at 9.50 a.m.

Interviewee/Submittee: Vodafone Fiji

In Attendance:

Mr. Shailendra Prasad - Head of E-Commerce

MR. CHAIRMAN.- ...video as well. So that is going to be telecast later on our Walesi platform. Once again, thank you very much for availing yourself this morning to actually give your submission on the National Payment System Bill 2020 that we are trying to scrutinise.

We have been going around Viti Levu for a week now to gather information and submissions on this particular Bill. We thought it is important for us to get the stakeholders who are actually providing some kind of platform in terms of how payments are done in Fiji, so we felt it would be wise for us to hear from you as well, being one of the providers.

We have had the Reserve Bank of Fiji (RBF) presented before us this morning, consisting of the Governor, Mr. Ariff Ali, and his Team, to provide an overview on the Bill itself because they are custodians of the Bill and it will fall under their jurisdiction to implement this Bill once it becomes an Act. Without any further delay, I will give the floor to you to take us through your submission. Thank you.

MR. S. PRASAD.- Thank you, Mr. Chairman and good morning to the Honourable Committee Members. Thank you for the invitation and the opportunity to make submission on the National Payment System Bill 2020. My name is Shailendra Prasad and I am the Head of the E-Commerce and Corporate Affairs at Vodafone Fiji. For this submission, I am representing Vodafone Fiji.

First of all, I wish to commend the Government for this Bill which is most timely and important for Fiji in transitioning into the digital economy. Overall, Vodafone Fiji has no objections or suggested amendments to the Bill in its current form but with few minor exceptions.

However, we are more concerned and more optimistic and hopeful of the tangible outcomes of the Bill in terms of policies and regulations that are the intent of this legislation. I will share some practical challenges on the ground that Vodafone Fiji, as a payment service provider, currently faces through its mobile money platform through M-PAiSA, which we hope that the passing of this Bill will clear the pathway to overcome those challenges.

Let me first begin with Clause 2- Interpretation. This refers to the definition of ‘credit card’ and ‘debit card’. Currently, I quote: “Credit card means a card that indicates that the holder of the card has been granted a line of credit enabling the holder to make purchases or withdraw cash....” Similarly, I quote: “Debit card means a card that enables the holder of the card to directly charge purchases to funds on the holder’s account....”

One of the suggested changes that I am putting forward, if the Committee can consider, is that, with a lot of the payments going into the electronic mode and electronic channel, such as mobile phones, et cetera, once the definition of the card is there, I would hope we could also consider to broaden the definition to include ‘physical or electronic card’ because more and more, there are electronic cards issued by a lot of financial service providers, such as a MasterCard which is a virtual

card on your mobile phone. So you do not need to take a physical card but a virtual card, and you can go around the world and just use your mobile to pay. So, if the definition could be broadened to include, 'electronic cards', which would not be a physical card for both, debit and credit card. That is the first one.

The definition of 'payment service provider' and entity providing a payment service, I have a suggestion to include this, 'an entity approved by the RBF that provides payment service'.

Perhaps, the definition of 'operator card' is also covered under Part 3 – Licencing. I guess, from here I understand that anyone who wishes to be a payment service provider has to be licensed by the RBF, if that is how it is going to work.

MR. CHAIRMAN.- That was what the Governor actually said this morning, that from now onwards, anyone willing to provide the service needs to apply to RBF because they are the ones who are going to be overseeing all the transfers and the payment system that is actually taking place in Fiji, so it is important for them to ensure that they license the providers.

MR. S. PRASAD.- So entities like Vodafone who are currently providing payment services through M-PAiSA will need to go through a licensing process?

MR. CHAIRMAN.- Yes, so that might actually come as a regulation once this Bill becomes an Act, so those who actually have the licence will be the payment service providers.

MR. S. PRASAD.- Yes, thank you. Clause 15(2), in order to obtain a licence to provide a payment service or operate payment system, an applicant may be required to maintain capital levels specified by the RBF.

Here, we are a Mobile Network Operator (MNO), who has ventured into the provision of a payment service where we, sort of, have a bit of concern. I know the banks who are in the business of accepting deposit and then lending money, do carry a lot of risk because if the loans are not repaid, then you need to make sure that you have certain capital reserved so that if and when the banks run into trouble, at least, the deposits are able to recover their funds. That is through the capital adequacy requirements by the RBF.

If this is the intent here in terms of capital levels, Vodafone Fiji is merely providing a payment service. So we are not in the business of lending and hence, requiring a payment service provider to then have capital reserved is really an area where we are a bit concerned because the way we currently operate, Vodafone Fiji maintains a Trust Account with the bank and for every dollar that circulates in the electronic wallet in the mobile wallet such as M-PAiSA, there is actual money reserved in the Trust Account in the bank. The bank then has a requirement to provide actual adequacy to the RBF.

We see that we are already covered through our Trust Account in the RBF and whilst the Bill in the current form says, 'an applicant may be required', we are hopeful that that obligation is not placed on someone who is just in the payment service business, as opposed to accepting deposits and lending.

MR. CHAIRMAN.- I stand to be corrected on this but I believe that the intention of Clause 15(2) is, for example, if I want to be a service provider, providing payment system in Fiji and I need to convince RBF that I am financially stable to a certain percentage whereby I can operate this service for the people.

The least would be that I go and apply for a licence without a single cent in my bank account and say that I want to transfer money. For example, Honourable Dr. Govind is sending money to his daughter in Australia through my company that is providing the service and I do not have the money. For some reason, the money comes in and there is a stop order by FRCS or by RBF, how do I transfer that money in a timely manner because that person should be provided the service as he has already paid for the service?

That is my internal issue, that something is wrong and I am not able to get the money transferred from his account to my account but on the other hand, the service needs to be provided on time. I need to have certain amount of funds with me to actually keep the business going, rather than having a totally new player coming into the picture, without any financial background or anything and starts to operate. That is the discussion we were having with the Governor as well, so he has also specified on the same context.

You need to be financially stable in order to actually enter this particular market, so you need to have certain amount as reserve, and then they might see that because this is as per the law. The regulation is going to decide the amount that is going to be set. So let us say, for example, if Vodafone is transmitting a certain million dollar amount on a monthly basis. They might actually come in and say, "For one month, this is your remittance coming in, so you need to have this much money sitting with you just for it to flow", not like if you are doing \$1 million remittance per month and then RBF will come and say that you need to have \$10 million.

MR. S. PRASAD.- Let us say that there are lot of people from abroad sending money directly through M-PAiSA. The way it happens here is, because the sending company is not Vodafone, they are our partners, like Western Union or some other providers, they will receive the money firsthand from the sender and sending it to a party here – the mobile wallet holder, in Fiji.

What we require from them is to have a pre-funded account here already. If someone is sending \$100 from Australia to a number in Fiji, they are supposed to maintain a pre-funded account in a bank account here so that when the transaction happens here, within seconds there is a settlement happening directly from this pre-funded account to the customer's account, so there is already a pre-funding arrangement. We do not have a situation where that money is given there for sending, then only when we receive it that we credit it into another customer's account. So, that works on a pre-funding module.

If that is how the intention of the Bill is, then we are quite alright. But if this puts an onus on us to have certain capital adequacy as the banks are required, then this is where we, kind of, have a bit of concern because we are not in the business of lending.

MR. CHAIRMAN.- We can get some clarification from RBF on that particular Clause but as per our understanding, that is where we are and this is actually for the new players trying to enter into the market because they need to be financially stable if they are dealing with finance.

MR. S. PRASAD.- Thank you for the clarification. Clause 16(4), in the current form, states and I quote:

"An operator of a system must not cause any change in the system which would affect the structure, operation or administration of the system unless the operator of the system –

(a) obtains the approval of the RBF..."

We have a bit of concern with this in terms of every change in the system to get RBF's approval because changes to the system, we generally do it on an ongoing basis, depending on how the market evolves or what are some of the securities concerned or stuff like that. So on a regular basis, we have audits, there are issues identified and then we make changes.

So, requiring for any change in the system and approval from the RBF, in our view, can become a bit onerous and bureaucratic. If we do not also get a timely approval from RBF, it puts us at risk because if we do not make those changes, it could actually compromise the soundness of the system. So, our suggestion is that, if the wording could be slightly changed with the insertion of the words 'significantly affect the structure'. We can do minor changes and then we can possibly say that for minor changes, the service provider needs to keep the Central Bank or RBF informed. But for any significant change, it needs to get prior approval.

MR. CHAIRMAN.- That is noted and it makes sense as well to what we are saying.

MR. S. PRASAD.- In terms of the Bill in its current form, those are the only concerns and changes or amendments that we seek. But as a payment service provider currently in the market, I also wish to share with the Committee some of our concerns and hopefully, with this National Payment System Bill 2020, once it is enacted, we hope it will pave the way for greater evolution and innovation in the market.

Let me just briefly explain to the Committee, for your information, that Vodafone currently provides a mobile wallet service called M-PAiSA and through this service, people are able to send money to anyone in Fiji, receive money from anyone around the world directly into the mobile wallet and we are currently doing close to about \$12 million every month.

At a time when Fiji currently is having problems with foreign exchange in terms of the economy being affected in the tourism sector and when most of the economy was in lockdown mode, this channel actually brought in a lot of money and relief to a lot of Fijians because people were able to go online and transact, so it did help out a lot of people and also brought much-needed foreign exchange into the country. So, we have money transfer - local and international, we have bill payments so people can sit at home and pay their water bill, electricity bill, LTA fines and all the other stuff.

And then we also have enablers and barriers, cashless payments and businesses. You can go and do your shopping and pay using your mobile, without the need for cash. We have also integrated M-PAiSA to the digitalFIJI App for people seeking Government services such as registration of company, and be able to register online and pay online, so it is making life so much easier for Fijians who cannot come to the mainland to be able to go to offices and pay. So there are real tangible benefits in terms of greater access to financial services and being able to make payments remotely through platforms such as M-PAiSA. We have also assisted and worked with the Government in terms of various disaster relief payments, such as HomeCare, FarmCare and distributed millions of dollars to the many beneficiaries around the country after natural disasters which people have benefitted.

The point that I am trying to make here is, whilst we have other financial service providers such as the traditional banks, they do not have representation around the country where people can go and easily access the service, but what is highly available and accessible in the market is mobile phones. You know, for a country of 880,000 people, we have over 1.2 million active mobile phones in the market, so we are more than 100 percent penetrated by mobile. So almost every household and person has a phone and if we can enable cashless payments or access to financial services through

these devices, then we are getting more people into the mainstream economy, being able to transact as and when they can from wherever they are. They should not depend on going to a bank outlet or an agent to withdraw cash to then be able to do a transaction and for that reason, cash actually is a problem in the economy. The less cash we have and the more we enable cashless payments, the more accessibility we provide to the people because people can transact from wherever, whenever and it brings about greater transparency and accountability.

One of the things that I wanted to share with the Committee is, we have this Quick Response (QR) pay where you can go and scan with your mobile phone and pay for your goods and services. When we go to a number of businesses to try and enable this cashless payment, they simply refuse to accept a cashless payment option. I need not say more as to why they would refuse but I think by enabling cashless payment, it brings about greater transparency and accountability and improves revenue collection for the Government which the Government really needs so that everyone pays their fair share of taxes which the Government needs in order to operate.

I think one of things that, hopefully, will come out of this is, once we provide access an integrated financial system, so I have money sitting in the bank and I live in Kadavu, there is no bank there. Why should I not be allowed to use my mobile phone to access those funds securely and safely? It is my money and I should be able to access it whenever, wherever, so once I am able to pull that money from the bank into my mobile through mobile banking or electronic banking, then instead of then going and cashing out - actually taking out cash and then paying the shop, why can I not use the balance in electronic form to pay the business? So, it tracks the entire transaction, you will see the flow of money in the economy, it brings about greater transparency because cashless or electronic transactions are easily traced.

In that way, we are then enabling this whole ecosystem for digital economy to actually start delivering the service to the people and in that regard, I would hope that coming out of this National Payment System Bill 2020 once the policies are drafted, one of the things that we would want or we would request the Government to consider is now making electronic payment mandatory for all businesses around the country. Yes, you can have cash payments, that option is always there but if any customer or any person or any citizen is wanting to make cashless payment either through a bank card or through the mobile phone, they should not be refused that opportunity to make electronic payment.

HON. DR. S.R. GOVIND.- I just have one question. I have a bank account so I am using the mobile phone to make payment to someone, which I do. The bank charges me certain fees for every transaction. I want to know, how does Vodafone make their money? Why use this?

MR. S. PRASAD.- At the moment, if I have money in my M-PAiSA account and I go and do shopping at Extra Supermarket and I pay electronically, then there is no fee to the consumer. Where we make money is a small transaction fee to the merchant because we are handling their collections without them having to handle cash. When someone has cash, there is a likely chance of someone dipping their hands in the till. There is leakage, loss, so by doing electronic payment, you are actually getting rid of all those problems. And the money hits directly to the business's bank account and they get a report as to how much they have collected through the system. So in every transaction, we make a small fee.

HON. DR. S.R. GOVIND.- From my bank account through M-PAiSA, I want to pay EFL, so how does Vodafone make money?

MR. S. PRASAD.- No, in that case, we do not make any money.

HON. DR. S.R. GOVIND.- You do not make any money?

MR. S. PRASAD.- No.

HON. DR. S.R. GOVIND.- The only thing is your data?

MR. S. PRASAD.- Yes, if the bank is charging any fee because that is the service provided by the bank. For mobile phone, the only thing you need is data to use the App.

HON. DR. S.R. GOVIND.- But only for M-PAiSA, you make money?

MR. S. PRASAD.- Through M-PAiSA, and a lot of people in the rural areas may have a bank account but the ability for them to transact as and when, they cannot because there are no banks there but if they have mobile wallets, you enable cashless payments. I brought this (item shown), and you may have seen this in many counters around the country. Now, banks provide cashless payments options through the POS they keep on the counters and for that, they require power. In many rural areas, there is no power and also particularly in the islands. This one here does not require any power.

HON. DR. S.R. GOVIND.- So, how do you operate?

MR. S. PRASAD.- So, if I can show you. All you do is open up the camera of the phone, scan this QR and it will tell you which business you are paying to, then you enter the amount, your PIN and the transaction is done. The business is able to verify that transaction real time on the phone. So that is easy and it can help enable cashless payment around the country because you do not rely on power supply, et cetera, to be able to roll this out at every business and every counter in the country.

One of the other things that I wanted to cover is currently, the Government has rolled out the e-ticketing service. A lot of people are facing issues in terms of having to access the top-up agents to top-up their cards. But people have money sitting in the bank, they have a mobile phone but the linkage is missing. So if through the National Payment System Bill 2020, we have integrated financial system where someone who is in Bua has money sitting in the ANZ Bank account in Labasa, they should be able to use their mobile phone, transfer money and top-up their card and then travel without the need to go to an agent. So this is the convenience and access that hopefully the National Payment System Bill 2020 will provide through an integrated financial system where people should be able to seamlessly move money, immaterial of where the bank or who they bank with, and be able to make payments. So, we are requesting if Government can seriously consider that. Whilst people are still allowed to pay using cash, they should now not be denied the right to make electronic payments, be whatever form through bank cards, mobile payments or whatever.

MR. CHAIRMAN.- Just a question, what you are actually saying is, I, for one, has never done M-PAiSA. I do not even have an account or a card with regards to M-PAiSA. From my understanding and from my knowledge of what you are saying, if I have internet banking on my mobile, can I not transfer direct from my BSP account to my M-PAiSA account?

MR. S. PRASAD.- At the moment, no. This is the problem because that is restricting accessibility. What people need to do is, if they want to use M-PAiSA, they go to BSP ATM, withdraw the cash, then go to an M-PAiSA agent to deposit money in their M-PAiSA, then they are able to use that. So we get rid of all those redundant processes by providing that linkage, so people can transfer money directly into M-PAiSA.

MR. CHAIRMAN.- Alright, so from Vodafone's point of view, you would like to have access, that people can transfer money from any of their account to M-PAiSA so that they can actually use it.

MR. S. PRASAD.- And vice-versa.

MR. CHAIRMAN.- But the other thing is, as Chairperson, I would like to know who is preventing that, is it the banks who are not allowing it or is it just you people are not able to come to an agreement?

MR. S. PRASAD.- We have made every attempt to try and integrate and in many of the markets where the same banks are operating, they do provide that payment options through mobile phones. We have always wanted so that we can improve accessibility and convenience to the customers, but it is not happening.

MR. CHAIRMAN.- Or just because M-PAiSA is not regarded as one of my accounts where I can keep the money at this point in time, and that is why the banks are not allowing that to happen?

MR. S. PRASAD.- That is the question that the banks may be able to answer, but we see no reason why people should be able to keep their money in their bank account but when they need it, use this channel to access it.

MR. CHAIRMAN.- So using the current National Payment System Bill 2020 that is before us, would it provide that enabling environment for that to happen?

MR. S. PRASAD.- I hope something comes in the form of a policy to enable that.

MR. CHAIRMAN.- Can you note these things, please.

HON. DR. S.R. GOVIND.- So that would be very similar to that e-transport card.

MR. S. PRASAD.- Yes.

HON. DR. S.R. GOVIND.- If that happens, it can happen to the e-transport card too.

MR. S. PRASAD.- Yes.

MR. CHAIRMAN.- I am just trying to summarise all these, M-PAiSA is not, at the moment, regarded as a debit card or a credit card because credit card is actually linked to one of our bank accounts.

MR. S. PRASAD.- Yes, and you get prior approval to use to a certain limit. A debit card is using money from your account to pay. M-PAiSA is similar to debit card, you need to have money to be able to use it.

MR. CHAIRMAN.- Can it not be regarded as a debit-credit card?

MR. S. PRASAD.- No, because one of the things we do not have under the licence provided by RBF is to give credit because then, we will need to register as a bank. We are currently licensed as a money transfer and payments so under this once this becomes an Act, we will register as a licensed payment provider.

MR. CHAIRMAN.- No, what I am saying is, for example, perhaps a master card is not registered as a bank, it is a company providing master card services or visa card services. Your card can be recognised as a visa debit card. So then what can happen is, for example, BSP, instead of going to master card, they can actually come to M-PAiSA through Vodafone and link that particular card to the person's account.

MR. S. PRASAD.- Yes.

MR. CHAIRMAN.- And at that point in time, I can actually use that card anywhere which would be directly linked, so that is another competition. For example, M-PAiSA is in direct competition with master card and visa card services.

MR. S. PRASAD.- Yes, something similar is currently being considered. There is a lot of regulatory requirements and hurdles and if you are working with an offshore scheme card provider, there is a lot of compliance requirements, but that is something certainly for us to consider.

HON. DR. S.R. GOVIND.- What share of market, how many people are paid through this M-PAiSA in terms of percentage, et cetera?

MR. S. PRASAD.- Currently, M-PAiSA does a monthly transaction to the tune of about \$32 million.

HON. DR. S.R. GOVIND.- Monthly?

MR. S. PRASAD.- Every month.

HON. DR. S.R. GOVIND.- Through M-PAiSA?

MR. S. PRASAD.- Yes, \$12 million just come straight through international money transfers, so it is a significant service in terms of payments handling and transfer of funds. In terms of the number of people using that, close to about 140,000 to 150,000 people on a monthly basis who actually use the service in one form or another.

HON. DR. S.R. GOVIND.- What is your commission? Do you charge a commission for every transaction?

MR. S. PRASAD.- Most of the services that we provide, even if I send money to you, there is no fee to the sender, so it is a free service. If you are paying your water bill and electricity bill, pretty much no service because we charge the party for whom we are enabling the bill payment. Similarly, if you are shopping and make payment at any of the supermarket, there is no fee to the consumer. So, it is a service that is highly accessible, very comparatively priced and there are few areas where we charge fees, like if you go and withdraw cash. There is a fee because we deal with all these agents who need to have cash when you go and withdraw and for that service, we have to pay a commission to the agent but if you make cashless payments, there is no fee. So, we are driving a lot of the users into going cashless, and the less cash in the economy, the better if you go more towards electronic payments. It is all about digital economy and transforming into digital economy.

MR. CHAIRMAN.- I am supposed to make a payment to a Singapore-based company for my air tickets which I will be flying out next week. Is it possible for that to be done through M-PAiSA?

MR. S. PRASAD.- At the moment, we do not do outside Fiji payments, but if you are booking a ticket with Fiji Airways, they are on our e-ticketing. If you are going to Singapore using Fiji Airways, you can pay. If you go online and book a ticket with Fiji Airways and pay using a credit card, you are charged a 3 percent fee surcharge. So, on a thousand dollar ticket, you pay \$30 extra.

If you pay for the same ticket using M-PAiSA, you do not pay any fee, so there is no fee. You only need to deposit that much money in your mobile wallet, call Fiji Airways Call Centre, they will book your ticket, they will give you a reference number and you go into M-PAiSA, there is an option to pay. So, on this M-PAiSA there is an option to pay Fiji Airways, so you can pay for your ticket, you can book for extra luggage or you can change your ticket date, et cetera, and pay from here at no fee.

MR. CHAIRMAN.- At the moment, the banks are not even allowing us, its customers, to link M-PAiSA to our account itself.

MR. S. PRASAD.- So, that is the real challenge for a lot of people because they have money sitting in the bank but when they need it through the mobile phone, they are not able to access it and that linkage hopefully will come through.

MR. CHAIRMAN.- It make sense. We will try to get clarification on that, whether the Bill is actually covering that or not. If it is not, then we might actually consult as Members and see whether an amendment needs to be done and that all depends on whether the Members deliberate on it.

MR. S. PRASAD.- The Government earlier through the National Switch had the same intention. So, hopefully, this Bill will basically bring in that intention so that we have an integrated financial system.

We are also trying to help a lot of businesses. I am not sure if you know, we have an online platform called VitiKart, which is like any business who wants to sell their products online through the internet. We have a platform where they can come as online merchant listed products and get people to browse, select and buy and then pay using M-PAiSA.

In fact on VitiKart, we have also integrated visa and master card, so that people abroad can also purchase. A lot of these businesses, handicrafts, small Buy Fijian Made products, et cetera, we are trying to bring them onto this platform which is similar to *eBay*, *AliExpress* and *Amazon* where you can go online and buy. So, we are creating something because for a lot of smaller businesses in Fiji, to build their own online e-commerce platform is very costly and they do not have that much knowledge in information technology, security online, et cetera. So we have built this platform, we have got all these merchants who want to come on board to sell their products and services.

One place where they go and get stuck is, how do I get paid for my services? And because we have M-PAiSA, we are able to provide even an end-to-end payment service and make sure that they receive the money. So, if there are customers who want to buy online, they see a product but they do not have balance in their M-PAiSA account but the money is sitting in the bank, then they cannot transact. It all boils down to, again, people are happy to keep money in the bank because they think it is more secure. But when they want to access a certain amount, they should be allowed to access it through this integration and this is what we are seeing as the most beneficial part of this Act, if it happens.

HON. DR. S.R. GOVIND.- The M-PAiSA account, do you pay interest too?

MR. S. PRASAD.- We do not pay interest, nor do we charge any fees. If you keep an account in the bank and if you do not transact for x number of times or have a balance which is below a certain amount, the bank charges you a monthly fee. We do not charge any fee, so if you keep \$90 in it today, then at the end of the year you will still have your \$90 intact. We do not charge any fees for account maintenance. A lot of people in the rural areas keep money in the banks but when they go and try to find out in three or four months later, only some of the banks, not all banks, I am not sure who is charging how much.

So, in essence, that is our submission. We are very supportive of this Bill and we applaud the Government for this Bill. Hopefully, this paves the way for major evolution and new services and innovation, and at the end of the day what we want is, make the financial services more convenient and accessible to the people with greater security so that their funds remain intact.

MR. CHAIRMAN.- Honourable Members joining us virtually, are you still there, Honourable Sharma and Honourable Bulitavu?

HON. R.R. SHARMA.- Mr. Chairman, I have no comments. I had a few questions but it has already been answered by Mr. Prasad, so it is alright.

MR. CHAIRMAN.- Thank you. Since there are no further comments, thank you, Mr. Prasad, for your submission. I thank you very much for actually availing yourself this morning. It was very enlightening. As I have stated earlier, we went around, there were certain concerns raised but actually after having spoken to you and the Governor of the RBF this morning, things are much clearer now.

Definitely, we need a Bill that actually allows us to come up with the infrastructure that actually makes our payment system much more easier and as you very rightfully said, yes, we need to go cashless. We need to actually crackdown on the black economy that is evolving around and this is one of the ways to do it. Also, thank you for providing the M-PAiSA service to Fijians.

MR. S. PRASAD.- Thank you very much.

MR. CHAIRMAN.- Thank you.

MR. S. PRASAD.- My pleasure.

The Committee adjourned at 10.32 a.m.

The resumed at 11.00 a.m.

Interviewee/Submittee: Post Fiji Limited

In Attendance:

Dr. Anirudha Bansod - Chief Executive Officer

MR. CHAIRMAN.- Thank you, Chief Executive Officer of Post Fiji, Mr. Bansod, for accepting our invitation and being present here this morning to do the presentation on the National Payment System Bill 2020 that is before the Committee. As you will note, it was brought to us under Standing Order 51 so we have to report back to Parliament during the February Sitting.

Last week, we had gone around Viti Levu for public submission where certain processes need to be raised and obviously, we thought it would be a good thing for us to meet the relevant stakeholders and the main custodian which is the Reserve Bank of Fiji (RBF) whom we met with this morning. So, we thought it would be wise for us to meet you as well.

I think you deal with money being transferred here and there through money order, so we thought that it would be good for the Committee to get some facts from Post Fiji and a way forwarding as to how they see this Bill and what Post Fiji(Inaudible)

(Mr. Chairman introduced the Honourable Committee Members)

Without further delay, I give the floor to you, Sir, to make your presentation and if there is any need for us to interject in between and ask questions, you may do so. Otherwise, we will reserve the questions and answers at the end of your presentation. Just for information purpose, today's session is being recorded and it will be replayed in the Walesi platform through our Parliament Channel. Thank you.

DR. A. BANSOD.- Thank you, Mr. Chairman and Honourable Members. As we know that Post Fiji is involved in the money order business for many, many years. We manually transfer money between the locals in Fiji, as well as in overseas. Most of the time, the Money Order System is really traditional, we have a mechanism which is more manual driven, as well as technology implementation. It is kind a bit of manual with the technology saving links on that one.

At the same time, we are still working to develop a platform which is more digitisation, in line with the Fiji Government long term goal to meet the more digitisation platforms all over Fiji. So money order business is soon trying to move from the semi-automatic to the fully automatic version of the....

In terms of the Bill, we have gone through the Bill contents and it looks very transparent. It gives confidence to the regulators, as well as to people like us to handle this money order business with full integrity, transparency, with the rightful governance policy structure and we highly support this Bill.

It also allows to have the National Switch, so it allows to have more transfers of the payment coming from overseas. One of the things I have noticed in that is the demat account which is highly required in the Fiji market. Most of the countries have a demat account where the security exchange

is, the mutual fund, the share market and transfer are all done electronically and that is one of the best mechanisms. You are not living any substance for the manual processes, so we highly support this Bill with this demat account, regulations and its legality.

It also covers up a lot of areas of bankruptcy. People who are going through stress, there is a provision in the Bill. There is also provision of having penalty charges. Suppose someone is trying to do naughty things or bending the rules or regulations, so overall it is a right Bill and at the right time, you are putting it on the floor and we highly support this sort of thing.

It will ensure the integrity of the people who are handling this business of money transfers, et cetera, and give a more clean picture to the international world that Fiji is more clean. All the money transfers happen in a very rightful version and there will not be any kind of hawala which happens in many of the Asian countries where illegal payment transfers happen. It will stop all those things there and people will be more fully integrated with transparency and honesty.

MR. CHAIRMAN.- Thank you, Sir. Just by way of background, since you are one of the service providers, let us say, for example, I actually appear in one of the Post Fiji outlets to send money to Honourable Dr. Govind. For some reason, somewhere in between the money goes missing. What are the processes at the moment, could I, as a consumer, come directly to Post Fiji and lodge a complaint or there is a regulator whereby I can go and lodge a complaint to? What is the process at this point in time?

DR. A. BANSOD.- People transfer hard cash and there is a highly likelihood that there might be some people skipping the processes and manage that fund in their personal interest. For example, if you are transferring \$100 to Honourable Dr. Govind and then that \$100 is the responsibility of Post Fiji, we take our commission but we ensure that \$100 is transferred to him. We do have some instances where it is very, very minor, a negligible percentage, but some people have the audacity to do some sort of fraud and money gets missed in that area but Post Fiji's commitment is that, you have transferred that money, the exact amount will be transferred to the recipient as well.

MR. CHAIRMAN.- What would be some of the challenges if you are actually moving from the semi- manual process that you are having at the moment, to a fully automated system, especially if you are looking at rural and maritime areas?

DR. A. BANSOD.- Well, one of the challenges all over the world people face is penetration of internet and the digitisation mechanism. Not all people are comfortable, if you see the demographics of the country. You will have some old people who do not want to adopt the new technology just because they are comfortable with the old traditional mechanism, so convert those segment of the people into the digitisation is one of the challenges the Government will face.

Secondly, if you see the Pacific nations and research says that penetration of internet is much more higher than other countries and you will see those in the ADB Reports. You will see that the Solomon Islands and Fiji, and even Vanuatu, have a higher penetration rate. Having that higher penetration of internet means more people coming onto the digital platform and more people will be accepting the new payment system and new payment gateway there.

MR. CHAIRMAN.- Further to what I was saying, for example, is there any processing place, for example, if I am living in one of the maritime areas, like Lakeba and because I do not have banks there. Is there any process in place with Post Fiji where I can actually access my bank account through the money order system that you have at the moment, or that cannot be done? Money is sitting in my account and I am in Lakeba. I cannot access directly, so do I actually go through a tenth

person to transfer the money which leads to withdrawal, transfers and that money comes in, or I can go directly to Post Fiji, access that account, get the money over and it is transferred to me.

DR. A. BANSOD.- Sure, that is a very, very practical and logical question. Post Fiji do the post-to-post transfers in which we are one of the widest distribution network in Fiji. No one has been closer to us, even having 58 Post Shop outlets. If you consider a supermarket or any firm, they are literally in double digits but we are much larger.

Our concentration is not into the urban sector, we are also into the rural areas and that is where we facilitate this money transfer business into the rural community. In saying that, over experience says that lot of money comes from agriculture, food and *yaqona* and other products, which we are still getting a lot of manual transfer from post to post for the money order business.

On other subsection of your question, if people do not want to go into Post Shop but want to do business digitally, we also have a platform called 'e-shop' which we launched on 9th October, 2019. The focus of the issue is basically to have all the postal services online and part of that is money order transfers. We do have a payment gateway with one of the banks and especially after *TC Yasa*, we have seen that a lot of overseas people are transferring money from overseas to Fiji and it is happening through our e-shop e-commerce portal.

Yes, we have a semi-manual processing of the post-to-post shop, plus we also have this e-shop, and we are also in the process of developing a digital platform as well of the Post Fiji. Here, we are trying to get to the different segment of the people to facilitate this and this Bill will certainly help us to ensure that all those different platforms of semi-automatic, e-shop, as well as the digital android or apple platform phone can be catered so that we can get to all the segment of the people.

MR. CHAIRMAN.- In future, are you actually looking at going into a joint venture with another service provider who is actually into transferring money. Let us say in this case I would actually give an example of Vodafone, to see if both companies can come together and have a wider coverage throughout Fiji?

DR. A. BANSOD.- Well, that issue has been discussed with Vodafone and other teams. I can say that the Post Fiji money order is very silent in terms of setting the numbers, but I can confidentially say that we are the biggest money order transfer in the country at this stage. If you give us the numbers literally in a six years' time, it is more than half a billion dollars of the transactions we do, which in no way any of our competitors can come closer to us at this stage. They may come up in the future, there is a possibility because as the consumer behaviour change and the people communicate the different fashion from the manual to digitisation so naturally digitisation is the one.

Today, we consider M-PAiSA is our competitor and we respect what they are doing but we also have the competitors like Singapore Exchange, we have the MoneyGram, we have the Digicel Platform MyCash, we also have Western Union. They are all our competitors. So, it will not be strategic this year for Post Fiji to join hands with any of them. Each one has their own products and they all compete with each other.

Having a healthy competition is good for the market so the people can see which rates, where they are getting better rates, which is giving better customer service and based on that, they can take a (Inaudible) So, strategic alliances can happen with someone who is creating some big better payment gateway which will help us for overseas money transfer and that is where we do not mind looking into that dimension.

MR. CHAIRMAN.-Where I am actually coming from, you might have heard recently that we had passed a Bill in Parliament whereby infrastructure sharing would be done by all the service providers in terms of political telecommunication, radio service providers, television service providers - one infrastructure and everyone gets to share that particular infrastructure to provide the network in a particular area.

The reason why I am bringing this up, for example, in one particular maritime island, the Post Fiji outlet is not there and M-PAiSA is there, not in a centre like Suva whereby you can work with the competitor but from the Government points of view, we would like the service to be provided to everyone, regardless of where they staying. Post Fiji is actually taking the lead role in such kind of things and being there for so many decades. That is why we have posed that question to Post Fiji, if they are willing to get into some kind of talk or discussion whereby people in the maritime areas where Post Shop is not available, your service can still be provided through cost-sharing measures and infrastructure sharing.

DR. A. BANSOD.- Thank you for raising that question. I know that there is a lot of background negotiation. We are discussing with Vodafone and other teams. Our stand is very clear and we did mention to our Board and to the Minister.

Currently, postal business in general is decreasing. There are few reasons. One is that, the consumer behaviour has changed. People used to send letters and those things are dropping substantially. Because of that drop and change of consumer behaviour from the manual to digitisation, everyone communicates through digital platform, so that is one decline.

Secondly, the COVID-19 pandemic has really hit us badly in lockdown. So, countries in lockdown means that mails are not coming, packages and parcels are not coming, EMS international is not coming and that has really affected us almost more than 80 percent.

We are a commercial organisation, we need to be sustainable in the market. We have close to 400 employees relying on us to take any this year. So, here, on one side of the revenue going down and we are looking to see what are the ways of making revenue, and that is where we do strategic diversification.

Todate, money order is one of our major 'bread and butter' business where we earn substantial good margin on that. We do not get any complaints from customers. Customers are happy with whatever services we provide. There is never a customer who has mentioned that \$100 had been transferred and he/she has received \$90 or have not received the money, so the mechanism that Post Fiji is currently handling is perfectly working in that area. There is no issue from any of the customers.

It is fraudulent for Vodafone to say that there is a possibility of strategic alliance. I will not say that is good strategic alliance because for so many years, we have allowed them to be on our platform of the distribution network of 58 Post Fiji Shops whereas we have our own product. Which competitor will allow other person to come into the shop and do their business? It is like, everyday they are capturing our business, we are losing our market share, we are losing our profit margin and it is high time for us to strengthen our money order business and people need to trust us.

We have a good management team and we also can go into digitalisation and compete with them, so there is no need for Vodafone to sit on us and then eat our market share and make profit. In 10 or 20 years' time, we do not want Post Fiji to drop down. People look at Post Fiji as one of the

oldest institutes and whatever support this institute has given for 149 years and we want to maintain this customer trust on us and build up our digital platform as well.

MR. CHAIRMAN.- Thank you for that explanation, Sir. I believe that would be it from my side. There were certain clarifications that I needed to get hold of in terms of the Bill itself. There were certain things informed by the Governor of the Reserve Bank of Fiji (RBF). They were here this morning, so we had a good discussion with them as well and basically, everyone is supporting the Bill because we need the legislative framework for the infrastructure to grow. I do not think there was anything built to date but the RBF also has a very good plan to develop the infrastructure once the legislation is in place.

Once again, Sir, on behalf of the Standing Committee on Justice, Law and Human Rights, I would like to thank you for your time and making yourself available to actually have this discussion. Thank you very much.

DR. A. BANSOD.- Thank you, Sir. Thank you for giving us the opportunity.

The Committee adjourned at 11.20 a.m.