

NBP

Narodowy Bank Polski

April 2021

Assessment of the Polish payment system functioning in the second half of 2020 **SUMMARY**



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The “Assessment of the 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 2020”, hereinafter referred to as the “Assessment”, presents the major facts and events related to the functioning of the Polish payment system in the second half of 2020 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 2020.²

The most significant events for the payment system in the second half of 2020 included:

1. announcement of the launch by NBP of the work on the National Cash Security Strategy, in line with the speech of the President of NBP delivered at the Cash Handling Congress on 24 November 2020. The planned activities will be focused on a broadly defined security of cash circulation, and their main aim will be to counteract elimination of cash from economic turnover and to protect the freedom of choice of payment instruments. The key safety pillars of cash circulation which are contained in the work on the National Cash Security Strategy include wide acceptance of cash payments;
2. decision of the ECB of 22 July 2020 on extending the timeline of the TARGET2 system and the T2S platform consolidation by a year (from November 2021 to November 2022), which also had a direct impact on the planned date of launching a new RTGS system in zloty, from the second half of 2023 to the first half of 2025;
3. entry into force, as of 30 December 2020, of amendments to Resolution No 9/2013 of the Management Board of Narodowy Bank Polski of 24 May 2013 on the terms and conditions of opening and maintaining banks’ accounts by Narodowy Bank Polski, whereby provisions were introduced into the Resolution concerning the possibility of NBP opening and maintaining more than one current account in zloty, including a current account in the SORBNET2 system, for a bank in the event that such a bank takes over property rights and related liabilities of an entity subject to resolution proceedings pursuant to a decision of the Bank Guarantee Fund;
4. presentation of NBP’s stance as regards central bank digital currency (CBDC),³ in line with which at the current stage NBP does not foresee issuing CBDC. NBP pointed to the significance of the legal and economic effects of the introduction of a new form of central bank money, the size of which would differ depending on the adopted CBDC issue model and individual properties assigned to

¹ Journal of Laws of 2020, item 2027.

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.

³ NBP’s opinion on CBDC was presented on two occasions in the second half of 2020, i.e. it was submitted to the KNF Office for the needs of the work carried out by the Special Task Force for the Financial Innovation in Poland (with respect to barriers to financial innovation development in Poland – “Tokenization of PLN”), as well as it was presented to the Ministry of Finance as part of preparing an answer to the MP question No 10470 concerning the government plans related to CBDC issue: <https://www.sejm.gov.pl/Sejm9.nsf/interpelacja.xsp?documentId=C6D37D779D333564C12585D7002DCC30>.

CBDC. In NBP's opinion there is no clear evidence that the introduction of CBDC is a more effective and cheaper solution than the currently existing ones;

5. consent granted by the NBP Management Board on 23 October 2020 to continue NBP's participation in the STEP2-T system operated by EBA Clearing as regards the STEP2 SEPA Credit Transfer Service, due to migration of that system to a model of continuous gross settlement (CGS), and therefore to continue NBP's role as an intermediary bank in granting access to the STEP2 SEPA Credit Transfer Service to banks-participants of the Euro Elixir system operated by KIR. In view of the above, NBP started work on migration to a new model of settlement in the STEP2-T system. The operational launch of the CGS model in the STEP2-T system took place on 24 November 2020, and in the transition period in 2020-2022, it will function in parallel to the currently used session-based model. In accordance with the new principles, clearing and settlement will take place in real time, with the use of an EBA Clearing technical account in the TARGET2 system;
6. publication by the European Commission, on 24 September 2020, of Communication on a Retail Payments Strategy for the EU.⁴ The Communication raises the issues related to the development of cross-border payments and payment infrastructure in line with the European Commission policy aimed at further integration of the European market. The Communication also draws attention to the access of non-bank payment service providers to payment systems designated under the SFD, as well as a potential obligation of joining the SEPA Instant Payment scheme;
7. publication by the European Securities and Markets Authority (ESMA), in December 2020, of a final report on regulatory technical standards and implementing technical standards (RTS and ITS). The report covers the procedures for reporting data to transaction repositories (TRs), the rules for reconciling and validating data access by relevant authorities, and registration of the TRs. The report to a large extent reflects the initial proposals contained in the consultation document and also focuses on further harmonisation of reporting requirements as a tool for improving CCPs and TRs procedures of data quality assurance;
8. as regards activities in the area of security and cyber resilience of the payment market infrastructure, on 1 September 2020 work was re-launched on the assessment of the compliance of the systemically important payment system SORBNET2 as regards fulfilment of requirements resulting from the Cyber resilience oversight expectations for financial market infrastructures (CROE);
9. as regards actions related to the oversight of payment systems, the President of NBP issued two decisions authorising introduction of changes to the principles of functioning of retail payment systems (i.e. the Elixir payment system and the BlueCash payment system);
10. as regards actions related to the oversight of payment systems:
 - completion of an assessment of operation of the Visa Europe payment scheme and the Mastercard payment scheme in terms of fulfilment of the requirements to ensure separation of payment card schemes and processing entities as relates accounting, organisation, and the decision making process. In both cases it was found that the principles in force in the payment schemes adequately ensure independence of the payment schemes and processing entities in the above mentioned areas and recommendations were issued on particular requirements.

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0592&from=EN>

- issuance by the President of NBP of a decision confirming the expiry of the decision authorising Diners Club Polska sp. z o.o. to operate a four-party Diners Club payment scheme, due to termination of activity in this area.

At the same time, in the second half of 2020 certain events occurred that could indirectly affect the payment system in Poland and a number of actions were undertaken that will have a significant impact on the functioning of the Polish payment system in the near future. These include, in particular:

1. initiating work on version 9.0 of the SORBNET2 system, which includes a number of changes facilitating the system operation, including: introduction of the so-called “bank blockade” on a participant’s account which will be at their disposal, extension of the period of access to archived data, change in the method of searching a past order, and introduction of a new authorisation method for emergency orders transmitted to NBP;
2. continuation by NBP of analytical work related to the implementation of a new RTGS system in zloty compliant with ISO 20022 standard planned for 2025;
3. continuation of work on the project of consolidation of the TARGET2 system and the T2S platform;
4. presentation by the European Commission of a digital finance package, including a strategy for the EU as well as a set of legislative proposals of the European Parliament and of the Council (EU) in the respective area. The proposed strategy sets main priorities to direct EU activities promoting digital transformation. Whereas the legislative set presents a number of measures aimed to provide customers with access to innovative financial products, while ensuring consumer protection and financial stability;
5. continuation by the European Commission of a review of Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (CSDR). At the request of the European Commission, the European Security and Markets Authority (ESMA) conducted a consultation on defining the issues that should be covered by the review of the CSDR;
6. continuation of legislative work on the draft act amending the Act on Counteracting Money Laundering and Terrorist Financing and some other acts, aimed at the implementation into the Polish legal order of the provisions of Directive (EU) No 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) No 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Directives 2009/138/EC and 2013/36/EU (5th AML Directive). The above mentioned draft act concerns, inter alia, the issues of possible acceptance in the territory of the Republic of Poland of payments made with the use of anonymous prepaid cards issued in third countries and raising the limits concerning the functioning of electronic money instruments to EUR 150. On 30 March 2021, the Act amending the Act on Counteracting Money Laundering and Terrorist Financing and some other acts was passed by the Sejm (after considering the amendments introduced by the Senate) and on 8 April 2021 it was signed by the President of the Republic of Poland;
7. postponing, until 1 February 2022, in line with the Commission delegated regulation (EU) No 2021/70 of 23 October 2020, of the date of entry into force of the Commission delegated Regulation (EU) No 2018/1229 of 25 May 2018 supplementing Regulation (EU) No 909/2014 of the

European Parliament and of the Council with regard to regulatory technical standards on settlement discipline;

8. continuation of work on the draft regulation (EU) of the European Parliament and of the Council on a framework for the recovery and resolution of CCPs. The version of the regulation developed in the course of negotiations complies with the most important proposals of the Polish side. In particular, the initial composition of the college on resolution was enlarged, thanks to which the Polish Financial Supervision Authority (KNF), NBP and a Polish authority competent for resolution will, in practice, have the possibility to participate in the colleges on resolution of those CCPs whose operation is important from the point of view of stability of the Polish financial market;
9. adoption, on 1 December 2020, by the Governing Council of the European System of Central Banks of the Regulation of the European Central Bank (EU) amending Regulation (EU) No 1409/2013 of the European Central Bank on payments statistics (ECB/2013/43). The Regulation applies to euro-area member states, however, the Recommendation of the European Central Bank of 28 November 2013 on payments statistics (ECB/2013/44) recommends that non-euro-area central banks should also transmit payment statistics data to ECB and that data should comply with the scope of the ECB Regulation No 1409/2013. In accordance with the above Regulation and Recommendation, Narodowy Bank Polski will collect statistical data, and subsequently transmit them to the ECB. The amended version of the ECB Regulation No 1409/2013 aims to include new payment services market entities in the scope of reporting, which stems from the implementation of the PSD2, as well as to supply the so-far regulated areas with new data.

The key statistical data reflecting the development of the Polish payment system in the second half of 2020 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, of 2.3% and 17.7%, respectively,
 - in the TARGET2-NBP system – an increase of 13% in executed orders, with a simultaneous increase of 10.1% in their value,
2. in the retail payment systems, the following developments were recorded:
 - in the Elixir system – an increase in both the number and value of executed orders, of 4.4% and 8.3%, respectively,
 - in the Euro Elixir system – an increase of 14.3% in the number of executed orders, with a simultaneous decrease of 0.6% in their value,
 - in the Express Elixir system, which offers clearing of instant payments – a growth of 55% in executed orders and at the same time an increase of 22% in their value,
 - in the BlueCash system, which offers clearing of instant payments – a decrease in both the number and value of executed orders, of 6% and 3%, respectively,
 - in the BLIK system – a further increase in both the number and value of executed orders, of 44% and 42%, respectively,
 - in the KSR system – an increase in both the number and value of executed orders, of 8% and 7%, respectively,

3. in the securities clearing and settlement systems, the following developments were recorded:
 - in the settlement system operated by KDPW S.A. – an increase of 35.2% in the number of transactions, and at the same time a decrease of 28.9% in their value,
 - in the settlement system operated by KDPW_CCP S.A. – an increase of 15.6% in the number of transactions, and at the same time a decrease of 5.5% in their value,
 - in the SKARBNET4 system operated by NBP:
 - a decrease of 9.3% in the number of transactions in NBP bills, with a simultaneous increase of 60.4% in their value,
 - an increase in both the number and value of transactions in NBP T-bills, of 41.2% and 40.6%, respectively,
4. as regards the remaining infrastructure of the Polish payment system, the following developments were recorded:
 - increase of 4.4% in the number of institutions providing payment services and a decrease of 2.9% in the number of their outlets,
 - significant increase in the number of bank outlets not offering cash services. At the end of the second half of 2020, 12 banks ran 544 branches not offering such service,
 - same number of KIPs (Domestic Payment Institutions) as in the first half of 2020, i.e. 39,
 - increase of 18.9% in the number of MIPs (Small Payment Institutions),
 - increase of 6.2% in the number of BUPs (Payment Service Offices),
 - decrease of 1.4% in the number of ATMs,
 - increase of 5% in the number of payment card merchants, accepting payments by card in POS terminals and online, in comparison to the previous semi-annual period,
 - increase of 4.3% in the number of points of sale equipped with POS terminals,
 - increase of 5.4% in the number of POS terminals,
 - increase of 5% in the number of points of sale offering cash back payments,
5. as regards bank accounts and non-cash payment instruments, the following developments were recorded:
 - increase of 1.3% in the number of current accounts of natural persons operated by banks,
 - increase of 14, to 116,5 transactions, in the average number of non-cash transactions on a single bank account, which means a marked growth of 13.7% in the average activity of users per one account,
 - increase of 0.8% in the number of payment cards issued (to the level of 43.7 million), with a simultaneous decline of 4.3% 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 64.0% of all non-cash transactions were performed.
 - increase in the number and value of non-cash card payments (of 17.7% and 17.4%, respectively),
 - growth of 12% in the number of payments by credit transfer,

- decline of 1.1% in the number of payments by direct debit,
 - increase of 1.4% in the number of fraudulent transactions made with payment cards, with a simultaneous increase of 4.9% in their value (according to data provided by banks),
 - decrease of 22% in the average value of fraudulent transaction made with a payment card,
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 283.2 billion in June 2020 to the level of PLN 306.7 billion in December 2020 (growth of 8.3%),
 - decrease in the share of cash in the M1 money supply aggregate from 20.3% in June 2020 to 20.0% in December 2020,
 - increase in the share of household deposits in the M1 money supply aggregate from the level of 50.8% in June 2020 to the level of 51.4% in December 2020.

It is worth emphasizing that the second half of 2020 was also a period of dynamic development of the market of innovative payment instruments and services, comprising in particular contactless cards and mobile payments. Poland belongs to the group of countries with the highest level of contactless cards use in the world. At the end of December 2020, the number of payment cards with a contactless function reached 38.4 million, i.e. 0.76 million more than in June 2020. Contactless cards constituted 87.8% of all payment cards in Poland, with an increasing share in the number and value of card transactions. In the second half of 2020, the share of transactions with the use of contactless cards in the total number of non-cash transactions with the use of cards reached 94.7%. It should be noted that as from the first half 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 commonplace. The BLIK system allows users to make payments using e.g. mobile phones or tablets both online and in conventional points of sale, public transport, public offices and between mobile phone users (P2P). Users of the BLIK system most often make non-cash payments in POS terminals (an increase of 54% in their number and of 58% in their value). P2P payments are also highly popular as the second half of 2020 saw a very dynamic growth in their number and value (of 78% and 75%, respectively), which clearly confirms the growing interest in this type of service.

Taking into account 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 2020 can be formulated:

1. the payment systems (SORBNET2, TARGET2-NBP, Elixir, Euro Elixir, Express Elixir, BlueCash, BLIK and KSR) functioned properly, ensuring safe and efficient interbank clearings and settlements;
2. the securities settlement and clearing systems (including the system operated by KDPW SA, the SKARBNET4 system operated by NBP and settlement systems operated by KDPW_CCP SA) operated in a sustainable manner;
3. the infrastructure enabling users to perform retail payments developed further, in particular:
 - the payment card network developed, in particular as regards points of sale accepting contactless cards,

- dynamic development was recorded in the instant payment system Express Elixir, enabling customers of banks participating in this system to make a transfer to another bank in a very quick way (usually in 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 decreased, with a simultaneous increase in the number and value of cash withdrawals,
 - cash withdrawals with the use of innovative forms of transactions increased compared to standard withdrawals at cash desks of banks' branches or with a payment card at ATMs, i.e. through withdrawals in shops (with a payment card at retail outlets offering the cash back service),
 - cash withdrawals from ATMs under the BLIK system using a mobile phone increased,
 5. regarding the use of non-cash payment instruments:
 - the number of payment cards with a contactless function increased, with a simultaneous increase in the number and value of contactless payments,
 - the number of credit transfers increased steadily, although their share in the total number of all non-cash transactions decreased in comparison to the first half of 2020,
 6. there was an increase in the number of bank accounts accompanied by a high increase in the average number of non-cash transactions on a single bank account – in connection with a growth in the number of card payments and direct debits;
 7. the 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.

Apart from the above-mentioned key facts and events related to the functioning of the Polish payment system in the second half of 2020, 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 related to the payment system.

In the current edition of the assessment, the following surveys and analyses are presented:

- research project on costs of payment instruments in the Polish market broken down into fixed and variable costs,
- public opinion survey on the quality of general circulation banknotes in Poland,
- PISA 2018 report "Umiejętności, postawy i zachowania finansowe młodzieży w Polsce" [Financial skills, attitudes and behaviours of youth in Poland],
- study of the payment methods in e-commerce,
- survey entitled "Lokalne uwarunkowania akceptacji i stosowania płatności bezgotówkowych w Polsce. Białe plamy w akceptacji kart płatniczych a wykluczenie finansowe" [Local conditions for the acceptance and use of non-cash payments in Poland. Blank spots in payment cards acceptance and financial exclusion"],
- study entitled "Płatności bezgotówkowe oczami Polaków 2020" [Non-cash payments in the eyes of Poles 2020],

- survey entitled “Badanie świadomości i wiedzy ekonomicznej Polaków” [Study on awareness and economic knowledge of Poles],
- report entitled “PayTech – innowacyjne rozwiązania płatnicze na rynku polskim” [PayTech – innovative payment solutions on the Polish market],
- comparison of selected elements of the Polish payment system with payment systems of other EU countries for 2019.

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 of them are indicated in Chapter 1). While implementing its statutory task of organizing 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, 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 2020 should be assessed as positive.

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