

**NBP**

Narodowy Bank Polski

December 2019

# Polish Payment System Oversight Report for 2018



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# Introduction

*Polish Payment System Oversight Report for 2018* (hereinafter referred to as the *Report*) was prepared in connection with the task related to the payment system oversight carried out by Narodowy Bank Polski (NBP), as one of the basic functions of central banks.

This *Report* contains information concerning the conditions of oversight performance in 2018 and oversight activities undertaken by NBP of:

- payment systems: large-value payment systems SORBNET2 and TARGET2-NBP, operated by NBP and retail payment systems: Elixir, Euro Elixir, Express Elixir and Inkart, operated by Krajowa Izba Rozliczeniowa (KIR S.A.), BlueCash payment system (hereinafter referred to as BlueCash) operated by Blue Media S.A., BLIK Mobile Payment System (hereinafter referred to as the BLIK system) operated by Polski Standard Płatności Sp. z o.o. (PSP) and Krajowy System Rozliczeń (hereinafter referred to as KSR) operated by First Data Polska S.A.;
- payment schemes: card payment schemes, i.e.: Visa Europe, Mastercard, American Express and Diners Club and non-card payment schemes, i.e.: BLIK payment scheme (hereinafter referred to as the BLIK Scheme), YetiPay, mPay, SkyCash, Smoopay and PeoPay;
- securities clearing systems and securities settlement systems: SKARBNET4, the registration system of NBP money bills and Treasury bills (hereinafter referred to as SKARBNET4) operated by NBP, the settlement system operated by Krajowy Depozyt Papierów Wartościowych S.A., the clearing system operated by KDPW\_CCP S.A., the financial instruments clearing and settlement system IRGiT SRF<sup>1</sup> operated by Izba Rozliczeniowa Giełd Towarowych S.A. (IRGiT S.A.);
- the acquiring service provided by national payment institutions (hereinafter referred to as NPIs).<sup>2</sup>

This *Report* was drawn up based on information provided to NBP by entities operating systems and schemes subject to oversight by the President of NBP. These data are submitted to NBP based on the relevant regulations of the Minister of Development and Finance (MRiF). Generally available information on systems, published by their operators, was also used for the preparation of the *Report*. Data derived from quarterly documents called “Informacja o sytuacji Krajowych Instytucji Płatniczych (KIP) i Biur Usług Płatniczych (BUP)” [Information on the situation of National Payment Institutions (NPIs) and Offices

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<sup>1</sup> SRF means the financial clearing system on the commodity market.

<sup>2</sup> The national payment institution is a legal person which obtained a licence for operating as a payment institution, defined in Article 2(16) of the *Act of 19 August 2011 on Payment Services* (Journal of Laws 2017, item 2003, as amended). the *acquiring*, on the other hand, shall mean the payment service provided by national payment institutions as defined in Article 3(1)(5) of that Act.

of Payment Services (OPSs)]<sup>3</sup>, prepared by the Polish Financial Supervision Authority Office (KNF Office), were used for the analysis of data on acquiring service providers.

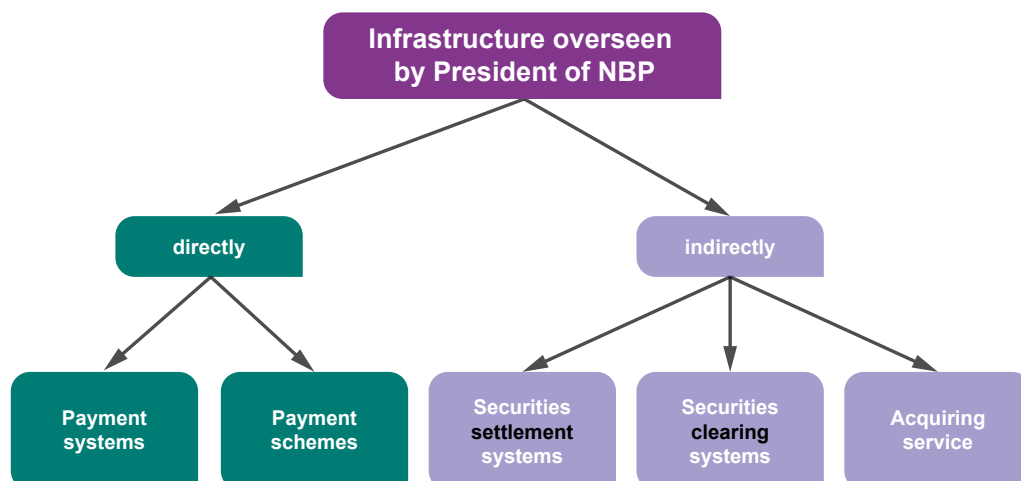
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<sup>3</sup> Information on the situation of National Payment Institutions (NPIs) and Offices of Payment Services (OPSs) for the consecutive quarters of 2018 prepared by the KNF Office:  
for 2018 Q1: [https://www.knf.gov.pl/?articleId=64480&p\\_id=18](https://www.knf.gov.pl/?articleId=64480&p_id=18);  
for 2018 Q2: [https://www.knf.gov.pl/?articleId=64483&p\\_id=18](https://www.knf.gov.pl/?articleId=64483&p_id=18);  
for the second half of the year: [https://www.knf.gov.pl/?articleId=66854&p\\_id=18](https://www.knf.gov.pl/?articleId=66854&p_id=18).

## Oversight in Poland in 2018

The oversight activities in 2018 were carried out pursuant to *Narodowy Bank Polski payment system oversight policy*, October 2015 (as amended) (hereinafter referred to as the “*Policy*”). In accordance with this document, oversight of the payment system in 2018 included the functioning of payment systems, payment schemes, securities clearing and settlement systems and provision of the acquiring service provided by NPIs. The distribution of the payment system infrastructure in Poland, overseen by the President of NBP, is shown in the chart below.

**Payment market infrastructure in Poland overseen by the President of NBP in 2018**



Source: NBP study.

The oversight consists, among others, of examining the requests submitted by entities concerning the launch of the payment system operation or the payment scheme operation, introducing amendments to their operating rules, issuing opinions upon the KNF request concerning the oversight of securities clearing systems and settlement systems and granting an authorisation for the provision of the acquiring service by NPIs as well as obtaining information on the current activity of the overseen payment system infrastructure, performing the assessment of this activity and undertaking activities aimed at implementing necessary changes to the functioning of the overseen infrastructure.

The tools used in exercising the oversight are specified in detail in *the Policy*. The most important of them include issuing the decisions by the President of NBP in the scope of operation of the supervised infrastructure. However, the main tools enabling an appropriate ongoing provision of the oversight function include:

- quantitative data analysis, including the performance of stress tests,

- clarifying incidents which occur in payment systems and schemes,
- ongoing cooperation with entities operating payment systems and payment schemes and providing acquiring services.

## Legal conditions

In 2018, oversight of the above-mentioned systems and schemes was performed within the following legal framework:

- *Act of 24 August 2001 on Settlement Finality in Payment and Securities Settlement Systems and the Rules of Oversight of these Systems*<sup>4</sup> (hereinafter referred to as the “Settlement Finality Act”) – in relation to payment systems (exclusive oversight of the President of NBP, i.e. issuing the decision);
- *Act of 29 July 2005 on Trading in Financial Instruments*<sup>5</sup> (hereinafter referred to as the “Financial Instruments Trading Act”) – in relation to securities clearing systems and securities settlement systems (the oversight encompassing cooperation with the principal supervision authority, i.e. Polish Financial Supervision Authority (KNF) and implemented, among others, by issuing opinions by the President of NBP upon the KNF request);
- *Act of 19 August 2011 on Payment Services*<sup>6</sup> (hereinafter referred to as the “Payment Services Act”) – in relation to payment schemes (exclusive oversight by the President of NBP) and the acquiring services (the oversight encompassing cooperation with the principal supervision authority, i.e. the KNF, performed through issuing opinions by the President of NBP upon the KNF request).

The above provisions have been specified more precisely in the following implementing acts of the Minister of Development and Finance:

- *Regulation of 8 May 2017 on providing data and information by entities operating securities depositories, securities registration systems of financial instruments other than securities and settlement systems*<sup>7</sup>;
- *Regulation of 10 May 2017 on the functioning of a payment scheme*<sup>8</sup>;
- *Regulation of 17 May 2017 on the functioning of a payment system*<sup>9</sup>.

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<sup>4</sup> Journal of Laws of 2018, item 145, as amended

<sup>5</sup> Journal of Laws of 2018, item 2286, as amended

<sup>6</sup> Journal of Laws of 2017, item 2003, as amended

<sup>7</sup> Journal of Laws of 2017, item 948.

<sup>8</sup> Journal of Laws of 2017, item 995.

<sup>9</sup> Journal of Laws of 2017, item 1060.



### Oversight activity

The most important activities and events related to oversight in 2018 include:

- Performing the assessment and granting the consent/permit<sup>10</sup> for the operation of the Diners Club card payment scheme and SkyCash payment scheme.

Performing the assessment of the operation of the SKARBNET4 system in terms of its compliance with the requirements 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* and complementary regulatory technical standards.

Conducting questionnaire surveys concerning the level of cyber maturity of the key infrastructure of the Polish payment system, i.e. SORBNET2 and SKARBNET4, Elixir, the clearing system operated by KDPW\_CCP S.A. and the settlement system operated by KDPW S.A.<sup>11</sup>

A decision issued by the President of NBP on increasing the limit for contactless payments made without using the PIN code for Mastercard and Visa Europe payment schemes.

Developing and posting on the NBP website an updated version of the *Guidelines*, including reporting forms addressed to operators of overseen payment systems and entities operating payment schemes.

In 2018, NBP oversight activities consisted mainly of monitoring the functioning of the payment system infrastructure, subject to oversight by the President of NBP, based on information originating, respectively, from system operators or entities operating payment schemes. These measures were aimed at ensuring safe functioning of systems and schemes, compliance with the provisions of law and, as a consequence, stable functioning of the payment system in Poland. As part of the ongoing oversight activities carried out in 2018, quarterly *Information on the System Oversight* was prepared for the NBP Management Board, containing detailed statistics on the functioning of the systems and schemes subject to oversight, including an analysis of incidents.

While performing ongoing oversight activities of the payment systems, pursuant to Article 16(1) and (3) of the Settlement Finality Act, in 2018 the President of NBP granted seven decisions on the introduction of amendments to their operating rules. In addition, while performing the oversight of the payment schemes functioning, based on Article 132 of the amended Payment Services Act, the President of NBP issued two decisions concerning

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<sup>10</sup> The President of NBP issued a consent/permit – depending on the binding legal basis – on 30 April 2018, the provisions of the so-called Business Constitution entered into force (*Act of 6 March 2018 -The provisions introducing the Act – Entrepreneurs' Law and other acts concerning business activity – Journal of Laws of 2018, item 650*), which at the level of business activity regulation, consisting of issuing permits, licenses and consents, unified the terminology and established that all authorities will only issue permits. As a consequence, this means that the consents granted by the President of NBP to that date to operate or change the rules of payment systems or payment schemes have been replaced by issuing a permit to operate. Changes in this respect are purely formal in terms of their nature.

<sup>11</sup> The survey concerning the level of cyber maturity of the systems operated by the GK KDPW companies was conducted in cooperation with the Office of the Polish Financial Supervision Authority (UKNF).

the operation of the payment scheme and five decisions concerning the amendments to the operating rules of payment schemes.

Moreover, at the request of the KNF, the President of NBP issued two opinions in the framework of the oversight of securities clearing systems and securities settlement systems<sup>12</sup> and two opinions in the framework of the oversight of the acquiring service.<sup>13</sup>

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<sup>12</sup> The legal basis for the issuance of opinions of the President of NBP concerning changes in the securities clearing systems and securities settlement systems were the provisions of Article 50(2) and Article 48(16) of the *Financial Instruments Trading Act*. Pursuant to those provisions, the amendments to the rules on functioning of the aforementioned systems required the KNF to obtain the opinion of the President of NBP.

<sup>13</sup> Pursuant to Article 60(3) of the *Payment Services Act*, the President of NBP issued opinions for the KNF concerning requests of entities applying for the KNF authorisation to provide the acquiring service.

## Chapter 2

# Payments systems

Within the meaning of Article 1(1) of the Settlement Finality Act, payment systems mean legal relationships, governed by Polish law, between at least three institutions<sup>14</sup> with common rules applicable to the participants, to perform clearing or execution of their settlement orders<sup>15</sup> (orders by a participant to transfer a sum of money to the account of a recipient with a settlement agent or other orders which give rise to the execution or discharge of a monetary obligation, in accordance with the rules of the payment system).

In accordance with the *Policy*, for the purpose of oversight, payment systems are divided into three main categories, i.e.:

- systemically important payment systems:
  - large-value payment systems,
  - retail payment systems;
- prominently important retail payment systems;
- other retail payment systems.

The classification of a system into one of the aforementioned categories is performed based on an individual assessment under the criteria contained in the *Policy*. Such assessment follows the analysis of the extent of impact on the financial market, the degree of market penetration, the area of impact (the cross-border nature of the system increases potential adverse impacts in the case of malfunctioning) and preforming the settlement for other financial market infrastructure.

In connection with the aforementioned criteria, systemically important payment systems include all large-value payment systems and the biggest retail payment system in terms of the number of executed orders. On the other hand, the system performing at least 25% of retail payments in the particular currency is recognised as a prominently important retail payment system.

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<sup>14</sup> In accordance with Article 1 of the Act on Settlement Finality, such entities may comprise: Narodowy Bank Polski, the central Bank of another state, a domestic bank or a branch of a foreign bank, an investment firm, a foreign legal entity or a public authority body.

<sup>15</sup> A slightly different, broader definition of the payment system is included in Article 2(27) of the Payment Services Act, pursuant to which payment systems constitute systems of monetary transfers based on formal and standardised rules as well as common principles related to processing, clearing or settlement of payment transactions. In order to ensure efficiency and safety of the payment system, entities constituting its infrastructure are covered by systemic oversight under which the provisions of the national law and the adopted international standards and European Union (EU) regulations make the point of reference. For the purpose of payment system oversight, the definition specified in the Settlement Finality Act is applied.

In 2018, two large-value payment systems were in operation in Poland:

- the SORBNET2 system, operated by NBP, where the settlement of transactions in PLN is performed;
- the TARGET2-NBP system, operated by NBP in legal terms and by three central banks (Deutsche Bundesbank, Banque de France and Banca d'Italia) in operational terms,<sup>16</sup> where the settlement of transactions in EUR is performed.

## Oversight activity

In 2018, in the scope of the national infrastructure of payment systems, oversight activities focused on analysing and issuing opinions on changes in the functioning rules of retail payment systems proposed by operators as well as on ongoing monitoring of the operation of payment systems, including incident analysis.

### Decisions of the President of NBP

Payment system oversight also focused on the analysis and preparation of opinions on changes in the functioning rules of retail payment systems. As part of the exercise of payment system oversight in Poland in 2018, the President of NBP issued seven decisions concerning the changes in the functioning rules of the following systems: Elixir, Euro Elixir, Express Elixir and BLIK.

### Other activities

In 2018, a survey concerning the identification of critical participants in the SORBNET2 system was conducted and the system's resilience to the occurrence of extreme market conditions was examined (stress tests). The results of simulations performed on the basis of three different scenarios demonstrated its high resilience to the assumptions adopted in the study.

In addition, an analysis was performed of data collected during the questionnaire survey concerning cyber resilience of the systemically important payment system infrastructure, i.e. the SORBNET2 system and the Elixir system operated by KIR S.A. The survey confirmed the high level of cyber maturity of both systems.

In addition, in 2018, a comprehensive KSR system assessment in terms of its compliance with the *Principles for financial market infrastructures*<sup>17</sup> was performed on the basis of a self-

<sup>16</sup> The functioning of the TARGET2 system is based on the *Single Shared Platform (SSP)* developed by three EU central banks, i.e. the banks of France, Germany and Italy, and currently (after the integration with TARGET2-Securities) it is operated by those three banks and additionally also by the Bank of Spain (Banco de España).

<sup>17</sup> Principles for financial market infrastructures (PFMIs), CPSS-IOSCO (currently CPMI-IOSCO), April 2012 <http://www.bis.org/cpmi/publ/d101a.pdf>.

assessment report<sup>18</sup> and system documentation resulting in issuing of the recommendations. Still in 2018, the KSR system operator applied to the President of NBP for changes in the operation of the KSR, which constituted the implementation of the issued recommendations.

### Incidents

In 2018, a total of 16 incidents were recorded in five payment systems.<sup>19</sup> the reasons of those incidents can be divided into four types: equipment failures, human factor, network connection problems and other. Measures undertaken by system operators in connection with the aforementioned incidents were assessed as adequate.

### Statistical data

Large-value payment systems occupy a primary place in terms of the value of orders processed in the payment system infrastructure. In 2018, the total number of orders processed in the large-value payment systems, SORBNET2 and TARGET2-NBP, amounted to PLN 5.9 million and rose by almost PLN 213 thousand compared to 2017 (i.e. by 3.7%). the total value of orders executed in both systems exceeded PLN 84.7 trillion and it rose by PLN 6.3 trillion (i.e. by almost 8.0%) compared to the previous year.

In terms of the number of executed payments, retail payment systems play a key role in the payment infrastructure as the systems ensuring clearing of low-value client transactions, i.e. those with the value usually below PLN 1 million.<sup>20</sup> In 2018, seven retail payment systems operated on the Polish market: Elixir, Euro Elixir, Express Elixir, BlueCash, KSR, BLIK and Inkart.

While assessing the impact of individual retail payment systems on the Polish market of payment services, the number of orders executed in individual systems was adopted as the basic criterion. In accordance with this criterion, the Elixir system can be explicitly indicated as the largest retail system in 2018, as it processed 90.0% of all payment orders in the framework of retail payment systems.

The Euro Elixir system, as the only retail system processing orders in the currency other than PLN (i.e. in EUR), has been recognised as a prominently important system, despite

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<sup>18</sup> Due to the fact that the KRS system was classified as “other retail payment system”, the preliminary assessment was performed on the basis of the following principles: Principle 1 – Legal Basis, Principle 2 – Governance, Principle 3 – Framework for the comprehensive management of risks, Principle 8 – Settlement finality, Principle 13 – Participant-default rules and procedures, Principle 17 – Operational risk, Principle 18 – Access and participation requirements, Principle 21 – Efficiency and effectiveness, Principle 23 – Disclosure of rules, key procedures and market data.

<sup>19</sup> Those five payment systems were as follows: SORBNET2, Euro Elixir, Express Elixir, BlueCash and BLIK Payment System.

<sup>20</sup> In accordance with §1(13)(d) of Regulation no 13/2013 of the President of NBP of 24 May 2013 concerning the manner of performing interbank settlements effective in 2017, exceptions to the rule included, among others, payments of social security contributions, payments performed in favour of tax authorities and payments made based on cheques and other debit payment orders.

a relatively limited scale of settlements performed (in 2018, only 1.6% retail payment orders were processed therein).

Among retail payment systems, instant payment systems, i.e. Express Elixir<sup>21</sup> and BlueCash<sup>22</sup> represent a specific group. An important and characteristic feature of instant payments, as the name would suggest, is the so-called “immediacy”, i.e. crediting an account within time counted in seconds. Instant payments represent a retail payment segment belonging, besides mobile payments, to the most rapidly developing part of the payment market, whereas their significance and share in retail settlements is systematically growing. Nevertheless, in terms of the number of orders their share in relation to the overall market of retail payments in 2018 was insignificant and amounted to 1.0%, whereas in terms of value their share was even lower, amounting to only 0.6%.

In all retail payment systems’ processing orders, i.e. the systemically important system (Elixir), instant payment systems (Express Elixir, BlueCash) and other retail payment systems (KSR, BLIK and Inkart), the total of 2.0 billion of payment transactions with the value of PLN 5.3 trillion were processed. Elixir, Express Elixir and Inkart systems processed jointly 92.0% of all transactions on the retail payment market, whereas taking into account the value of transactions, these systems accounted for 99.3% of all retail orders. At the same time, compared to 2017, both the volume and the value of orders processed by those systems increased by 3.0% and 10.7%, respectively. On the other hand, 32.2 million orders with the value of EUR 184.8 billion were executed in the Euro Elixir system in 2018 (respectively, 18.2% and 18.5% more than in 2017).

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<sup>21</sup> The Express Elixir system was launched in the first half of 2012 by KIR S.A.. It was the first instant payment system launched in Poland and the second one operating in the territory of the EU (following the British Faster Payment Service system launched in 2008).

<sup>22</sup> The BlueCash payment system was launched in the second half of 2012 by Blue Media S.A. and was the second instant payment system operating in Poland.

## Chapter 3

# Payment schemes

In accordance with the Payment Services Act, a payment scheme is a set of rules concerning execution of payment transactions, issuance and acceptance of payment instruments by payment service providers and processing of payment transactions with the use of payment instruments and the payment card scheme. Two types of payment schemes are distinguished: four-party schemes<sup>23</sup> and three-party schemes.<sup>24</sup>

Operation of a four-party payment scheme requires the authorisation of the President of NBP. An exception are so-called EU schemes which are bound to submit, among others, a copy of the relevant document confirming that the assessment of payment scheme operating rules was performed. However, where a four-party EU scheme plans to introduce changes to the operating rules of the scheme related to the Polish market, the authorisation of the President of NBP is required.

In 2018, the following payment schemes operated in Poland:

- payment schemes being payment card systems, i.e.:
  - Visa Europe, operated by Visa Europe Ltd.,
  - Mastercard, operated by Mastercard Europe S.A.,
  - American Express, operated by American Express Services Europe Ltd.,
  - Diners Club, operated by Diners Club Polska Sp. z o.o;
- other payment schemes, i.e.:
  - BLIK Payment Scheme, operated by Polski Standard Płatności Sp. z o.o.,
  - YetiPay, operated by YetiPay Sp. z o.o.,
  - mPay, operated by mPay S.A.,
  - SkyCash, operated by SkyCash Poland S.A.,
  - Smoopay, operated by Planet Pay Sp. z o.o.,

<sup>23</sup> In the four-party payment scheme, the payment organisation does not carry out activities of the issuer or the clearing agent but entrusts them to other payment service providers.

<sup>24</sup> In the three-party payment scheme, issuance of payment instruments and their acceptance is the sole competence of the payment organisation operating the payment scheme. Due to the provision of the acquiring service, such payment organisation is the NPI, therefore, it is subject to the KNF oversight and must obtain the KNF authorisation to operate. In connection with the above, the operation of a three-party payment scheme does not require the authorisation of the President of NBP.

- PeoPay<sup>25</sup>, operated by Pekao S.A. bank.

## Oversight activities

In 2018, the ongoing oversight activities carried out in relation to payment schemes consisted mainly in issuing decisions concerning their operating rules, monitoring their proper operation and collecting and analysing statistical data.

### Decisions of the President of NBP

As part of oversight activities in 2018, seven decisions of the President of NBP were issued, including:

- five decisions concerning changes in the operating rules of payment schemes;
- two decisions concerning the consent/permit to operate a payment scheme.

### Other activities

In 2018, the European Commission (EC) started a process of collecting and analysing data on the impact of the implementation of the MFI Regulation<sup>26</sup> on card payment market participants across the European Union.<sup>27</sup> The first stage involved a questionnaire survey conducted by an external company (EY) among all payment market participants (i.a., among competent authorities from EU countries, including NBP) which were affected by the implementation of the MFI Regulation. The summary report of the questionnaires is to be prepared by the EY at the end of 2019, and the analysis of the effects of the MIF Regulation implementation by the EC is scheduled to be completed in early 2020.

### Incidents

In 2018, four incidents were recorded in payment schemes (card and other schemes). Those incidents were not critical to the functioning of the payment system in Poland. The reasons of those incidents included equipment failures and in one case, a cyber-attack was reported. Measures undertaken by organisations operating individual payment schemes in connection with the aforementioned incidents were assessed as adequate.

<sup>25</sup> The PeoPay scheme was removed from the list of schemes supervised by the President of NBP on 17 June 2019 due to the liquidation of the supported payment instrument and operating only as a mobile application.

<sup>26</sup> MFI Regulation – Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions; applicable in the entire European Union since 2015.

<sup>27</sup> NBP representatives participate in meetings of the *Government Expert Group on the Interchange Fee Regulation* organised by the European Commission since 2016. The group associates representatives of institutions responsible for the implementation and monitoring of the application of the MFI Regulation in individual Member States.



### Statistical data

At the end of 2018, there were 41.2 million payment cards issued in Poland, of which the share of cards issued by two payment organisations, i.e.: Visa Europe Ltd. and Mastercard Europe S.A., jointly accounted for approximately 99% of all payment cards in Poland. The share of American Express Services Europe and Diners Club Polska Sp. z o.o. was about 0.2%. Aside from cards issued by international card systems operating in Poland, issuers' own cards are also used on the market. These are cards issued mostly by cooperative banks, of a territorial nature only, used mainly for withdrawal of cash from ATMs. They accounted for 0.8% of all cards issued in Poland.

In all schemes combined (card and other), a clear increase was recorded in both the volume and the value of executed transactions<sup>28</sup> (by 20.5% to 4.3 billion pcs. and by 13.1% to PLN 367.4 billion pcs., respectively), compared to the previous year. The high level of growth in payment card transactions largely results from the increase in the number of issued payment cards as well as the changing payment habits of Poles and the increasing number of entities accepting payment cards, including making such a method of payment available in new market areas, so far dominated by cash payments<sup>29</sup>.

In other payment schemes, in total, 11.7 million transactions with the value of PLN 12.5 trillion were processed. In 2018, the largest payment scheme in this group, taking into account both the total value of executed transactions and their volume, was the BLIK scheme, followed by the SkyCash scheme.

In accordance with Article 132zq(3) of the Payment Services Act, Article 3 and Article 4 of Regulation 2015/751, a four-party card organisation or an organisation recognised as a four-party card organisation provides NBP with quarterly information required to check the accuracy of application of the *interchange* fee level. Accordingly, NBP analysed the level of *interchange* fees charged in 2018 by individual card organisations, broken down into debit cards and credit cards. As a result of the analysis, NBP did not find any irregularities in the scope of application of the *interchange* fees by those schemes, i.e. their value did not exceed the statutory limit of 0.2% for debit cards and 0.3% for credit cards (issued to individual clients).

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<sup>28</sup> The presented data refer to the following types of transactions: domestic, payment instruments issued in Poland, executed in Poland, processed and settled in payment schemes (including payment card schemes). The data exclude payment card transactions settled within a single financial institution ("on-us" type transactions).

<sup>29</sup> According to the data of June 2018, more than 1.5 thousand Polish offices (60% of offices in Poland) joined the Programme aimed at popularisation of non-cash payments in public administration units, run by the Ministry of Entrepreneurship and Technology. At the same time, owing to the programme implemented by the Cashless Poland Foundation, over 100 thousand terminals for handling non-cash payments have been launched which operate in 7.3 thousand localities across Poland.

## Securities clearing and settlement systems

Securities settlement systems are legal relationships governed by Polish law between at least three institutions<sup>30</sup> in the framework of which common rules for clearing or execution of settlement orders apply in transactions concluded in financial instruments trading, including derivatives.

In Poland, the KNF is the authority competent for oversight, including the prudential oversight, of securities clearing systems and securities settlement systems. The role of the President of NBP in this scope is auxiliary and consists of systemic assessment of the functioning of the systems in terms of efficiency, security and compliance with law as well as preparing opinions in this scope for the competent authority. The exception is the SKARBNET4 system operated by NBP, which is not subject to the oversight exercised by the KNF.

In 2018, similar to 2017, the following securities clearing systems and securities settlement systems operated on the Polish market:

- SKARBNET4 System for registration of NBP money bills and Treasury bills operated by NBP (SKARBNET4);
- the settlement system of transactions concluded in financial instruments trading operated by KDPW S.A.;
- the clearing system operated by KDPW\_CCP S.A. for transactions in financial instruments pursuant to Rules of Transaction Clearing (organised trading);
- the clearing system operated by KDPW\_CCP S.A. for transactions in financial instruments pursuant to Rules of Transaction Clearing (non-organised trading);
- the securities clearing and settlement system of financial instruments operated by Izba Rozliczeniowa Giełd Towarowych S.A. (IRGiT SRF).

### Oversight activity

The oversight activities in 2018 were related in particular to the issuance of opinions on proposed amendments to the operating rules of these systems, the monitoring of functioning of the securities clearing and settlement systems (in 2018, no incidents were reported in

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<sup>30</sup> Within the meaning of the Trading in Financial Instruments Act, at least one of those institutions which are participants of the payment system or the securities settlement system, and which are responsible for the fulfilment of the obligations stemming from the execution of settlement orders in the system should be: NBP, the central bank of another state, a domestic bank, a branch of a foreign bank, a credit institution or its branch, an investment company or a public authority.

the functioning of these systems) and the analysis of quantitative data provided by their operators.

### Decisions of the President of NBP

In 2018, on request of the KNF and in the form of decisions, the President of NBP issued two opinions regarding the amendments to the rules of operation of IRGiT SRF.

### Other activities

In 2018, in relation to SKARBNET4, NBP, as the central bank exercising the oversight comprising both systems operated by external entities and own systems,<sup>31</sup> has completed the assessment of the system in terms of verification of its compliance with the requirements of Regulation 909/2014 and the regulatory technical standards issued to it,<sup>32</sup> launched in 2017. The assessment demonstrated a high level of compliance of the SKARBNET4 system with the requirements of the above-mentioned EU regulations.

In 2018, NBP continued cooperation with the KNF as part of its oversight activities aimed at obtaining from KDPW S.A. the information and documents necessary to determine the completeness of the application for a permit to operate the central securities depository. The assessment entailed the need to adjust the rules of functioning of the system operated by KDPW S.A. in terms of compliance with the requirements of Regulation 909/2014 and complementary regulatory technical standards.

Considering the role of cyber security risk in the operation of the financial system infrastructure, including securities settlement systems, NBP decided to conduct a questionnaire survey regarding cyber security resilience of systemically important financial market infrastructure. The analysis of the self-assessment received from the system operator has shown a high level of cyber maturity of SKARBNET4.

At the same time, in cooperation with the KNF, NBP conducted questionnaire surveys concerning cyber security resilience of the settlement system operated by KDPW S.A. and the clearing system operated by KDPW\_CCP S.A. In the first half of 2018, the analyses showed a high level of cyber maturity of the aforementioned systems.

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<sup>31</sup> In accordance with *the Policy* adopted by the NBP Management Board, in the process of exercising the oversight in relation to the systems that NBP operates or influences through ownership powers, NBP applied as appropriate the same criteria and requirements as for other supervised systems. Deviations from the application of the same criteria and requirements may only result from the monetary policy pursued by NBP and the tasks related to liquidity management. They may only relate to issues associated with the governance, credit risks, collaterals, general business risk and requirements concerning defining the rules for access and participation in the system.

<sup>32</sup> *Commission Delegated Regulation (EU) 2017/390 of 11 November 2016 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on certain prudential requirements for central securities depositories and designated credit institutions offering banking-type ancillary services and Commission Delegated Regulation (EU) 2017/392 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on authorisation, supervisory and operational requirements for central securities depositories – these regulations entered into force on 30 March 2017.*

In addition, in the area of capital market supervision, NBP is a member of the international supervision college established for KDPW\_CCP S.A. and composed of representatives of the KNF, the central bank and selected members of supervisory authorities from other EU Member States<sup>33</sup> and the European Securities and Markets Authority (ESMA)<sup>34</sup>.

### Statistical data

Statistical data indicate that as compared to 2017, in 2018 declines in total volumes in the area of securities clearing and settlement prevailed. The increase occurred only in the value of settlement transactions performed in SKARBNET4 and in the non-organised market area in terms of the volume and value of clearing transactions in the system operated by KDPW\_CCP S.A.

In 2018, 0.36 thousand settlement operations of transactions in Treasury bills and NBP money bills were performed in SKARBNET4 (compared to the total of 0.65 thousand in 2017; a 45.3% decline<sup>35</sup>) with the total value of PLN 626.1 billion (compared to the total of PLN 510.7 billion in 2017 – a 22.6% growth).

In 2018, in the settlement system operated by KDPW S.A., the total of 6.8 million operations were conducted for the settlement of transactions concluded on the organised market (compared to 8.5 million in 2017; a 19.9% decline) with the total value of PLN 610.5 billion (compared to PLN 926.8 billion in 2017; a 31.1% decline). On the other hand, on the non-organised market, the total of 0.93 million transaction settlement operations were executed (compared to 0.94 million in 2017; a 1.5% decline) with the total value of PLN 11.3 trillion (compared to PLN 11.7 trillion in 2017; a 3.2% decline).

In 2018, the total number of transactions cleared in the KDPW\_CCP S.A. systems for transactions in financial instruments amounted to 22.4 million transactions in financial instruments on the organised market (compared to 24.3 million in 2017; a 7.9% decline) with the total value of PLN 432.4 billion (compared to PLN 471.7 billion in 2017; a 8.3% decline) and the total of 1.5 thousand transactions in financial instruments traded in the OTC market (compared to 1.1 thousand in 2017; a 34.7% rise) with the total value of PLN 159.8 billion (compared to PLN 135 billion in 2017; a 18.3% rise).

As at 31 December 2018, no transactions were processed in the IRGiT SRF system operated by IRGiT S.A., i.e. no financial transactions which the clearing house could clear were concluded.

<sup>33</sup> The supervisors from France (AMF), Belgium (NBB) and the European Central Bank.

<sup>34</sup> The rules concerning establishment of the college arise from the provisions of the EMIR.

<sup>35</sup> A significant decline in the number of settlement operations resulted from the lack of settlement operations for transactions in Treasury bills (with 0.32 thousand in 2017).

## Chapter 5

# Acquiring service

The *acquiring* service means a payment service facilitating the execution of payment transactions, initiated by the merchant or through it, using the payer's payment instrument, with the exception of activities entailing clearing and settling of the payment transaction in the payment system, within the meaning of the Settlement Finality Act. the service consists of processing the authorisation, transferring the payer's or merchant's payment orders to the payment card issuer or payment systems, with the aim of transferring the due funds to the merchant.

## Oversight activities

### Decisions of the President of NBP

The oversight of the acquiring service by the President of NBP is limited to issuing opinions (in the form of decisions), on request of the KNF, in relation to NPIs intending to offer such service under their licence. In connection with the above, and the KNF proceedings concerning the issuance of the authorisation for the NPI to provide the acquiring service, in 2018 the President of NBP issued two decisions related to BillBird S.A. and Online Services Solutions S.A.

### Statistical data

At the end of 2018, the total number of entities holding the KNF's licence to operate as the NPI amounted to 40, whereas the number of NPIs holding the authorisation to provide the acquiring service amounted to 25 and it did not change compared to the status at the end of the previous year. Moreover, at the end of 2018, there were 10 Small Payment Institutions<sup>36</sup> registered in the register of payment services, three of which were actually operating.

In 2018, the value of transactions executed within the acquiring service amounted to PLN 124.1 billion, whereas the number of transactions reached 1.5 billion. As compared with 2017, the value of transactions increased by PLN 27.1 billion (by almost 28%) and their number – by 351 million (by over 30%).

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<sup>36</sup> As of 20 June 2018, the Payment Services Act was amended by introducing a new category of entities, i.e. small payment institutions (SPIs) which, after obtaining an entry in the register of payment service providers kept by the KNF may provide payment services, within the scope and under the rules specified in the Act.

## Assessment of overseen payment system infrastructure

In 2018, the Polish payment system operated properly, ensuring the efficient and safe processing of clearing and settlement transactions.

The supervised infrastructure operated in a stable manner and the nature and intensity of potential risks to its stability did not change significantly in relation to the previous year. According to the NBP's assessment, measures undertaken by system operators and payment scheme operators were adequate and ensured the efficient and safe functioning of the payment system. This also applies to the fulfilment of information obligations towards NBP by entities overseen.

## List of abbreviations

<b>OPS</b>	Office of Payment Services
<b>CCP</b>	Central Counterparty, i.e. the entity which becomes the sole buyer for all sellers and the sole seller for all buyers
<b>CPMI</b>	Committee on Payments and Market Infrastructures
<b>CPSS</b>	Committee on Payment and Settlement Systems
<b>CSDR</b>	<i>The Central Securities Depositories Regulation – 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 Regulation).</i>
<b>DSP</b>	NBP Payment Systems Department
<b>ESBC</b>	European System of Central Banks
<b>GK KDPW</b>	KDPW Capital Group; the group is formed by KDPW S.A. and KDPW_CCP S.A.
<b>IOSCO</b>	International Organization of Securities Commissions
<b>IRGiT S.A.</b>	Izba Rozliczeniowa Giełd Towarowych S.A.
<b>IRGiT SRF</b>	The securities clearing and settlement system operated by IRGiT S.A.
<b>KDPW S.A.</b>	Krajowy Depozyt Papierów Wartościowych S.A.; it is a part of the GK KDPW
<b>KDPW_CCP S.A.</b>	A clearing house pursuing activity in the scope of clearing of transactions concluded on the domestic financial market, with the status of Central Counterparty (CCP); a part of GK KDPW
<b>NPI</b>	National Payment Institution
<b>KIR S.A.</b>	Krajowa Izba Rozliczeniowa S.A.
<b>KNF</b>	Polish Financial Supervision Authority
<b>KSR</b>	Krajowy System Rozliczeń
<b>SPI</b>	Small Payment Institution
<b>NBP</b>	Narodowy Bank Polski
<b>OTC</b>	<i>Over the counter</i> – a non-organised market
<b>PFMIs</b>	Principles for financial market infrastructures
<b>PSP</b>	Polski Standard Płatniczy sp. z o.o.
<b>SKARBNET4</b>	A system for registration of bills, in which accounts and deposit accounts for such bills are operated by NBP and securities transactions are executed
<b>SORBNET</b>	Banks' Accounts Operating System – network version, Polish RTGS system for payments in PLN, functioning until 9 June 2013.
<b>SORBNET2</b>	New version of the SORBNET system in operation since 10 June 2013
<b>TARGET2</b>	Trans-European Automated Real-Time Gross Settlement Express Transfer System
<b>TARGET2-NBP</b>	Polish component of the TARGET2 system
<b>EU</b>	European Union
<b>KNF Office</b>	Office of the Polish Financial Supervision Authority



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