

NBP

Narodowy Bank Polski

June 2020

Assessment of the Polish payment system functioning in the second half of 2019

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The “Assessment of the Polish payment system functioning” is a cyclical material, prepared by the Payment Systems Department, which provides the 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 2019”, 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 2019 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 2019.²

The most significant events for the payment system in the second half of 2019 included:

1. commencement of the application, as of 14 September 2019, of selected provisions of the Act of 10 May 2018 on amending the Act on Payments Services and Certain Other Acts with respect to payment service providers who are obliged to meet the requirements of strong user authentication in the case the payer accesses their online account, initiates an electronic payment transaction or carries out any action, through a remote channel, that may imply the risk of fraud or other abuses related to the execution of payment services. Starting from the above mentioned date, payment service providers have the obligation, pursuant to the provisions of the PSD2, to meet the requirements of the so-called RTS regulation in respect of the requirements of strong authentication of payment service users, i.e. the requirements which payment service providers have to fulfil to introduce measures enabling the use of the procedure of strong authentication of payment service users as well as requirements related to the standards of communication between payment services providers in respect of payment service provision and use.
2. adoption by the NBP Management Board, on 24 October 2019, of an updated document entitled “Narodowy Bank Polski payment system oversight policy”. The update was motivated, among others, by the need to strengthen supervisory tools in respect of evaluation of cybersecurity of the payment systems in use in Poland, in particular by use of supplementary international cybersecurity standards.
3. entry into force, on 20 September 2019, of the Act on Providing Access for Persons with Special Needs. The Act is the first systemic solution in Poland which defines the measures of providing various aspects of accessibility for persons with special needs, above all to persons with disabilities and senior citizens, and the duties of public entities in this respect. The Act aims to gradually improve accessibility by public entities, thanks to which persons with special needs will be able to use public services as independently as possible.
4. entry into force, as of 31 July 2019, of the Directive (EU) 2019/1153 of the European Parliament and of the Council of 20 June 2019 laying down rule facilitating the use of financial and other information for the prevention, detection, investigation or prosecution of certain criminal offences, and repealing Council Directive 2000/642/JHA. In accordance with the directive, the Member States are obliged to

¹ Journal of Laws of 2019, item 1810.

² Irrespective of the semi-annual Assessment, NBP prepares and publishes quarterly information: on interbank clearings and settlements, where it presents information and data on payments systems and payment cards.

bring into force laws, regulations and administrative provisions necessary to comply with the directive by 1 August 2021. The directive mainly aims to improve the cooperation and exchange of information between competent bodies of the Member States dedicated to combatting serious crime, focusing mainly on prevention activities which aim to counteract money laundering, related crime or terrorist financing.

5. migration, as of 18 November 2019, of the SORBNET2 system participants, under access to the Monitoring Module of SORBNET2 (MMS2), from the phased out SWIFT Browse service to NBP's own solution which consists in internet access based on cryptographic keys and certificates by participants generated and retrieved by NBP. On the participant side, this change produced simpler solutions in application support and configuration of the environment and in logging into the system, as well as increased the speed of connection via internet connections.
6. as regards activities related to oversight of payment systems, three decisions issued by the President of NBP regarding changes in the rules of functioning of retail payment systems (i.e. two decisions regarding the BLIK payment system and one regarding the Elixir payment system).
7. as regards activities related to oversight of payment schemes, three decisions issued by the President of NBP regarding authorisation for changes in the rules of functioning of payment schemes (i.e. two decisions regarding the BLIK payment scheme and one regarding the Diners Club payment scheme).

At the same time, in the second half of 2019, 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 18 April 2019, of Regulation (EU) 2019/518 of the European Parliament and of the Council of 19 March 2019 amending Regulation (EC) No 924/2009 as regards certain charges on cross-border payments in the Union and currency conversion charges. The main purpose of the regulation is to eliminate high costs of intra-EU cross-border payment transactions in euro which persist in some countries. The regulation has been applicable, in principle, since 15 December 2019, however with some exceptions (an amended Article 15 of the Regulation 924/2009 has been in force since 18 April 2019, whereas the remaining provisions concerning currency conversion charges related to payment transactions executed with the use of a card or by a payment order will apply respectively, from 19 April 2020 and from 19 April 2021).
2. commencement of analytical work on possible annual upgrades of the new version of the SORBNET2 system.
3. adoption, on 29 October 2019, by the NBP Management Board of the Narodowy Bank Polski Plan of Activity for 2020-2022; the plan includes new tasks aimed at developing and launching of a more modern, secure and efficient RTGS system in the Polish zloty in the second half of 2023, which will replace the SORBNET2 system currently in operation.
4. continuation by NBP of work on the project of consolidating TARGET2 system and T2S platform.
5. publication, on 12 December 2019, of Regulation (EU) 2019/2099 of 23 October 2019 amending Regulation (EU) of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (the so-called EMIR Regulation). The regulation came into force on 1 January 2020. The main aim of the amendments is to create under ESMA auspices a permanent committee for CCPs (the committee's functions include in particular development of consistent supervisory practices with respect to EU's CCPs, as well as participation, to a limited extent, in the performance of oversight of EU's CCPs. The committee is also to be responsible for

preparing supervisory measures and implementing other supervisory tasks of the ESMA in respect of third-country CCPs' activities in the territory of the EU).

The key statistical data reflecting the development of the Polish payment system in the second half of 2019, 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 both the number and value of executed orders by 7.4% and 6.4%, respectively,
 - in the TARGET2-NBP system – an increase in both the number and value of executed orders by 9.5% and 2.8%, respectively,
2. in the retail payment systems, the following developments were recorded:
 - in the Elixir system – an increase in the number and value of executed orders by 2.7% and 8.2%, respectively,
 - in the Euro Elixir system – a 1.4% increase in the number of executed orders, with a simultaneous 1.4% decrease in their value,
 - in the Express Elixir system and the BlueCash system which offer clearing of instant payments – a growth of executed orders by 41% and 17%, respectively, and at the same time a growth of their value by 25% and 13%, respectively,
 - in the BLIK system – a further increase in the number and value of executed orders by 44% and 51%, respectively,
 - in the KSR system – a decrease in the number and value of executed orders by 10% and 10%, respectively,
3. in the securities clearing and settlement systems, the following developments were recorded:
 - in the settlement system operated by KDPW S.A. – a decrease in both the number and value of operations by 4.7% and 13.2%, respectively,
 - in the transaction clearing systems operated by KDPW_CCP S.A. – an increase in both the number and value of operations by 2.9% and 11.5%, respectively,
 - in the SKARBNET4 system operated by NBP:
 - decrease in the number of transactions with NBP money bills by 2.2%, with a simultaneous 8.6% increase in their value,
 - in the second half of 2019 no transaction in Treasury bills was performed,
4. as regards the remaining infrastructure of the Polish payment system, the following developments were recorded:
 - increase in the number of payment service providers by 2.5% and a 0.7% increase in the number of their outlets,
 - significant increase in the number of bank outlets not providing cash services. At the end of the second half of 2019, 10 banks ran 359 outlets not offering such service,
 - growth in the number of points of sale equipped with POS terminals by 4.5%,

- increase in the number of credit union outlets by 3%,
 - decline in the number of KIPs (Domestic Payment Institutions) by 5%,
 - increase in the number of BUPs (Payment Service Office) by 4.7%,
 - decrease in the number of ATMs by 0.4%,
 - increase in the number of payment card merchants, accepting payments by card in POS terminals and online by 4.7% compared to the previous semi-annual period,
 - increase in the number of points of sale offering *cash back* payments by 6%,
5. as regards bank accounts and non-cash payment instruments, the following developments were recorded:
- an insignificant increase of 0.4% in the number of current accounts of natural persons operated by banks,
 - further growth in the average number of non-cash transactions on a single bank account, by 10.6, which means a 10.9% rise in the average activity of users per one account,
 - increase in the number of payment cards issued by 2% (to 42.9 million), with a simultaneous 0.9% decline in the number of credit cards issued. The payment card was an instrument of non-cash payments most commonly used by bank account holders, by means of which approximately 65.9% of all non-cash transactions were performed. The number of non-cash transactions performed with the use of the payment card increased by 12%,
 - increase in the number of payments by credit transfer by 7.4%,
 - decline in the number of payments by direct debit by 0.29%,
 - increase in the number of fraudulent operations made with payment card by 18.4%, with a simultaneous 1.4% decline in their value (according to data provided by banks),
 - decrease in the average value of fraudulent transaction made with payment card by 16.7%,
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 214.9 billion in June 2019 to the level of PLN 224.1 billion in December 2019 (a 4.3% rise),
 - decrease in the share of cash in the M1 money supply aggregate from 20.5% in June 2019 to 19.4% in December 2019,
 - decrease in the share of household deposits in the M1 money supply aggregate from 53.4% in June 2019 to 52.3% in December 2019.

It is worth pointing out that the second half of 2019 was also a period of dynamic development of the market of innovative payment instruments and services, comprising contactless cards and mobile payments. Poland is in the group of countries with the highest level of contactless cards use in the world. At the end of December 2019, the number of payment cards with a contactless function reached 37.1 million, which represented a 1.1 million rise on the June 2019 figure. Contactless cards constitute nearly 86.7% of all payment cards in Poland, and they also have an increasing share in the number and value of card transactions. In the second half of 2019, the share of transactions with the use of contactless cards in the total number of non-cash transactions with the use of cards reached 89%. It should be noted that from the first quarter of 2019, 100% of POS terminals

were adapted to support payment cards with a contactless function. In addition to contactless cards, mobile payments are developing dynamically and constantly (e.g. BLIK), becoming increasingly common.

Taking into account the above statistical data and 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 2019 can be formulated:

1. payment systems (SORBNET2, TARGET2-NBP, Elixir, Euro Elixir, Express Elixir, BlueCash, BLIK and KSR) functioned properly, ensuring safe and efficient processing of interbank clearing and settlement,
2. the securities settlement and clearing systems (including the system operated by KDPW SA, the SKARBNET4 system operated by the NBP and clearing systems operated by KDPW_CCP SA) 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 as regards the network of points of sale accepting contactless cards,
 - 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 ATM network shrunk, but the number of cash withdrawals increased,
 - cash withdrawals with the use of innovative forms of transactions increased compared to standard withdrawals at cash desks of 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 cash withdrawals from ATMs in the BLIK system using a mobile phone,
5. the level of use of non-cash payment instruments was on the rise:
 - in particular, as regards contactless cards. This is evidenced by the growing rate of transactions made using the existing payment cards by consumers who actively use non-cash transactions,
 - the number of transfer orders grew consistently, although their share in the total number of all non-cash transactions has been consistently decreasing,
6. the number of bank accounts and the average number of non-cash transactions on one bank account both increased, confirming substantial activity of bank account holders who mostly use card transactions and credit transfers,
7. the level of use of mobile payments between natural persons (P2P) grew and further growth was observed in the number and value of online non-cash payments in the BLIK system,
8. 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, especially when compared to other EU countries, this growth should not be assessed as risk generating.

Apart from the abovementioned key facts and events related to the functioning of the Polish payment system in the second half of 2019, as well as statistical data which reflect the current condition of this system, it should

be added that the presented material also contains information on the results of selected surveys and analyses in the area of payment system.

In the current issue of the assessment, particular attention needs to be paid to:

- a survey “Co Polacy myślą i jak korzystają z nowoczesnej bankowości” (What do Poles think of and how do they use modern banking),
- a survey “MŚP Index 2019” (Small and medium-sized companies SME Index 2019),
- a study of payment methods in e-commerce,
- a survey “Płatności bezgotówkowe oczami Polaków 2019” (Non-cash payments in the eyes of Poles, 2019),
- a study “Jak płacimy rachunki. Edycja 2019” (How we pay our bills. 2019 edition),
- a study of attitudes of Poles towards use of digital services,
- a report “Porównanie wybranych elementów polskiego systemu płatniczego z systemami innych krajów Unii Europejskiej za 2018 r.” (A comparison of selected elements of the Polish payment system with the systems of other European Union countries for 2018).

It should be added that the functioning of the payment system in Poland is the result of actions and decisions of multiple entities (the most important ones 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 in all decisions and actions of 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 2019 should be assessed as positive.

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