

NBP

Narodowy Bank Polski

November 2018 r.

Assessment of the Polish payment system functioning in the first half of 2018

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The “Assessment of Polish payment system functioning” is a cyclical material prepared by the Payment Systems Department which provides basis for the NBP Management Board to perform a periodical assessment of payments, i.e. the implementation of the task defined in Article 17(4)(3) of the Act on Narodowy Bank Polski¹.

The “Assessment of the Polish payment system functioning in the first half of 2018”, hereinafter referred to as the “Assessment”, presents main facts and events related to the functioning of the Polish payment system in the first half of 2018 as well as the statistical data reflecting the development of the payment system in Poland in this period and the level of development at the end of June 2018.

The most significant events for the payment system in the first half of 2018 included:

1. legislative work terminated by the adoption, respectively, on 10 May 2018² and 22 March 2018³, of the acts amending the Act on Payment Services and certain other Acts (a governmental and presidential draft), the aim of which was the implementation of Directive 2015/2366 (so-called PSD2). The most important amendments resulting from the implementation of the PSD2 Directive include, among others: introduction of new types of payment services, including so-called small payment institution in the catalogue of payment service providers and modifications in the scope of liability for unauthorised payment transactions. These Acts entered into force, respectively, on 20 June and 11 August 2018.
2. as of 1 February 2018 - the entry into force of Regulation No 30/2017 of the President of Narodowy Bank Polski of 26 October 2017 on the manner of performing interbank clearing and interbank settlements⁴. Pursuant to the provisions of the Act of 30 November 2016 amending the Act on Payment Services and certain other Acts, the legal basis for the issuance of this regulation has changed, extending the scope of the subject of the regulation by an element of interbank settlements. The need to take this issue into account in the regulation was mainly associated with the potential risk of appearance of new not overseen interbank clearing mechanisms on the market, which do not have the nature of payment systems subject to oversight by the NBP President and which may pose certain risks to the security and efficiency of interbank clearing in Poland.
3. as of 21 May 2018 - the implementation of the new version (6.0) of the SORBNET2 system comprising two significant changes: adding a new participant status in the system

¹ Journal of Laws of 2017, item 1373.

² Journal of Laws item 1075.

³ Journal of Laws item 864.

⁴ Official Journal of NBP item 21.

- (“suspended participant”) and introduction of the payment netting mechanism among banks,
4. in the scope of oversight of payment system, the following measures were undertaken:
 - 1) as regards oversight of payment schemes - four decisions issued by the NBP President regarding payment schemes, comprising among others, the approval to operate payment schemes and introducing changes in their functioning,
 - 2) in the scope of oversight of payment systems - seven decisions issued by the NBP President regarding changes in the rules of functioning of retail payment systems,
 - 3) in the scope of oversight of the securities clearing and settlement systems - on 1 March 2018, adoption by the Management Board of NBP of the report presenting the results of the SKARBNET4 system assessment, in compliance with the requirements of the CSDR regulation and the requirements of the Delegated Regulation 2017/392 and performance, in cooperation with the Polish Financial Supervision Authority (KNF), of the assessment of operators of the securities clearing and settlement systems functioning in Poland in terms of cyber resilience,
 5. launching the Non-Cash Transaction Support Programme with the aim of expanding the network of acceptance of card and mobile payments in retail points, through annual co-financing of costs of the installation and use of terminals in places where such payments have not been accepted so far,
 6. as of 10 May 2018 - the entry into force of Regulation No 14/2018 of the Management Board of Narodowy Bank Polski amending the Regulation on the appointment of the opinion-making and advisory body at the NBP Management Board called Payment System Council. The main objective of the regulation was to adjust the composition and tasks of the Council to newly identified needs.

At the same time, in the first half of 2018, a series of activities were undertaken which would significantly affect the functioning of the Polish payment system in the nearest future. These include, in particular:

1. finalisation of work on the draft Commission Delegated Regulation supplementing Directive (EU) 2015/2366 of the European Parliament and of the Council with regard to regulatory technical standards (RTS) for strong customer authentication and common and secure open standards of communication. On 13 March 2018 the Regulation was published in the Official Journal of the EU⁵ and it will become effective as of 14 September 2019, save for the provisions effective as of 14 March 2019 regarding banks’ readiness to make technical documentation and testing environment available to payment service providers.

⁵ OJ L 69 of 13.3.2018, p. 23.

2. commencing work on the draft Regulation of the European Parliament and of the Council amending Regulation (EC) No 924/2009⁶ as regards certain charges on cross-border payments in the Union and currency conversion charges. The main objective of draft amendments is to waive high costs of cross-border payment transactions in the Union performed in the euro currency, persisting in certain states.
3. passing on 1 March 2018 of the Act on Counteracting Money Laundering and Terrorist Financing⁷, the main aim of which was the implementation of Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing⁸ (4th AML Directive) and the adjustment to the amended recommendations of the Financial Action Task Force (FATF). Member States were obligated to introduce the statutory, implementing and administrative regulations required for the performance of statutory obligations adopted in the aforementioned Directive by 26 June 2017. The draft Act also covers selected issues of Directive 2018/843 of the European Parliament and of the Council (EU) amending Directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing⁹. In this Act, for the first time in the Polish law, the “virtual currency” was defined and entities dealing with trade or intermediation in virtual currency became subject to the obligations and requirements of obligated entities. The Act entered into force as of 13 July 2018.
4. passing of Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU (5th AML Directive). The aim of the 5th AML Directive is, among others, to reduce the risk associated with prepaid cards and virtual currencies. The 5th AML Directive entered into force as of 9 July 2018.
5. commencing work on the draft Directive laying down rules facilitating the use of financial and other information for the prevention, detection, investigation or prosecution of certain criminal offences and repealing Council Decision 2000/642/JHA. The main objective of the draft is the improvement of the cooperation and the exchange of information between competent authorities of Member States dedicated to combating serious crime. In the opinion of the European Commission, the current mechanisms for accessing and exchanging financial information are too slow compared to the fast pace at which funds can be transferred across Europe and globally. Too much time is required to obtain financial information, reducing the effectiveness of investigations and prosecutions.

⁶ OJ L 266 of 9.10.2009, p. 11.

⁷ Journal of Laws item 723.

⁸ OJ L 141 of 5.6.2015, p. 73.

⁹ OJ L 156 of 19.6.2018, p. 43.

6. continuation of work related to the amendment of Regulation of the European Parliament and of the Council (EU) of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (so-called EMIR regulation)¹⁰ in connection with the regulatory review performed by the European Commission on the basis of provisions of this regulation,
7. continuation of work on the implementation in November 2018 of the TIPS (TARGET Instant Payment Settlement) service, provided under the TARGET2 system service, used for the settlement of instant payments. In accordance with the assumptions, the TIPS will be a module technically connected with the TARGET2 system, in which the settlement of instant payments in the euro currency will be performed 24/7/365 in the central bank money. The settlement of instant payments will be based on the exchange of messages compliant with the SCTinst scheme. Instant TIPS will be also technically prepared to perform instant payment settlement in currencies other than the euro.
8. continuation of work on the creation of the universal standard of access interface called "Polish API", which is associated with the implementation of Directive 2366/2015 into the Polish legal system and issuing of the Delegated Regulation (RTS) referred to in point 1 by the European Commission. The objective of this project is to standardise the access interface (API) on the Polish market of payment services to the payment account, enabling communication between payment service providers operating such accounts and so-called third-party payment service providers (i.e. providers rendering the service of payment transaction initiation, the service of account information access as well as the service of confirming availability of the amount required for performing a payment transaction on the payment account of the payer). The first version of the standard was published on 24 April 2018 whereas the last one - on 18 September 2018 (version 2.1.). The deadline for making the access interface available by obligated entities is 14 September 2019.

The key statistical data reflecting the development of the Polish payment system in the first half of 2018, in comparison to the previous semi-annual period, and the level of development at the end of June 2018, are as follows:

1. in the large-value payment systems, the following developments were recorded:
 - in the SORBNET2 system - an increase in the number of executed orders by 4.5% with a simultaneous slight growth of their value by 3.7%,
 - in the TARGET2-NBP system - a growth of both the number and the value of executed orders by 7.5% and 2.7%, respectively,
2. in the retail payment systems, the following developments were recorded:
 - in the Elixir system - a growth in the number and the value of executed orders by 1% and 2%, respectively,

¹⁰ OJ L 201 of 27.7.2012, pp. 1-59,

- in the Euro Elixir system - an increase in the number of executed orders by 4% with a simultaneous growth of their value by 2%,
 - in the Express Elixir system and the BlueCash system, which offer clearing of instant payments - a growth in the number of executed orders by 67% and 92%, respectively, with a simultaneous growth of their value by 33% and 36%, respectively,
 - in the BLIK system - a further growth in the number and the value of executed orders by 61% and 52%, respectively,
 - in the KSR system - a decline in the value of executed orders by 4% with a simultaneous growth of their number by 4%,
3. in the securities clearing and settlement systems, the following developments were recorded:
- in the settlement system operated by KDPW S.A. - a decline in the number of operations by 4.1% with a simultaneous growth of their value 2.4%,
 - in the transaction clearing systems operated by KDPW_CCP S.A. - a growth in both the number and the value of operations by 11.9% and 82.5%, respectively,
 - in the SKARBNET4 system operated by NBP:
 - a growth of both the number and the value of transactions in NBP money bills, by 2.6% and 24.3%, respectively,
 - in the first half of 2018, no transaction in Treasury bills was performed,
4. as regards the remaining infrastructure of the Polish payment system, the following developments were recorded:
- growth in the number of institutions providing payment services by 6.1% and a growth of their outlets by 1.5%,
 - growth in the number of points of sale equipped with POS terminals by 19%,
 - decline in the number of credit union outlets by 6.5%,
 - decline in the number of KIPs (Domestic Payment Institutions) by 6.8%,
 - growth in the number of BUP (Payment Service Office) institutions by 10.1%,
 - growth in the number of ATMs by 0.3%,
 - growth in the number of payment card merchants, enabling processing of payments by payment card in POS terminals and via the Internet by 19% in comparison to the previous semi-annual period,
 - growth in the number of points of sale offering *cash back* payments by 19.7%,
5. as regards bank accounts and non-cash payment instruments, the following developments were recorded:

- growth in the number of current settlement accounts of natural persons operated by banks by 1.9%,
 - further growth in the average number of non-cash transactions on a single bank account, by 3.9, which means a growth in the average activity of users per one account by 4.6%,
 - growth in the number of payment cards issued by 2.9% (to the level of 40.2 million), with a simultaneous decline in the number of credit cards issued by 0.7%. The payment card was an instrument of non-cash payments most commonly used by holders of bank accounts, by means of which approximately 62.2% of all non-cash transactions were performed. The number of non-cash transactions performed with the use of the payment card increased by 8.4%.
 - growth (by 6.7% and 4.9%, respectively) in the number of transactions executed by credit transfer and direct debit,
 - increase in both the number and the value of fraudulent operations made by payment card by 11.9% and 1.4%, respectively (according to the data provided by banks),
 - decline in the average value of a fraudulent transaction made by payment card by 9.3%,
6. as regards cash and non-cash transactions, the following developments were recorded:
- growth of cash in circulation outside banks' cash desks from the level of PLN 184.4 billion in December 2017 to the level of PLN 194.6 billion in June 2018 (growth by 5.5%),
 - growth in the share of cash in M1 monetary supply aggregate from 20.4% in December 2017 to 21.1% in June 2018,
 - growth in the share of households' deposits in M1 monetary supply aggregate from the level of 50% in December 2017 to 52.3% in June 2018.

It is worth stressing that the first half of 2018 was also a period of dynamic development of the market of innovative instruments and payment services, comprising in particular contactless cards and mobile payments. Poland belongs to the group of countries with the highest level of contactless card use in the world. According to NBP's estimates, at the end of June 2018, the number of payment cards with the contactless function reached 32.9 million, i.e. 1.8 million more than in December 2017. Contactless cards constitute almost 81.7% of all payment cards in Poland and they have an increasing share in the number and value of card transactions. In the first half of 2018, the share of transactions with the use of contactless cards in the total number of non-cash card transactions reached the level of 73%. Besides contactless cards, mobile payments (e.g. BLIK) have been developing very dynamically and continuously, becoming more and more popular.

Taking into consideration the above statistical data as well as detailed information and opinions contained in the whole report, the following key assessments regarding the functioning of the Polish payment system in the first half of 2018 can be formulated:

1. payment systems (SORBNET2, TARGET2-NBP, Elixir, Euro Elixir, Express Elixir, BlueCash, BLIK and KSR) operated correctly, ensuring secure and efficient processing of clearing and settlement,
2. the securities settlement and clearing systems (including the system operated by KDPW S.A., the SKARBNET4 system operated by NBP and clearing systems operated by KDPW_CCP S.A.) operated in a sustainable manner, similarly to the previous semi-annual period,
3. the infrastructure enabling users to perform retail payments developed further, in particular:
 - payment card acceptance network was growing dynamically, in particular the network of points accepting cards with the contactless function, allowing for instant payment, especially for amounts up to PLN 50,
 - level of mobile payment use between natural persons (P2P) grew and further growth was recorded in the number and value of non-cash payments via the Internet in the framework of the BLIK system,
 - dynamic development of instant payment systems (BlueCash, Express Elixir) occurred, enabling clients of banks participating in this system to make a very fast transfer to another bank (usually within a few to several seconds),
4. the number of locations and services enabling access to cash has changed:
 - the network of ATMs increased, however, with the simultaneous growth in the number and value of cash withdrawals,
 - growth was recorded in cash withdrawals with the use of innovative forms of transactions as compared with standard cash withdrawals at cash desks in banks' branches or by payment card from ATMs. The innovative forms of transactions included withdrawals in shops (by payment card in locations offering the cash back service) and withdrawals from ATMs in the framework of the BLIK system using a mobile phone,
5. for the first time in the last three semi-annual periods, growth in the share of cash in circulation in M1 monetary supply aggregate occurred,
6. the level of use of non-cash payment instruments increased,
 - in particular, as regards contactless cards. This corroborates an increasing rate of transactions made using the existing payment cards by consumers who actively use non-cash transactions,
 - the number and value of credit transfers and direct debits grew consistently, although their share in the total number of all non-cash transactions has been consistently decreasing.

7. the number of bank accounts and the number of non-cash transactions increased, confirming substantial activity of bank account holders, who use, in particular, card transactions and credit transfers,
8. an alarming development was a growth in the number of fraudulent transactions involving payment cards, according to data acquired from banks. However, taking into account the parallel dynamic growth of all card transactions and a relatively low, continuing for several years, percentage share of fraudulent transactions in the number and value of card transactions, particularly as compared to other EU countries, this growth should not be assessed as risk generating.

Apart from the aforementioned key facts and events related to the functioning of the Polish payment system in the first half of 2018 and the statistical data which reflect the current condition of this system, it should be added that the material presented also contains information on results of selected surveys and analyses in the area of payment system.

In the current edition of the assessment, the following activities should be highlighted:

- research project on the costs of payment instruments on the Polish market,
- The Report on the Global Findex Database 2017,
- survey “Rola bodźców w zmianach preferencji płatniczych Polaków” (The role of incentives in changes of Poles’ payment preferences),
- survey “#finanseprzyszlosci” (#financeofthefuture),
- report “Karty przedpłacone na rynku polskim” (Prepaid cards on the Polish market),
- survey “Sklepy przyszłości” (Shops of the future),
- survey “Mobilny Portret Polaka” (A mobile portrait of a Pole),
- report “Polska.Jest.Mobi 2018”,
- report “*How do you prefer to pay?*”.

It should be added that the functioning of the payment system in Poland results from actions and decisions of multiple entities (the most important of them were indicated in Chapter 1). While implementing its statutory task of organising payments, Narodowy Bank Polski fulfils not only the regulatory, oversight and operational function in this area but also - as other central banks - the function of the catalyst for change which involves, among others, initiating or supporting activities of a number of other entities and institutions within the system. However, it should be kept in mind that by accepting the aforementioned role of the catalyst for change, NBP does not always have the final influence on all decisions and actions of other entities related to the payment system.

Taking into consideration the information and data presented above, the functioning of the Polish payment system in the first half of 2018 should be assessed as positive.

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