



## DIGITAL COMMERCE - ARE WE READY?

REMARKS BY THE GOVERNOR OF THE RESERVE BANK OF FIJI,  
BARRY WHITESIDE  
AT THE 18<sup>TH</sup> ATTORNEY-GENERAL'S CONFERENCE  
INTERCONTINENTAL RESORT, NATADOLA  
10 DECEMBER 2016

### Salutations

[\[Click for Title Page - Slide 1\]](#)

The Honourable Attorney-General and Minister for Economy  
Distinguished Delegates  
Ladies and Gentlemen

Bula vinaka and thank you for the invitation to join you in these discussions!

### Introductory Remarks

Are we ready for digital commerce? From the Reserve Bank of Fiji point of view I would venture to say “not quite”, and I will clarify my answer shortly.

But really, I get the impression that with digital or e-commerce, we are on a train that is not stopping for anyone! We are in a generation sensitised to working and doing practically everything on-line and it is clear that as regulators, it is us that need to keep up with the flow.

Clearly this phenomenon is not going away. If anything, it will get much, much bigger! Let me just brush across the example of India, the second most populous country in the world- and I won't even talk about China or the USA.

The internet user base in India is expected to cross 500 million in 2016. While the penetration of e-commerce is low compared to the USA, it is growing at an unprecedented rate of around 6 million new entrants per month and on-line shoppers will number 100 million this year. From US\$12.6 billion in transactions in 2013, this amount will be close to \$100 billion by 2020, such is the growth!! (source: Wikipedia)

Fiji is just a drop in the ocean compared to these numbers, but it is still extremely important to us, and our next generation are not going to be sitting around twiddling their thumbs. We now have nearly 1 million mobile phone connections (more than our actual population) while a third of all Fijians are active social media and internet users.

[\[Click for “Proxy of Digital Commerce in Fiji - slide 2\]](#) While we do not have good data on the actual value of digital commerce payments, if we use local credit card payments as a rough proxy we can see a strong growth to just under \$100 million in 2015 with a total of just under 364,000 transactions.

Other electronic payments, though not always part of digital commerce, have recorded phenomenal growth as well over the past ten years. EFTPOS, used to make payments for goods and services from our retailers (but also possibly to close out orders made previously on-line, for example your hotel booking here at Natadola), recorded more than 3 million transactions in 2015 worth \$1.6 billion. This represents an increase of 66 percent from 2005.

It is clear that Fijians want what is out there and it is up to us as policymakers, service providers and regulators to provide the appropriate environment to make it happen.

Digital commerce is here, it is growing, and we need to get on board or we will miss that train!

## **Definition**

Allow me to take a step backwards. [\[Click for “What is Digital Commerce”- Slide 3\]](#) By way of a definition I just wanted to show a slide of what we are referring to when talking about digital commerce, often used interchangeably with the term e-commerce (although I think one is a subset of the other).

The key points are that we have a buyer or customer using a computer, laptop, i-pad, smart phone or similar device) hooked up to a digital or electronic platform (internet). An order or purchase is made on a “shopping” platform [\[Click to circle the Shopping Cart\]](#) (this can be direct from the seller’s website e.g. Pure Fiji, Fiji Airways, Fiji Hotels, Captain Harry’s Fishing World – one of my favourites, or through multiple seller platforms like Amazon and E-bay). There are various methods to pay or reserve payment (the most common being by credit card, but you also have the likes of internet banking, mobile wallets and other e-payment gateways such as Paypal). [\[Click to circle Payment Portal – will also bring up RBF’s role\]](#).

The success or otherwise of the whole process relies on the acceptance by the customer that it is cost effective and secure, and at the end of it he or she will receive the goods or services purchased. There are clear roles for our policy makers, consumer protection agencies, service providers (eg banks and card companies) and payments systems regulators (including the Reserve Bank of Fiji and Financial Intelligence Unit) to ensure all this happens.

However, we all know that there are people who would try to use the system for their own ends and digital commerce has spawned a whole new breed of fraudsters under what we generally term, cybercrime. Fiji is no longer shielded by our geographic isolation from these internet criminals. [\[Click for Cybercrime – Payment Intercept Scams - Slide 4\]](#)

Since 2013 the Financial Intelligence Unit has recorded 35 internet payment intercept scams, involving nearly \$1.5 million, where Fijian companies and individuals have been targeted. Intercept scams are when cybercriminals intercept legitimate on-line transactions with last minute email to the buyer changing the payment instructions.

Out of these cases:

- 16 payments valued at \$940,000 were successfully intercepted by cybercriminals; while
- 2 payments totalling just over \$225,000 were refunded through quick action by the local companies and commercial banks in Fiji.

So clearly, speed of detection is the essence.

Earlier this year Fijian credit and debit card holders were the target of various skimming devices which enabled cards to be replicated and used for on-line purchases as well as direct cash withdrawals from ATMs. The RBF and FIU estimated losses to banks locally of around \$2.7 million with more than 1,000 cards affected. Other countries have faced similar attacks this year, including India where 3.2 million cards were compromised.

So, I cannot stress enough that policy makers, service providers and regulators must work together to create a secure platform for digital commerce in Fiji.

### **Benefits of Digital Commerce and examples locally**

That being said, there are clear benefits to Fiji in regard to Digital Commerce [\[Click for “Benefits of Digital Commerce - slide 5\]](#).

The benefits do actually support our nation’s bottom line in many ways, which is why we support it.

These include:

- Improved Ease of Doing Business – Buying, selling and paying for goods and services with a few clicks of the button is clearly a giant leap in efficiency, convenience, reach and choice. This inevitably means,

- Lower transactions costs to customers and lower overheads to the sellers
- Wider Access to Markets – When Fijian businesses are online, they can reach customers and investors beyond our islands. This enables our goods and services to be bought from anywhere in the world and has tremendous potential for our companies wanting to progress to the next level outside of the local market. (The tourism industry is of course a major beneficiary here)
- Improved Exports and Foreign Exchange Earnings – With wider on-line access to markets for Fijian-made goods our exports are likely to increase along with our foreign exchange earnings – clearly a plus for our balance of payments. Pure Fiji is a great example of a company utilising digital commerce and contributing to Fiji’s exports and FX earnings.
- Improved sales, earnings and taxes – As Fijian businesses increase sales, earnings and taxes collected are likely to increase so businesses and Government both gain.
- Ability to assist SMEs to grow – As we progress with our recently announced SME reforms, we believe that e-commerce will assist our small and medium sized companies to better market themselves and help grow our economy.

So in general, we do believe that digital-commerce will assist Fiji at both the micro and macro level.

## **Digital Commerce – Are Wwe Ready?**

At the beginning of this presentation I alluded that at the Reserve Bank we may not be quite ready for digital commerce. Let me qualify that now.

Traditionally, a Central Bank’s mandate was limited to just monetary policy and currency issue. However, over the last few decades we have taken on additional policy areas including financial system stability. Other more recent areas include financial inclusion and SME sector development. In all these areas we can find a thread to the topic of our discussions today.

Under our financial stability role, payment systems are clearly important, and as Fiji’s financial system regulator the Reserve Bank takes its role in safeguarding our payment systems seriously. Any failures will have repercussions across the system right down to the end users, the customers. Apart from any monetary losses there will be serious reputational risks across the board.

Over the years the payments system in Fiji has developed in leaps and bounds moving into the electronic age in the early 1990’s supported by capital investments of our financial sector players and mobile network operators. [\[Click for “Evolution of Payments System in Fiji” – Slide 6\]](#)

Our existing infrastructure in terms of the different payment products and services are both modern and well developed relative to many countries around us. Our central bank colleagues in the region have referred to Fiji as the “**New York of the South Pacific**”. That may be a bit much but it is how they see us!!

The main payment methods that facilitate e-commerce are already in Fiji, in particular: credit cards; internet banking and e-payment gateways. We thank our banks and card service providers for that.

The Reserve Bank will continue to play its part to enable the service providers, such as the banks, to introduce new payment products and services that facilitate digital or e-commerce in Fiji’s financial system. [\[Click for “RBF’s Efforts to Enable Digital Commerce - Slide 7\]](#)

In 2010 we also enabled the introduction of mobile money by our two Mobile Network Operators (Vodafone and Digicel) [\[Click to highlight mobile money\]](#). Money transfers and payments are now possible through mobiles and I understand that one MNO has developed a mobile money payment gateway, but this is yet to be marketed.

Yet with the introduction of these innovations comes a growing risk for financial stability and integrity. We must, therefore, ensure that these payment platforms are secure and safe for our people to use. There must be consistent monitoring by both the providers and the regulators.

To this end, in 2011, with technical assistance from the World Bank and consultation with our banking industry, the RBF drafted a National Payments Systems legislation. This would provide the legal framework for facilitating the introduction of new payment systems and ensuring only solid and stable entrants into the financial system. This draft was submitted to the Office of the Attorney-General in 2013 for finalisation and approval through the legal process.

The proposed legislation will further enable us to expand and develop accompanying regulations within the payments systems ambit relating among other things, to IT risk management frameworks, governance, security standards, consumer protection, customer redress, and privacy standards.

We are hoping the draft Payments Systems legislation, will go forward as a Bill to Parliament soon as there is a need to finalise what we see as a basic building block in our financial system.

The Reserve Bank also has had the opportunity to comment on the Fiji Interchange Network Bill (more commonly referred to as the National Switch) and we are awaiting its finalisation and details to gain a better understanding of its impact on the draft National Payment System legislation. The Switch is important to us as it will provide a common platform for the various payment systems to “talk to each other” - such interoperability is a key part of electronic payments.

### **So are we really ready? What are the risks????**

[\[Click for “Are we Really Ready” - Slide 8\]](#)

This brings me back to the question, are we ready, particularly to scale up digital commerce in Fiji?

As I have alluded to in much of my presentation, the technology and the capability is already present in Fiji and is working well, albeit with some unwanted intervention by global cybercriminals. So we are more or less “on the train”.

However in regulatory terms, on the payments side, we await the finalisation of the legal framework for our National Payments System. Once this is done, as regulators we will be able to work from there. In the absence of the proper legal framework to regulate payment systems the effectiveness of our supervisory efforts to build and enforce a strong risk management framework in our financial system is reduced. The risks will continue to increase and evolve and as I have shown earlier, we are already confronted with risks like online identity fraud, security of e-payments, and computer and e-device hacking. So for us, we are “not quite” ready yet.

In addition, there are other aspects which also need to be in place to fully develop the digital or e-commerce framework. Our people need to trust and embrace this new way of buying and selling. Marketing needs to take place and Government could play a crucial role in facilitating both an enabling legislative and regulatory framework as well as adopting digital commerce as part of its day to day operations. (For example as an online seller of its services to replace the need to physically visit Government offices).

Furthermore, infrastructure needs to be strengthened. Access to internet and consistent power supply has a role to play in the acceptance, adoption and proliferation of digital commerce. This is coupled with the need to make the services affordable to the general business community, in particular, the small and medium enterprises.

### **Conclusion**

[\[Click for “Concluding Thoughts” – Slide 9\]](#)

Ladies and Gentleman, at the Reserve Bank we continue to look towards enabling economic growth. We firmly believe that digital or e-commerce is a pragmatic

strategy that can improve sales and exports of Fijian businesses, which in turn will have positive effects for livelihoods, Government income and ultimately will help grow our economy.

As I have noted, there are regulatory gaps that we must close, however it is clear that Digital Commerce is here to stay and we must keep up.

Thank you. [\[Click for Thank you slide\]](#)