

Closing remarks by Ms. Emilija Nacevska, Vice Governor of the National Bank of the Republic of North Macedonia, at the 14th Conference on Payments and Market Infrastructures, 4-5 October 2022

Flourishing Digital Payments Future

Distinguished guests, speakers

Ladies and gentlemen, good afternoon

It is indeed a special privilege and pleasure to address you at the end of the 14th Conference on Payments and Market Infrastructures - ***Flourishing Digital Payments Future***.

Holding the 14th traditional Conference in cooperation with De Nederlandsche Bank, and at the same time, the second successful virtual Conference, once again bears testimony of a genuinely fruitful cooperation and sharing knowledge and experiences among exceptional expert minds.

This year, we have raised many interesting issues, but let me summarize and build on the things we have said and concluded in the past two days:

During the **opening address**, we heard from our esteemed governors and the director of Payments and Market Infrastructures of DNB that the COVID 19 pandemic has once again assured us that we are already in the **era of digital world**. We all witness the changes imposed by the latest payment trends driven by technological progress which enables new opportunities for consumers to initiate payments and follow more easily their spending behaviour.

Governor **Ms. Anita Angelovska Bezhoska** emphasized that the trend of payment digitalization is increasing on a global level as well as in our country. The open banking has unfolded an array of opportunities for innovation. All these allow consumers to benefit from more and better choices among different types of payment services. Central bankers are aware of the digital transformation, because of their roles in that process in particular, given that they should lead and communicate the payment digitalisation progress with the public. She shed light on the importance of the new Law on Payment Services and Payment Systems, which created a regulatory framework to encourage greater competition and a wider range of payment services for citizens and companies, the Innovation Gateway created in 2019, which

is a platform for dialogue with the fintech sector, as well as the first national Fintech Strategy which will be adopted soon.

The Governor of the National Bank of Serbia, **Ms. Jorgovanka Tabakovic**, emphasized that smooth functioning of payment systems is exceptionally important for the stability and efficiency of the financial sector. In this context, she pointed to the importance of the initiative the National Bank of Serbia has launched with some countries of the region, including the Republic of North Macedonia, to cooperate closely in the cross-border payments area, thereby strengthening further regional cooperation and increasing economic prosperity.

Ms. Inge Van Dijk, director of the Department of Payment and Market Infrastructures at the De Nederlandsche Bank, speaking about the role of central banks emphasized the importance of maintaining a strong and secure payment infrastructure in conditions of greater digital dependence, as well as strengthening European and global payments in a dynamic international field.

They all emphasized that there is no doubt that technological innovation is of paramount importance in *Flourishing Digital Payments Future*, but payment security, privacy and data protection are non-negotiable.

Thanks to the extraordinary interventions of the respectable panelists from the International Monetary Fund and the European Central Bank, as well as the panelist from our central bank, through the excellent panel discussion on the topic *Global Surge in the Use of Digital Payments: Challenges and Opportunities*, it was emphasized that the global economy is going through a digital – payment revolution and that the CBDCs are receiving more attention than ever.

Mr. Soderberg touched upon several questions that the booster of digital payment, the COVID-19 pandemic, raised in front of the central bankers regarding security, efficiency, privacy, financial inclusion, monetary policy and financial stability, which laid ground for the impressive explanation from **Mr. Terol** on the motivations of central bankers to develop central bank digital currency. The conclusion was that convenient, fast and easy payments without compromising security are preferred and desirable features that **Mr. Velichkovski** confirmed with his explanation about the consumer behaviour during the pandemic regarding the use of payment instrument in the national context.

Considering that the thriving of digital payments encourages countries to undertake activities to boost cross-border payments, **Mr. Soderberg** comprehensively led us into the responding scenarios to the challenges posed to cross-border payments in terms of fees,

speed and efficiency. And for the new age, this approach will be completely complementary to the challenges of the central banks in relation to the fulfillment of their current task - monetary and financial aspects, which was explained by **Mr. Terol**. At the end, this common thread running through this trend in digitalization was touched upon by **Mr. Velichkovski** for the regulatory approach in North Macedonia as a response to technological changes.

Ms. Annele Kosse, from BIS, gave a special contribution in the field of **CBDC**, emphasizing the importance of the CBDC as a game changer in the international financial system that could trigger greater currency competition. She stressed the need for developing a flexible CBDC design including interoperability with today's payment methods, respecting the regulatory requirements, and the challenge how to deal with the foreign CBDC by minimizing risk and ensuring financial stability.

In this context, we heard from **Ms. Ria Roerink**, that De Nederlandsche Bank is cooperating with the European Central Bank to explore the possibility of granting wider public access to digital central bank money. The idea behind **digital euro** is to provide the euro area citizens access to a simple, universally accepted, secure and reliable public means of payments, giving the people more options for payments, beside cash. She managed to bring closer to us the practical use of digital euro, and the possibilities and benefits it offers. She stressed that this would be in line with the central bank's mandate to safeguard not only financial stability, but also to ensure an efficient, reliable and inclusive payment system.

Mr. Marc van der Maarel from De Nederlandsche Bank, explained how the Dutch pay at the (physical) point of sale, online and person-to-person. He reflected on **the impact of PSD2 on the Dutch payment market** from a competition, innovation, security and consumer and data protection point-of-view, stressing at the same time, the "side-effects" that it has brought. He explained that its implementation in the Netherlands provided entry of new players, increased competitive pressure on incumbent banks and thus, helped banks to embrace new API (application programming interfaces) technology. Yet, some challenges arising from its implementation are related to the lack of API standardisation which increases costs for the new payment service providers by requiring more investment in technical interfaces. On the other hand, requiring the incumbent payment service providers to offer free access to payment account infrastructure inhibits investment incentive, which is a precondition for better functioning of APIs. Most of these difficulties are expected to be dealt with in the forthcoming revision of PSD2.

Our experts from UK and the Netherlands, Ms. Nilixa Devlukia, Mr. Michal Kalina and Mr. Max Geerling, brought us a lively panel discussion on challenges in the **implementation process of strong customer authentication and open banking**. In a comparative context, **Ms. Nilixa Devlukia** reflected on the differences in implementation of open banking concept across various jurisdiction, enlightening the regulatory vis-a-vis the market lead approach. In this context, **Mr. Max Geerling** stressed the specific way the legislation in the EU was formulated from a competition perspective, but not from a business perspective. Thus, it requires developing a new channel for interaction among payment services provides, which later on can be expanded to a new distribution channel for interaction with the customers. We heard from **Mr. Kalina** that the implementation of open banking is a sizable task and about the importance of trust between TPP and PSP. This trust is a key for successful implementation of an open banking concept. With some practical insights regarding the security and cyber resilience, he led us to the aspects of security of the network which is equal to the security of the weakest link. At the national level, we are working on the necessary regulation that will reconcile openness and security deriving from the new Law on Payment Services and Payment Systems.

In summary, I would like to express my sincere gratitude to the panelists and lecturers for sharing their expertise with us and to thank you all for participating in the conference and the constructive discussions that we had. Let me express my deepest appreciation and gratitude to the Dutch Central Bank and its representatives, Christel, Ria and Marc, for their support and contribution in organizing this important event. Last but not least, allow me to express my sincere recognition to the National Bank team that supported the Conference with strong professionalism and dedication.

Thank you all!