THE NEW FINANCIAL ARCHITECTURE OF ECUADOR: PUBLIC REGULATORY AND SOCIOPOLITICAL CONTEXTS FOR PAYMENT SYSTEMS
The New Financial Architecture of Ecuador

Socioeconomic and Political Context

- Before and after the Financial Crisis of Ecuador
- The Dollarization of Ecuadorian Economy

GDP Growth (1990-2012)

Inflation (2000-2013)
The New Financial Architecture of Ecuador

Socioeconomic and Political Context

- The Ecuadorian Constitution of 2008
- Financial inclusion and the “popular and solidarity economy”
- Public policies and legal reforms
- Current government
Poverty in Ecuador: 25.55%
Extreme Poverty in Ecuador: 8.61%
Rural poverty: 42.03%
Rural extreme poverty: 17.39%

70.5% of the Ecuadorians doesn’t have a bank account.
73.7% of the accounts are part of the Traditional Financial System (banks) and 30.2% from the Popular and Solidarity Financial System
The Mobile market in Ecuador

- Mobile phone subscribers: 17.9 million (apr-2014)
The electronic money system, as defined by the Central Bank of Ecuador, is a set of operation mechanisms, procedures, and regulations that facilitate the flow, storage, and real-time transfer of monetary value between the different economic agents.

- Use of electronic means:
  - Mobile devices
  - Internet
  - Smart cards, and others.
Key Actors

- Central Bank of Ecuador as the Distributor and Administrator
- Regulatory Institutions
- Technological channels
- Macro agents
- Transactional centers
- Users
System Estructure
Use Cases

Deposits / Withdrawals

Transfers (P2P)

Transfers (B2P)

Transfers Government to Users

Invoice payments

Collections

Airtime purchases tied to mobile operators

Balance inquiries
The issuance of Electronic Money made by the Central Bank of Ecuador (BCE) to natural or legal persons shall be, directly or through authorized agents only in exchange against:

- i) Dollars of the United States of America
- ii) coins issued by the BCE or
- iii) deposits in Dollars of the United States duly accredited to the BCE.

The Electronic Money in circulation must be backed one hundred percent (100%) with liquid assets of the BCE.
Perspectives from the actors

**Government and Central Bank:**
- Priority public policy
- Financial inclusion for the “popular and solidarity economy”
- Increase the velocity of money circulation
- Transactional costs reduction
- Recirculation of money in rural areas

**Mobile companies:**
- New line of business
- Technological adaptation

**Macro Agents**
- Business opportunities
- Cost reduction for collections

**Users**
- Transactional speed
- Costs reduction
Conclusions

- Central Bank’s cutting edge proposal of a public electronic monetary system still need to answer the question of how can it create bigger impact than privately run systems.

- Since the project hasn’t been implemented yet, it is unknown certainly how Ecuadorians will respond to the system.

- The financial crisis suffered in 1999 changed the relations between the Ecuadorians with their money and its regulating institutions. One of the greatest challenges for the Central Bank is to gain trust as the monetary policy maker.

- Money, as a social agreement, needs people’s trust and approval to be part of their lives. It is still unknown if the electronic or mobile money is going the be a new social agreement in Ecuador.