Infrastructure Issues and Risks in EPS

Infrastructure Issues in EPS

The infrastructure is essential for the successful implementation of electronic payments.

1. For electronic payments to succeed, a reliable and cost-effective infrastructure is needed that can be accessed by the majority of the population.

2. The electronic payment communication infrastructure includes the computer network. Like the internet and mobile network used for a mobile phone.

3. In addition, banking activities and operations must be automated. The network that connects banks and other financial institutions with clearing and payment confirmation is a prerequisite for electronic payment systems. The mobile network and the Internet are easily available in the developed world and users usually do not have problems with the communication infrastructure.

4. In developing countries, many rural areas are non-banking and lack access to the vital infrastructure that drives electronic payments.

5. Many debit card technologies such as ATMs are still seen as unreliable for financial transactions and the stories that people tell indicate that they may lose their money through fraudulent discounts, discounts, and other lapses that technology has associated with many over the years the last few.

6. Communications and electricity are not available across the country, which negatively affects the development of electronic payments. The development of information and communications technology is a major challenge for the development of electronic payments. Since ICT is in its infancy in Nepal, the country is having difficulty promoting the development of electronic payment.

Risk with electronic payment systems

- **Credit risk:** There are risks to the transaction if the party is unable to provide the funds necessary for the settlement. This can happen if the originator or the returns fail after settlement. Weaknesses such as no adequate limits or exposure limits, and insufficient originator credit analysis, increase the likelihood of credit risk.
- **Fraud Risk:** There is a possibility that a new transaction may be added to the processing path for unlawful reasons, or that the existing transaction may be intentionally changed in an attempt to incorrectly direct or misappropriate funds, NCUA writes. Insufficient internal controls over physical security, data security, change and operational controls increase the possibility of fraud and potential losses of a credit union.
- **Compliance risk:** There is a risk that the credit association will fail to comply with regulatory requirements, including - but not limited to - electronic money transfer law, bank secrecy law, and FCO requirements.
- **Liquidity risk:** There is a possibility that the credit union will not be able to settle a full value obligation when it is due. This can happen when the credit union chooses not to store ACHs (availability of funds before the transaction's effective date), as there are ineffective controls on overdraft or management lacks risk assessment for high risk activities.
- **Systemic risk:** There is a possibility that one or more participants in the clearing and settlement network may be unable or unwilling to settle their obligations. This may cause other participants to be unable to settle their obligations on one or more other payment networks.
- **Strategic risks:** There is a possibility of risks when a credit union develops its payment services without proper planning or provides new payment services without the seller's due diligence.
- **Operational and transactional risks:** There is a possibility that the credit union may have insufficient or failed internal processes, people, and systems. The possibility of not posting or improperly posting to a command member account must be prepared to manage the credit

union. Many financial institutions process payments via various payment systems for retail and wholesale. The industry has identified this additional complexity as a "cross-channel hazard". In cross-channel risks, fraud can occur across multiple channels or member access points that are performed by businesses, such as the branch, call center, debit card, ATM, voice response unit, website or mobile banking app.

- **Reputation risk:** There is a possibility that the credit union will not be able to meet customer expectations while providing retail payment services. NCUA clarified that accounting and mitigating these potential risks can be difficult even for most seasoned managers. Those who are considering offering one or all of these services to their members for the first time face greater challenges.