

NBP

Narodowy Bank Polski

May 2019 r.

Assessment of the Polish payment system functioning in the second half of 2018 **SUMMARY**



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The “Assessment of Polish payment system functioning” is a cyclical material, prepared by the Payment Systems Department, which provides a 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 Polski.¹

The “Assessment of the Polish payment system functioning in the second 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 second 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 December 2018.

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

1. the November 2018 launch of the TIPS (TARGET Instant Payment Settlement) service and NBP’ adjustment to participate in this service. The service operates on the basis of a platform technically connected with the TARGET2 system, where settlement of instant payments in euro is made 24/7/365 in the central bank money. The settlement of instant payments is 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.
2. implementation – as of 8 August 2018 – of the obligation of making available the basic payment account and the service of switching thereof. Pursuant to the provisions of the Act of 30 November 2016 on the Amendment of the Act on Payment Services and of Certain Other Acts², the obligation pertinent to making available the basic payment account and switching thereof should be performed by payment services providers by 8 August 2018, i.e. before the expiry of 18 months from this Act coming into force. According to an amended Act of 19 August 2011 on Payment Services³, the basic payment account can be opened by a consumer who does not hold any other payment account in the Polish currency in the territory of the Republic of Poland. With such an account, the client should be able to make cash deposits and cash withdrawals, execute credit transfers, direct debits as well as transactions by using a payment card. As a rule, the basic payment account is operated free of charge for home payment transactions.
3. entry into force, as of 11 August 2018, of the 22 March 2018 amendment of the Act of 19 August 2011 on Payment Services and of Certain Other Acts, the main purpose of which was to implement the provisions of Article 88 of Directive 2015/2366 (the so-called PSD2) into the Polish legal system. The amendment introduced a legal framework for facilitating the recovery of funds in the event of payments being ordered to an incorrect payment account number (e.g. as a result of a payer’s error).
4. entry into force, as of 13 July 2018, of the Act of 1 March 2018 on Counteracting Money Laundering and Terrorist Financing⁴, 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 financing (4th AML Directive)

¹ Journal of Laws of 2017, item 1373, as amended.

² Journal of Laws, item 1997.

³ Journal of Laws of 2017, item 2003, as amended.

⁴ Journal of Laws, item 723, as amended.

and the adjustment to the amended recommendations of the Financial Action Task Force (FATF). The Act also covers selected issues of Directive 2018/843 of the European Parliament and of the Council (EU) as of 30 May 2018 amending Directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directive 2009/138/EC and 2013/36/EU (5th AML Directive). In this Act, for the first time in 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.

5. attainment of a 100% share of POS terminals to operate contactless cards in the overall number of POS terminals installed in Poland, and in consequence, Poland became the first country in the world to accept contactless cards generally in POS terminals.
6. entry into force, as of 7 July 2018, of the provisions of the Regulation of Ministry of Entrepreneurship and Technology of 28 May 2018 on the criteria and technical conditions for cash registers.⁵ The regulation mainly aims at regulating, among others, the provisions which implement the requirement that cash registers should be provided with an interface to cooperate with payment terminals for cashless transactions. It should be noted that this is an entirely new solution with a wide impact which influences both the businessmen subject to the obligation of having cash registers, consumers, acquirers and suppliers of terminals for non-cash payments. According to the explanatory memorandum to the draft of the said regulation, it is aimed at broadening the area of acceptance of non-cash payments.
7. continuance of the Non-Cash Transaction Support Programme aimed to expand the network of acceptance of card and mobile payments at retail points through annual co-financing of costs of the installation and use of terminals at the places where such payments have not been accepted so far. In consequence, a total of 105,000 new POS terminals were installed by the end of 2018.
8. as regards actions concerning oversight of payment schemes, the President of the NBP issued three decisions on the consent to make changes in the rules of the functioning of payment schemes. Two of them regarded an increase in the amount from 50 PLN do 100 PLN for a single transaction initiated with a contactless card when no strong user authentication is needed.

At the same time, in the second 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. entry into force, as of 9 July 2018, 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). This directive is to be transposed into national law not later than on 10 January 2020. The aim of the 5th AML Directive is, among others, to reduce the risk associated with anonymous prepaid cards and virtual currencies. This directive also introduces the obligation for the Member States to establish centralised automated mechanisms, like central registers or central systems for searching electronic data. The mechanisms should allow to identify in a timely manner any natural or legal person which either keeps or controls payment accounts and bank accounts identifiable with IBAN.
2. finalisation of work on the draft Commission Delegated Regulations regarding regulatory technical standards (RTS) as well as implementing technical standards (ITS) which provide details pertinent

⁵ Journal of Laws, item 1206.

to the activity of central securities repositories to the extent indicated in CSDR Regulation. On 13 September 2018, the Commission Delegated Regulation (EU) 2018/1229 of 25 May 2018 was published in the Official Journal of the EU supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on settlement discipline. In line with Article 42 of the regulation, the requirements concerning the settlement discipline will become effective as of 13 September 2020.

3. continuation of 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.⁷
4. continuation of work on the draft act on amending certain acts due to the development of non-cash payments connected with the preparation of provisions aimed at making non-cash payments more dynamic in the territory of the Republic of Poland. The main assumptions of the draft include the popularisation of non-cash payments and the replacement of a part of cash payments with electronic ones (with cards, electronic transfers etc.) as well as the guarantee of the right to make non-cash payments by consumers at retail points. Another version of the draft of 26 November 2018 with a draft regulation of the Minister of Entrepreneurship and Technology on the exemption from the obligation to accept payments with another payment instrument was submitted for consideration to the Standing Committee of the Council of Ministers on 30 November 2018. By the end of 2018, no further actions aimed at proceeding the draft was adopted. In 2019, draft version of 9 January 2019 was submitted to the Standing Committee of the Council of Ministers for consideration on 17 January 2019; however, the draft was not discussed on that day.
5. 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)⁵ in connection with the regulatory review performed by the European Commission on the basis of provisions of this regulation. Work on that draft evolved towards an idea that the fundamental supervisory competence over Union CCP chambers be left on the level of national bodies, and simultaneously, that a standing supervisory committee will be established within ESMA to guarantee the convergence of such supervisory practices all over the EU.
6. commencement of work by the Task Team for prepaid cards, appointed by the Payment System Council, on:
 - analysing experiences gained in selected EU countries in which prepaid cards being electronic money carrier are issued,
 - self-regulatory requirements which would be used by prepaid card issuers in relation to the respective types of such cards.
7. continuation of analytic work on the implementation of the intended consolidation (November 2021) of TARGET2 system service and T2S platform. The fundamental idea for the consolidation of TARGET2 system service and T2S platform is a centralisation and harmonisation of such functions which are applied in various business areas and, in consequence, cost reduction, increased capacity, standardisation and streamlining making many areas. Implementing a flexible and efficient liquidity management model is an important element of the consolidation. Moreover, there are plans to allow

⁶ OJ L 266 of 9.10.2009, p. 11.

⁷ After the adoption by the European Parliament and adoption by the Council of the European Union, the Regulation was signed by the President of the EP and the chairperson of the Council of the EU on 19 March 2019.

settlement also in currencies other than the euro and use offers of various network services providers in the future.

The key statistical data reflecting the development of the Polish payment system in the second half of 2018, in comparison to the previous semi-annual period 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 4.2% with a simultaneous growth of their value by 3.5%,
 - in the TARGET2-NBP system – a growth of both the number and the value of executed orders by 4% and 13.2%, 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 9%, respectively,
 - in the Euro Elixir system – an increase in the number of executed orders by 17%, with a simultaneous growth of their value by 18%,
 - in the Express Elixir system and the BlueCash system which offer clearing of instant payments – a growth in the number of executed orders by 57% and 31%, respectively, with a simultaneous growth of their value by 31% and 30%, respectively,
 - in the BLIK system – a further growth in the number and the value of executed orders by 77% and 77%, respectively,
 - in the KSR system – an increase in the number and the value of of executed orders by 4% and 2%, respectively,
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 transactions by 0.2% with a simultaneous growth of their value 8.5%,
 - in the transaction clearing systems operated by KDPW_CCP S.A. – a growth in both the number and the value of operations by 1% and 5.3%, respectively,
 - in the SKARBNET4 system operated by NBP:
 - a decrease of both the number and the value of transactions in NBP money bills, by 11% and 7%, respectively,
 - in the second 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 2.1% and a decrease of their outlets by 5.7%,
 - growth in the number of points of sale equipped with POS terminals by 24%,
 - decline in the number of credit union outlets by 7%,
 - decline in the number of KIPs (Domestic Payment Institutions) by 2.3%,

- growth in the number of BUP (Payment Service Office) institutions by 3.5%,
 - decline in the number of ATMs by 1.8%,
 - growth in the number of payment card merchants, enabling processing of payments by payment card in POS terminals and online by 15% in comparison to the previous semi-annual period,
 - growth in the number of points of sale offering cash back payments by 17%,
5. as regards bank accounts and non-cash payment instruments, the following developments were recorded:
- growth in the number of current accounts of natural persons operated by banks by 4%,
 - further growth in the average number of non-cash transactions on a single bank account, by 5.1, which means a growth in the average activity of users per one account by 5.7%,
 - growth in the number of payment cards issued by 2.5% (to the level of 41.2 million), with a simultaneous growth in the number of credit cards issued by 0.3%. The payment card was an instrument of non-cash payments most commonly used by bank account holders, by means of which approximately 63.2% of all non-cash transactions were performed. The number of non-cash transactions performed with the use of the payment card increased by 13%.
 - growth in the number of payment by credit transfer by 5.2%,
 - decline in the number of payment by direct debit by 3.6%,
 - increase in both the number and the value of fraudulent operations made by payment card by 20.4% and 34.5%, respectively, (according to data provided by banks),
 - decrease in the average value of fraudulent transactions made with a payment card by 11.7%,
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 194.6 billion in June 2018 to the level of PLN 203.2 billion in December 2018 (growth by 4.4%),
 - decline in the share of cash in the M1 monetary supply aggregate from 21.1% in June 2018 to 20.1% in December 2018,
 - decline in the share of household deposits in the M1 monetary supply aggregate from the level of 52.3% in June 2018 to the level of 51.7% in December 2018.

It is worth stressing that the second 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 December 2018, the number of payment cards with the contactless function reached 34.7 million, i.e. 1.8 million more than in June 2018. Contactless cards constitute almost 84.1% of all payment cards in Poland and they have an increasing share in the number and value of card transactions. In the second 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 76%. Besides contactless cards, mobile payments (e.g. BLIK) have been developing very dynamically and continuously, becoming increasingly 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 second 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,
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,
 - 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), as well as the BLIK system that clears mobile payments,
4. the number of locations and services enabling access to cash has changed:
 - the network of ATMs decreased, with a simultaneous decline in the number of cash withdrawals, albeit with a simultaneous growth of their value,
 - 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, i.e. in the form of withdrawals in shops (by payment card in locations offering the cash back service) and withdrawals from ATMs in the BLIK system using a mobile phone,
5. decline in the share of cash in circulation in the M1 monetary supply aggregate occurred,
6. the level of use of non-cash payment instruments was increasing:
 - in particular, as regards contactless cards. This corroborates the 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 grew consistently, although their share in the total number of all non-cash transactions has been consistently decreasing,
 - the number and value of direct debits decreased, 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 both increased, confirming substantial activity of bank account holders, who use, in particular, card transactions and credit transfers,
8. level of mobile payment use between natural persons (P2P) grew and further growth was recorded in the number and value of online non-cash payments in the BLIK system,
9. an alarming development was a growth in the number of fraudulent transactions involving payment cards, according to data received 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 second 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 the 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,
- report “Płatności natychmiastowe w euro w standardzie SEPA Instant Credit Transfer – analiza dostępnych rozwiązań w kontekście zapotrzebowania na usługę w Polsce” (Instant payments in Euro in the SEPA Instant Credit Transfer standard – analysis of available solutions in the context of the service demand in Poland),
- survey of payment methods in e-commerce,
- survey “Jak rozliczamy się ze znajomymi” (How we settle with friends),
- survey “Postawy Polaków wobec form płatności 2018” (Attitudes of Poles towards payment methods 2018),
- comparison of the selected components of the Polish payment system with the systems of other European Union countries for 2017,
- report on the survey “Local conditions for the acceptance and use of non-cash payments in Poland”.

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 are indicated in Chapter 1). While implementing its statutory task of organising payments, Narodowy Bank Polski fulfils not only the regulatory, oversight and operational functions 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 role of the catalyst for change, NBP does not always have the final say 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 second half of 2018 should be assessed as positive.

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