



NARODOWY
BANK POLSKI

December 2021

Polish Payment System Oversight Report for 2020

Summary



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Published by:
Narodowy Bank Polski
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00-919 Warszawa
www.nbp.pl

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Summary

Polish Payment System Oversight Report for 2020 (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.

The *Report* is based on data and information provided to NBP under the national law and on the basis of publicly available data and information on supervised payment systems, payment schemes and securities clearing and settlement systems.

In the case of entities providing the *acquiring*¹ service, data and information from quarterly reports of the Polish Financial Supervision Authority Office, i.e. *Information on the situation of National Payment Institutions (NPIs) and Offices of Payment Services (OPSs)* was used.

The most important oversight activities and events in 2020 include:

1. Completion of analytical work and preparation of the final report covering a comprehensive assessment of the systemically important retail payment system, Elixir in terms of the compliance with the *Principles for Financial Market Infrastructures* (PFMI²).
2. Completion of the evaluation of the rules for the functioning of the four-party payment schemes representing payment card schemes (Visa Europe and Mastercard) as regards compliance of their rules of operation with the relevant EU regulations, i.e. compliance with the requirements related to ensuring separation – in terms of accounting, organisation and decision-making processes – of payment card schemes and processing entities. The Governor of NBP confirmed that the rules applicable to Visa Europe and Mastercard payment schemes meet the requirements set out in the Regulation on independence.³
3. Based on the “*Narodowy Bank Polski payment system oversight policy*” adopted by the NBP Management Board, which takes into account, among others, the *Cyber resilience oversight expectations for financial market infrastructures* (CROE⁴) in the legal basis of the oversight, the evaluation of the SORBNET2 payment system in terms of compliance with the above-mentioned requirements was initiated.
4. Issuing the decision of the Governor of NBP authorising amendments to the rules of functioning of the BLIK payment system, consisting in enabling the initiation of

¹ Acquiring is a payment service provided by NPI or OPS, as defined in Article 3(1)(5) of the Payment Services Act.

² *Principles for financial market infrastructures* (PFMIs), CPSS-IOSCO (currently CPMI-IOSCO), April 2012 <http://www.bis.org/cpmi/publ/d101a.pdf>.

³ Commission Delegated Regulation (EU) 2018/72 of 4 October 2017 supplementing Regulation (EU) 2015/751 of the European Parliament and of the Council on interchange fees for card-based payment transactions with regard to regulatory technical standards establishing the requirements to be complied with by payment card schemes and processing entities to ensure the application of independence requirements in terms of accounting, organisation and decision-making process.

⁴ *Cyber resilience oversight expectations for financial market infrastructures*, ECB, December 2018

payment transactions in POS payment terminals (in Poland and abroad) with the use of contactless technology made available by the Mastercard payment scheme.

5. Confirmation by the Governor of NBP of the expiry of the decision granting consent to Diners Club Polska sp. z o.o. to operate a four-party payment scheme in the territory of Poland. Therefore, currently the Diners Club payment scheme operates in Poland as a three-party payment card system.
6. Conducting a comprehensive analysis of incidents recorded in 2015–2019. As a result of this analysis, the evaluation of the BlueCash instant payment system in terms of its compliance with the *Principles for Financial Market Infrastructures* (PFMI) was initiated.
7. Issuing the opinion of the Governor of NBP concerning the amendments to the KDPW Rules extending the scope of application of the settlement in parts. The amendments covered allowing the possibility of partial settlement also in the event of insufficient funds on participants' cash accounts.
8. Conducting additional analyses aimed at verifying the adequate preparation of the Polish payment system to ensure its uninterrupted functioning, taking into account the Government's measures involving the introduction of sanitary restrictions across the country in connection with the announcement of the SARS-CoV-2 virus epidemic in the territory of Poland.⁵

⁵ Regulation of the Minister of Health of 20 March 2020 on the declaration of the state of epidemic in the territory of the Republic of Poland (Journal of Laws 2020, item 491 as amended).

Chapter 1

Oversight in Poland

1.1 Legal conditions

The oversight was performed by NBP 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*⁶ (hereinafter referred to as: the “Settlement Finality Act”) – in relation to payment systems (exclusive oversight by the Governor of NBP);
- *Act of 29 July 2005 on Trading in Financial Instruments*⁷ (hereinafter referred to as: the “Financial Instruments Trading Act”) – in particular, in relation to securities clearing systems and securities settlement systems (the oversight encompassing cooperation with the principal supervision authority, i.e. the Polish Financial Supervision Authority (hereinafter referred to as KNF), and implemented, among others, by issuing opinions by the Governor of NBP at the request of the Chair of the KNF);
- *Act of 19 August 2011 on Payment Services*⁸ (hereinafter referred to as: the “Payment Services Act”) – in relation to payment schemes (exclusive oversight by the Governor of NBP) and the acquiring services (the oversight encompassing cooperation with the principal supervision authority, i.e. the KNF, implemented in the form of opinions issued by the Governor of NBP at the request of the Chair of the KNF);
- regulations issued by the competent minister,⁹ defining the detailed scope of documents and data submitted to NBP by entities operating supervised systems and schemes.

In exercising oversight on the basis of the aforementioned acts of law, reference shall also be made to the provisions of the EU law, generally accepted international standards (e.g. by CPSS-IOSCO10) and the requirements of the European Union (in particular those created by the ECB). The sources of the European law directly applied by NBP in exercising of its oversight include:

⁶ Journal of Laws of 2019, item 145, as amended

⁷ Journal of Laws of 2019, item 2286, as amended

⁸ Journal of Laws of 2020, item 794, as amended

⁹ They include the following implementing acts: Regulation of the Minister of Development and Finance of 8 May 2017 on providing data and information by entities operating securities depositories, registration systems of financial instruments other than securities and settlement systems (Journal of Laws of 2017, item 948), Regulation of the Minister of Development and Finance of 10 May 2017 on the functioning of a payment scheme (Journal of Laws of 2017, item 995), Regulation of the Minister of Finance of 28 June 2019 on the functioning of a payment system (Journal of Laws of 2019 item 1376).

¹⁰ *International Organization of Securities Commissions*

1. basic regulations:
 - MIF Regulation¹¹ including its implementing acts,
 - SCA Regulation,¹²
 - CSDR¹³ including its implementing acts,
 - EMIR¹⁴ including its implementing acts.
2. supplementary guidelines:
 - PFMI principles,
 - CROE Guidelines.

1.2 Oversight policy

NBP activities in the scope of oversight in 2020 were carried out pursuant to the document adopted by the NBP Management Board, entitled *Narodowy Bank Polski payment system oversight policy* (October 2015 as amended¹⁵) (hereafter referred to as: the “*Policy*”). In accordance with it, the primary objectives of the oversight exercised by the NBP Governor comprise mainly:

- ensuring the safe and efficient functioning of the payment system;
- ensuring compliance of overseen systems, schemes and the acquiring service with the provisions of law.

In pursuing its policy in the scope of payment system oversight, NBP is guided by the principle of transparency, developed on the basis of the Polish and European law as well as uses the best international practices. Therefore, on 24 October 2019, the document entitled –“Cyber resilience oversight expectations for financial market infrastructures” (CROE) – which is a methodology to the “Guidance on cyber resilience for financial market infrastructures”, CPMI-IOSCO, June 2016, operational in the NBP oversight policy since 2017 – was introduced into the *Policy* as a complementary guideline to strengthen the basis for exercising the oversight with respect to tools assessing the level of cyber resilience of

¹¹ Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions (OJ L 123 of 19.05.2015).

¹² Commission Delegated Regulation (UE) 2018/389 of 27 November 2017 supplementing Directive (EU) 2015/2366 of the European Parliament and of the Council with regard to regulatory technical standards for strong customer authentication and common and secure open standards of communication (OJ L 69 of 13.03.2018).

¹³ 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. (OJ L 257 of 28.08.2014).

¹⁴ Regulation of the European Parliament and of the Council no. 648/2012 of 4 July 2012 on OTC derivatives, central counterparties and trade repositories. (OJ L 201 of 27.07.2012).

¹⁵ On 24 October 2019, the NBP Management Board adopted the updated document entitled *Narodowy Bank Polski payment system oversight policy* – <http://www.nbp.pl/systemplatniczy/nadzor/polityka.pdf>.

overseen payment systems. CROE is a set of detailed requirements, the fulfilment of which will contribute to enhancing the cyber resilience of the overseen infrastructure (in the case of NBP, the supervised payment systems).

Pursuant to Article 16 of the Settlement Finality Act, since 1 January 2002, the Governor of NBP has been exercising oversight of payment systems. In connection with that, the operation of a payment system, except for systems operated by NBP, requires the authorisation of the Governor of NBP. The authorisation of the Governor of NBP is also necessary to introduce changes in the rules of functioning of payment systems.

Pursuant to Article 14(2) of the Payment Services Act, since 8 February 2017, the Governor of NBP has been overseeing the functioning of payment schemes¹⁶ in the territory of the Republic of Poland. The operation of a payment scheme, with the exception of three-party payment schemes and schemes subject to the oversight of another EU Member State authority or an EU body, requires the authorisation of the Governor of NBP. The authorisation of the Governor of NBP is also required for introduction of amendments in the rules of functioning of a payment scheme. Moreover, the provisions of the MIF Regulation constitute the basic regulation for assessing four-party payment schemes functioning in the territory of Poland.

Pursuant to Article 48(16), Article 50(2), Article 66(2), Article 68a(5), Article 68b(1) and Article 68d(3) of the Financial Instruments Trading Act, since 21 October 2009, the Governor of NBP has been participating in the oversight of entities operating securities clearing systems and entities operating securities settlement systems exercised by the KNF. The role of the Governor of NBP plays an auxiliary role in this scope, which consists in 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.¹⁷ In addition, the provisions set out in the CSDR and EMIR regulations constitute the basic regulation when assessing the securities settlement systems operated by CSD as well as by the company to which the National Depository has delegated the performance of settlement activities and NBP.

Pursuant to Article 60(3) of the Payment Services Act, since 7 October 2013, the Governor of NBP has been participating in the oversight of national payment institutions providing the *acquiring* service exercised by the KNF. In connection with the foregoing, granting of the authorisation by the KNF to conduct activity in the capacity of the national payment institution, comprising the provision of the aforementioned service, requires applying for the opinion of the Governor of NBP.

¹⁶ There are two types of payment schemes: the four-party and the three-party payment schemes. 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. In addition, 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 Governor of NBP is required. 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 foregoing, the operation of a three-party payment scheme does not require the authorisation of the Governor of NBP.

¹⁷ An exception is the SKARBNET4 system operated by NBP, which is not subject to the oversight exercised by the KNF. The oversight of the SKARBNET4 system is exercised by NBP pursuant to the provisions of the binding *Policy*.

In 2018, a new category of entities, i.e. small payment institutions (SPIs)¹⁸ was introduced into the national law (in the Payment Services Act) which, without the need to obtain the authorisation but only after obtaining an entry in the register of payment service providers kept by the KNF, may provide payment services, including acquiring service, within the scope and under the rules specified in the Act. The absence of the need to obtain the KNF authorisation for the SPI operation is tantamount to waiving the requirement for obtaining the NBP opinion.

1.3 Scope of payment system oversight

Both the structure of the payment system itself and the model of exercising the oversight are extensive and demonstrate a significant level of complexity.

In 2020, similar to 2019, the following systems and schemes operated:

- 2 large-value payment systems,
- 6 retail payment systems, including 2 instant payment systems,
- 10 payment schemes, including 4 card schemes,
- 5 securities clearing and settlement systems,
- 25 national payment institutions (NPIs)¹⁹ holding the authorisation of the KNF to provide the acquiring service.

The oversight of the financial market infrastructure in Poland is exercised in a complementary manner by two authorities:

- the Polish Financial Supervision Authority,
- the Governor of Narodowy Bank Polski.

The KNF exercises supervision over entities from the banking sector, capital market, market of payment services, sector of credit unions, insurance market, pension market as well as lending and credit intermediation institutions.

On the other hand, the Governor of NBP exercises oversight of payment systems and payment schemes and cooperates in assessing the functioning of (consisting in issuing opinions at

¹⁸ SPI is a solution introduced by the amendment to the Payment Services Act in connection with the implementation of the PSD2 Directive. It serves to carry out the activity in the scope of providing payment services on a scale smaller than the NPI. A SPI is a natural person, a legal person or an organisational unit other than a legal person carrying out activities (in accordance with Article 3(1)(1) to (6) of the Payment Services Act) with regard to any of the payment services other than the payment transaction initiation service or the account information access service.

¹⁹ The NPI means a legal person which acquired a licence for operating as a payment institution, defined in Article 2(16) of the Payment Services Act.

the request of the KNF) the securities clearing and settlement systems and the provision of the acquiring service by payment institutions supervised by the KNF.

The exercise of the oversight is important in view of the structure of the payment system and, above all, the links between individual elements of the payment system infrastructure that enable the flow of money in the economy, therefore it relates to the functioning of:

1. payment systems:

- large-value payment systems: SORBNET2 and TARGET2-NBP. The operator of the SORBNET2 system is NBP, while the TARGET2-NBP system is operated by NBP as regards legal issues and as regards its operational issues by three central banks (3CB);²⁰
- retail systems: Elixir, Euro Elixir and Express Elixir owned and operated by KIR, the BlueCash payment system owned and operated by Blue Media S.A., the BLIK payment system owned and operated by PSP and Krajowy System Rozliczeń (KSR) operated by First Data Polska S.A.;²¹

2. payment schemes:

- operating as payment card systems (hereinafter referred to as: card schemes): Visa Europe, Mastercard, American Express and Diners Club;
- other payment schemes (hereinafter referred to as: Other schemes or non-card schemes): BLIK Payment System operated by PSP, YetiPay operated by YetiPay Sp. z o.o, mPay operated by mPay S.A., SkyCash operated by SkyCash Poland S.A., Snoopay operated by Planet Pay Sp. z o.o. and Billon operated by Billon Solutions sp. z o.o.;

3. securities clearing and settlement systems: clearing systems operated by KDPW_CCP S.A., financial instrument clearing and settlement systems of IRGiT SRF operated by Izba Rozliczeniowa Giełd Towarowych S.A. (hereinafter referred to as: IRGiT S.A.); SKARBNET4 system for registration of NBP bills and Treasury bills (hereinafter referred to as: SKARBNET4) operated by NBP and the settlement system operated by KDPW S.A.,

4. acquiring services provided by NPIs.

The functioning of two large-value payment systems is typical of certain EU countries that do not belong to the euro area – one system processing payment orders in the national currency, the other one processing payment orders in euro, forming a TARGET2 component. Poland also has a retail payment system for individual clients dedicated to payments in euro – Euro Elixir. However, Poland distinguishes strongly against the EU countries in terms of the number of retail payment systems in operation (6), since in 2020 the EU average number of retail payment systems per country was 1.9.²² It should also be emphasised that two instant retail payment systems have been in operation in Poland for years, while many EU countries do not have such a system or have at most one such system.

²⁰ The group consists of Banque de France, Deutsche Bundesbank and Banca d'Italia.

²¹ The Company changed its name to Fiserv Polska S.A. on 24 September 2021.

²² Own calculations based on EBC data: <https://sdw.ecb.europa.eu/reports.do?node=1000002752>

The number of non-card payment schemes operating in Poland is also significant (6 entities overseen by the Governor of NBP). In the area of card schemes, the entire Polish market is divided between four international schemes with global coverage, two of which, i.e. Visa and Mastercard accounted for almost 100% of the market in 2020, both in terms of the number and the value of executed transactions (the share of Diners Club and American Express together amounted to 0.014% and 0.05% of the value of executed transactions).

The securities clearing and settlement systems operating in Poland handle transactions in two currencies – the zloty and the euro. Both currencies are handled by entities included in GK KDPW, while the SKARBNET4 system and IRGiT SFR process operations only in the domestic currency. In addition, two settlement systems, the system operated by KDPW S.A. and SKARBNET4, also conduct the depository business.

Exercising the oversight by NBP in the context of such an extensive payment system, requires the application of clear and transparent rules of cooperation with the operators of supervised systems and schemes along with the KNF, as the institution supervising operators of securities clearing and settlement systems and the NPIs providing the acquiring service.

1.4 Oversight tools

The oversight of the payment system is exercised with the use of a broad range of oversight tools described in detail in *the Policy*. The key tools available to the Governor of NBP include granting authorisations (in the form of decisions of the Governor of NBP) to operate a payment system²³ or a payment scheme²⁴ and to introduce amendments in the rules for their functioning, as well as conducting comprehensive assessments of the proper functioning of the overseen payment infrastructure.

In the scope related to the oversight of securities clearing and settlement systems and the provision of the acquiring service, one of the tools available to the Governor of NBP is the issuance of opinions (in the form of resolution issued by the Governor of NBP) at the request of the Chair of the KNF concerning those systems and services. Obtaining an opinion of the Governor of NBP is necessary in the case of amendments in the rules for the functioning of the aforementioned systems²⁵ and in the scope of the *acquiring service*²⁶, which an entity applying for a KNF authorisation to operate as the NIP intends to provide.

The oversight also entails obtaining information regarding the current operations of overseen systems and schemes as well as assessing these operations and undertaking tasks with a view to introducing necessary amendments in their functioning.

In addition to the information gathering and assessment of the functioning of the systems and schemes, other tools enabling the correct performance of the system oversight function include:

²³ Pursuant to Article 16(1) and (3) of the Settlement Finality Act.

²⁴ Pursuant to Article 132zm of the Payment Services Act.

²⁵ Pursuant to Article 50(2) and Article 48(16) of the Act on Trading in Financial Instruments.

²⁶ Pursuant to Article 60(3) of the Payment Services Act.

- quantitative data monitoring and analysis,
- clarifying incidents occurring in payment systems and payment schemes,
- ongoing cooperation with entities operating payment systems and payment schemes or providing the acquiring service.

In 2020, as part of other current oversight activities, representatives of NBP actively participated in activities organised by the European Central Bank, the European Commission, the European Securities and Markets Authority and the oversight initiatives of the central banks of the European Union and take part in the work of the following committees and groups:

- *Market Infrastructure and Payments Committee (MIPC)*, ECB,
- *Payment and Securities Oversight Working Group (PSOWG)*, ECB,
- *Analytical Working Group (AWG)*, ECB,
- *Cyber Resilience Strategy Task Force (CR TF)*, ECB,
- *European Forum on the Security of Retail Payments (SecuRe Pay)*, ECB,
- *Visa Assessment Group* (a group of central banks coordinated by the ECB),
- *MasterCard Europe (MCE) Assessment Group* (a group of central banks coordinated by the National Bank of Belgium as the direct supervisor of Mastercard Europe),
- *CCP Supervisory Committee (CCP SC)*, ESMA,
- *Governmental Expert Group on the Interchange Fee Regulation (GEG IFR)*, EC.

1.5 Impact of the SARS-CoV-2 outbreak on the payment infrastructure and oversight activities

2020 was distinguished from previous years due to the situation triggered by the outbreak of the SARS-CoV-2 virus pandemic, which had a major impact on the national economy and affected directly or indirectly all areas of the country functioning, including the payment system in Poland.

Macroeconomic factors affecting, among others, the market of payment services include measures taken by the government to introduce sanitary restrictions on the territory of the country²⁷ in connection with the outbreak of the coronavirus pandemic, as well as

²⁷ Regulations of the Council of Ministers concerning establishing certain restrictions, orders and prohibitions in connection with the occurrence of the state of an epidemic, issued under the Act of 5 December 2008 on the prevention and combating of infections and infectious diseases in humans.

decisions taken by the NBP Monetary Policy Council (MPC), concerning interest rate cuts and the reduction in the required reserve ratio.

The first legal steps related to the spread of the coronavirus outbreak in Europe, including Poland, were taken by the Polish government on 2 March 2020 when the *Act on specific solutions related to the prevention, counteraction and combating of COVID-19, other infectious diseases and crisis situations caused by them* was adopted.²⁸ On the basis of the aforementioned law, by the end of 2020, the government issued 46 regulations specifying further detailed solutions adapting various areas of the functioning of the state and citizens during the prevailing epidemic. As part of the introduction of solutions to facilitate the operation during the period of the declared epidemic for systems and schemes supervised by NBP, the Regulation of the Minister of Finance of 22 April 2020 *concerning determining of other deadlines for the submission of reports to Narodowy Bank Polski* was issued.²⁹

On 13 March 2020, a state of epidemic emergency was declared in Poland,³⁰ while as early as 20 March 2020, the government introduced the state of epidemic in the country³¹ to remain in force until it is revoked. Since 10 March 2020, further restrictions had been introduced by the government in Poland with the aim to limit the transmission of the SARS-CoV-2 virus among citizens. In the period from 10 to 31 March 2020, the following regulations were successively introduced:

- a ban on organising mass events, and subsequently the events attended by more than 50 people,
- closure of kindergartens, schools and universities (remote teaching from 25 March 2020),
- ban on the entry of foreigners to Poland,
- quarantine for people returning to the country,
- suspension of international passenger air services,
- ban on operation of shopping centres (except for grocery shops, laundromats, pharmacies and chemists),
- closure of restaurants, bars, pubs (food sold only on a takeaway basis),
- ban on leaving home except for going to the grocery shop and to work,
- limiting the number of people moving together on the streets,
- ban on using of parks, forests, boulevards, playgrounds, exercising sports,

²⁸ Journal of Laws of 2020, item 374 (as amended).

²⁹ Journal of Laws 2020, item 731.

³⁰ Regulation of the Minister of Health of 13 March 2020 on the declaration of the state of epidemic in the territory of the Republic of Poland (Journal of Laws 2020 item 433, as amended).

³¹ Regulation of the Minister of Health of 20 March 2020 on the declaration of the state of epidemic in the territory of the Republic of Poland (Journal of Laws 2020 item 431, as amended).

- limiting the number of people using public transport,
- limiting the number of people in shops,
- “hours for the seniors” in shops,
- closing beauty salons, hairdressers, tattoo parlours, fitness clubs,
- closure of hotels and accommodation facilities,
- ban on people under 18 leaving their homes alone.

As the number of illnesses and hospital admissions resulting from the epidemic declined, the above restrictions were gradually eased between 20 April and 25 July 2020. The most important restrictions from an economic point of view — related to the opening of catering and service facilities, hotels and the possibility to organise events and travel (including cross-border travel) — were largely lifted between 30 May and 13 June 2020.

In August 2020, due to the increasing incidence of the disease, the government began to reinstate the restrictions. Starting from 6 August 2020, districts were divided into “green”, “yellow” and “red” zones based on the number of cases and the restrictions applicable in each zone were specified.

On 10 October 2020, the whole territory of Poland was declared a “yellow” zone and, already from 23 October 2020, a “red” zone, and further restrictions were introduced (e.g. restrictions on the number of customers in shops and participants in cultural events and passengers in public transport, a ban on organising events, distance learning at universities, closure of swimming pools, fitness clubs and gyms, restriction of hotel activities). The high level of restrictions and limitations imposed by the government remained in force until the end of 2020.

The cycle of government tightening and loosening of sanitary restrictions had a clear impact on the number of transactions in two leading card schemes in the Polish market, Visa Europe and Mastercard. The highest number and value of payment transactions in these schemes was recorded in 2020 Q3 when the aforementioned restrictions were largely lifted. The other quarters of the year were significantly lower in terms of both the number and the value of completed transactions. The total number and value of domestic transactions in card schemes performed in 2020 increased compared to 2019 volumes, however, these increases were three to four times smaller than the change between 2019 and 2018.

The impact of restrictions imposed by the government (primarily trade limitations) was also clearly visible in relation to the BLIK system/scheme.

The restrictions imposed encouraged non-cash payments and online purchases, which additionally significantly contributed to the increase in the number and value of transactions performed via the BLIK system/scheme.

In addition to imposing restrictions, the government took measures to mitigate the negative impact of the epidemic on the economy and to protect jobs. To this end, it launched six

consecutive editions of the anti-crisis shield in 2020. The anti-crisis shield is a government package of solutions financially supporting entrepreneurs and areas of the economy particularly vulnerable to losses due to the sanitary restrictions imposed. The need to cover increased budget expenditure arising from the anti-crisis shields enacted resulted, among others, in the Ministry of Finance issuing Treasury bills in 2020 to satisfy the demand of the state for money and regulate the money supply in the economy. The impact of the recommendations and restrictions imposed by the government in connection with the ongoing epidemic can also be seen in the considerable increase in the GK KDWP trading. This increase was a direct result of the growth in Warsaw Stock Exchange (GPW) trading. As a result of the high volatility of prices of shares and other financial instruments listed on stock exchanges, in the first quarter of 2020 the stock exchanges, including the GPW, recognised record trading values. The sharp falls and subsequent rises in share prices attracted new investors to the capital market. In the first half of the year, over 70 thousand new investment accounts were opened at brokerage houses.³² The reasons for the significant increase in the GWP trading included the introduction by European governments of restrictions related to the prevailing SARS-CoV-2 virus epidemic, which also affected investor sentiment, and the reduction of interest rates by the Monetary Policy Council (rendering unprofitable the keeping of spare funds in bank deposits). These were the main factors that contributed to the enhanced investor interest in the stock market as an investment venue. At the same time, the outbreak of the epidemic caused stock prices on the stock exchanges, including the Warsaw Stock Exchange to fall, making investments on the GPW even more attractive as a form of capital investment.

In addition, in order to check the security of operation of payment systems and payment schemes supervised by NBP during the period of government-imposed restrictions, payment system operators and entities operating schemes were asked to confirm adequate preparation for uninterrupted operation and ensuring business continuity also in the event of further spread of the coronavirus, and to provide information on the impact of government-imposed restrictions on the operation of their systems and schemes. Letters were issued twice, in 2020 Q1 and Q2, requesting information on the impact of the SARS-CoV-2 virus outbreak on the functioning of the payment systems and payment schemes operated. The analysis of the information received allowed a positive assessment of the measures taken by the system operators and the entities operating the schemes and showed that no cases of materialisation of risks related to problems of their proper functioning were identified.

³² https://www.gpw.pl/aktualnosc?cmn_id=109835&title=Du%C5%BCa+zmiennie%C5%9B%C4%87+cen+akcji+i+wysokie+obroty+na+GPW+w+I+po%C5%82owie+2020+r.

Chapter 2

Payment system oversight

2.1 Payments systems

Payment systems mean legal relationships, governed by the Polish law, between at least three institutions,³³ with common rules, applicable to the participants, for performing clearing or execution of their settlement orders³⁴ (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).

Source: Article 1(1) and (12)(a) of the Settlement Finality Act.

2.1.1 Large-value payment systems

In 2020, 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, managed by NBP as regards legal issues and by three central banks (Deutsche Bundesbank, Banque de France and Banca d'Italia)³⁵, as regards the operational side, where the settlement of transactions in EUR is performed.

Oversight activities related to large-value payment systems

In 2020, based on the “*Narodowy Bank Polski payment system oversight policy*” adopted by the NBP Management Board, which takes into account, among others, the *Cyber resilience oversight expectations for financial market infrastructures* (CROE) in the legal basis of the oversight, the evaluation of the SORBNET2 payment system in terms of its compliance with the above-mentioned requirements was initiated.

In addition, a second survey on SORBNET2 cyber resilience was completed on 17 January 2020. The system operator was informed about the results of the survey, i.e. that the SORBNET2

³³ In accordance with Article 1(1) and 5(a-d) of the Settlement Finality Act, such institutions must comprise at least: 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.

³⁴ 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 fund transfers based on formal and standardised rules as well as common principles related to processing, clearing or settlement of payment transactions.

³⁵ The functioning of the TARGET2 system is based on the *Single Shared Platform (SSP)* developed by three EU central banks, i.e. France, Germany and Italy, and currently, after the launch of the TARGET2-Securities platform on 22 June 2015 it is operated by these three banks and additionally also by the Bank of Spain (Banco de España).

system was classified as “Profile 2 – Progressive Model”³⁶ and that the recommendation issued after the first survey to implement a regular verification process of the control of remote access to NBP IT resources was upheld.

As part of its cyclical oversight activities, the annual survey was conducted in 2020 to identify critical participants³⁷ of the SORBNET2 system, i.e. banks whose trading exceeds 5% of the value of the total trading in SORBNET2 in the year under review. In addition, the resilience of the SORBNET2 model to the occurrence of extreme market conditions was examined (stress tests). The survey is carried out cyclically, for successive semi-annual periods of SORBNET2 functioning. The results of simulations performed on the basis of three different scenarios demonstrated high resilience of the system to the assumptions adopted in the study.

Incidents in large-value payment systems

In 2020, five incidents were reported in high-value payment systems. The reasons of these incidents can be divided into three groups: hardware failure, software error or human error. Although they had an impact on the functioning of individual payment systems, they did not significantly affect the functioning of the whole payment system in Poland.

Analysis of statistical data related to large-value payment systems

Large-value payment systems occupy a primary place in terms of the value of orders processed in the payment system.

In 2020, the total value of orders processed in the SORBNET2 and TARGET2-NBP large-value systems amounted to PLN 104.5 trillion and increased by PLN 17.1 trillion (i.e. 19.6%) compared to the previous year, whereas compared to 2018 an increase of PLN 19.8 trillion (i.e. 23.4%) was recorded. The total number of orders processed in both systems amounted to 6.1 million and rose by almost 33.2 thousand compared to 2019 (i.e. 0.5%) and by 237.4 thousand compared to 2018 (i.e. 4.0%).

The significant increase in the value of executed orders resulted mainly from the implementation of operations of unconditional purchase of securities by NBP from banks (implemented through KDPW S.A.) as part of market stabilisation and provision of liquidity to the financial system.

2.1.2 Retail payment systems

In 2020, similar to the end of 2019, the following retail payment systems operated in Poland:

- Elixir;

³⁶ The profiles are contained in the range 1–10, where 1 is the highest level of cyber resilience and 10 is the lowest level.

³⁷ Entities meeting the relevant criteria are recognised as critical participants in the SORBNET2 payment system, i.e. entities which are:

- external systems functioning as: LVPS, SIRPS, PIRPS, CSD, CCP;
- banks if their turnover exceeds 5% of the whole system turnover in the preceding calendar year.

- Euro Elixir;
- Express Elixir;
- BlueCash;
- System BLIK;
- KSR.

In 2020, in the scope of payment systems, oversight activities focused on performing the assessments of the systems in terms of their compliance with the PFMIs as well as on the analysis and issuing opinions on changes in the functioning rules of the systems proposed by operators and on ongoing monitoring of the functioning of the payment systems, including incident analysis.

Decisions of the Governor of NBP concerning retail payment systems

In 2020, as part of the oversight of retail payment systems, the Governor of NBP issued three decisions permitting introduction of amendments in the rules for the functioning of the following systems:

- Elixir – an amendment enabling the settlement guarantee procedure to be performed twice in the event that all orders of an external system using the settlement in the Elixir system are withdrawn from the settlement;
- Blue Cash – a major change related to enabling the settlement of mobile person-to-person (P2P) transfers;
- BLIK – the amendment enabling initiation of payment transactions at POS payment terminals using contactless technology provided by Mastercard Europe SA.

Other oversight activities related to retail payment systems

In January 2020, following the analysis of the information provided by the 2019 cyber resilience survey (the first survey was conducted in 2018), the Elixir system was classified as “Profile 1 – the Highest”, while the Euro Elixir system was assigned “Profile 2 – Progressive Model”³⁸.

In 2020, work continued on the assessment of the Elixir system in terms of the fulfilment of the *Principles for financial market infrastructures* (PFMIs). The assessment was finally completed on 14 April 2021 and approved, together with the recommendations and guidelines, by the NBP Management Board and then forwarded to the system operator, i.e. KIR.

In March 2020, the assessment of the BlueCash system in terms of its compliance with the *Principles for financial market infrastructures* (PFMIs) was also initiated. In accordance

³⁸ The profiles range from 1 to 10, where 1 is the highest level of cyber resilience and 10 is the lowest level.

with the schedule, the planned completion date for the assessment has been set for the first half of 2022.

Moreover, in connection with the restrictions imposed by the Polish government due to the declaration of the state of SARS-CoV-2 virus epidemic on the territory of Poland, payment system operators were twice asked to confirm that they were adequately prepared to carry out uninterrupted operations, i.e. timely clearing and settlement under the conditions prevailing at the time, to ensure business continuity in the event of further spread of the coronavirus and to provide information on the impact of the restrictions imposed by the government on the operation of their payment systems. The analysis of the information received allowed for a positive assessment of the measures taken by system operators, which influenced the safe operation of the supervised infrastructure in the period covered by the analysis and showed that in the period analysed no cases of materialisation of risks related to problems with the proper functioning of the payment systems were identified.

Incidents in retail payment systems

In 2020, a total of 15 incidents were recorded in five payment systems (in 2019, 9 incidents were recorded). However, despite the increase in the number of incidents, they were not significant for the proper functioning of the payment system in Poland as a whole. The reasons of those incidents can be divided into five groups: human factor, software error, error in monitoring rules, lack of signalling mechanism and error in the third party system. Measures undertaken by system operators in connection with the aforementioned incidents were assessed by NBP as appropriate. In one case, in view of the recurring nature of the incidents over a period of 5 years, NBP asked the operator of the BlueCash system to carry out an independent, external audit and to report its findings.³⁹

Analysis of statistical data related to retail payment systems

In terms of the number of executed payment orders, retail payment systems play a key role in the payment system infrastructure, ensuring clearing of low-value client transactions (those with the value below PLN 1 million).

Taking the number of orders executed in a given system as a basic criterion for assessing the significance of individual retail payment systems for the proper functioning of the payment system in Poland, for many years the Elixir system has dominated, accounting for 79.0% of all payment orders processed in the framework of retail payment systems, although its share has been gradually decreasing (in 2019 it accounted for 85% and in 2018 – for 90%).

The Euro Elixir system has been recognised as a prominently important system since it is the only retail system where orders are processed in a currency other than the zloty, i.e. in euro. The number of orders executed in it remains relatively low. In 2020, only 1.3% of retail payment orders were executed in Poland in this system (in 2019 this percentage was 1.7%, while in 2018 it amounted to 1.6%).

³⁹ The audit was conducted within the deadline set by NBP and the recommendations are implemented according to schedule.

Among retail payment systems, instant payment systems, i.e. Express Elixir⁴⁰ and BlueCash⁴¹, which credit the recipient's account within seconds, represent a specific group. Instant payments represent a retail payment segment belonging, besides mobile payments, to the most rapidly developing part of the payment market. The growing popularity of these systems translates into a steadily increasing, albeit still low, share of these systems in the retail payments market. In 2020, the share of transactions in instant payment systems in the number of all retail payments amounted to 2.7% and at the same time – 1.2% in terms of value (in 2019, this share was 1.7% and 0.99%, respectively, and in 2018 it was 1.02% and 0.7%).

In all retail payment systems in zloty, i.e. in the Elixir system, in Express Elixir and BlueCash instant payment systems and in other retail payment systems, i.e. KSR and BLIK, the total of 2.5 billion of payment transactions with the value of PLN 6.1 trillion were processed. In 2019, it was 2.2 billion orders and PLN 5.7 trillion, respectively, which means a year-on-year increase of 12.8% in relation to the number and 5.9% in relation to the value of orders, whereas in 2018, 2 million transactions with the value of PLN 5.3 trillion were executed (a 24.4% growth for the number and 14.2% for the value).

2.2 Payment schemes

Payment scheme is a set of rules concerning the 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.

Source: Article 2(26a) of the Payment Services Act.

In 2020, the list of payment schemes supervised by the Governor of NBP was expanded to include the Billon scheme, which became subject to oversight in 2020 Q2. From that moment on, 10 payment schemes have operated in Poland:

- payment schemes being payment card systems (hereinafter referred to as: the card schemes):
 - Visa Europe,
 - Mastercard,
 - American Express,
 - Diners Club;
- other payment schemes (hereinafter referred to as: Other schemes):
 - BLIK Payment Scheme,

⁴⁰ The Express Elixir system was launched in the first half of 2012 by KIR S.A. and 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).

⁴¹ 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.

- YetiPay,
- mPay,
- SkyCash,
- Smoopay,
- Billon.

In 2020, the ongoing oversight activities carried out in relation to payment schemes consisted mainly in issuing decisions on amendments to their rules for the functioning, monitoring their proper operation and collecting and analysing statistical data.

Decisions of the Governor of the NBP concerning payment schemes

As part of oversight activities in 2020, two decisions of the Governor of NBP were issued, including:

- the decision concerning the Diners Club scheme on determining the expiry of the decision granting consent for Diners Club Polska sp. z o.o., with its registered office in Warsaw, to operate the scheme based on the four-party model (in Poland, the three-party model of Diners Club functioning remained effective);
- the decision concerning amendments to the rules for the functioning of the BLIK Payment Scheme, consisting in introducing the possibility for customers to initiate payment transactions at POS terminals using contactless technology provided by Mastercard Europe SA.

Other supervisory activities concerning payment schemes

On 30 September 2020, the assessment of the rules of functioning of the payment schemes being payment card schemes, i.e. Visa Europe and Mastercard, was completed in terms of compliance of their rules of functioning with Regulation 2015/751 and Commission Delegated Regulation (EU) 2018/72 of 4 October 2017 issued thereto supplementing Regulation (EU) 2015/751 of the European Parliament and of the Council *on interchange fees for card-based payment transactions with regard to regulatory technical standards establishing the requirements to be complied with by payment card schemes and processing entities to ensure the application of independence requirements in terms of accounting, organisation and decision-making process*, i.e. in terms of compliance with the requirements related to ensuring the independence in terms of accounting, organisation and decision-making processes of payment card schemes and processing entities. The Governor of NBP has concluded that the rules applicable to Visa Europe and Mastercard card schemes meet the requirements set out in Articles 3 to 17 of the Regulation on independence, however, minor weaknesses were noted in the assessment, which resulted in drawing up recommendations for payment organisations operating the above schemes.

Moreover, in connection with the submission by Mastercard Europe SA of a notice of 24 January 2020 concerning the amendment to the rules of the functioning of the Mastercard

scheme, also covering the territory of the Republic of Poland⁴², the assessment was carried out of the planned changes, which consist in making the service of handling instalment repayments available to customers at the points of sale. The assessment performed showed that the planned changes would not have an adverse impact on the security and efficiency of functioning of the card scheme.

In connection with the outbreak of the SARS-CoV-2 virus, payment organisations operating payment schemes overseen by the Governor of NBP were requested on two occasions to confirm adequate preparation to uninterrupted functioning under epidemic conditions and their ability to ensure business continuity in the event of further spread of the SARS-CoV-2 coronavirus and the analysis of the information provided and its assessment was initiated. The outcome of the assessment performed was the conclusion that the measures taken by payment organisations are sufficient to ensure the stable and secure operation of the overseen schemes.

The assessment of the activity carried out by Billon Solutions sp. z o.o.⁴³ has been completed in terms of determining whether it can be classified as a payment scheme. The assessment performed showed that this activity represents a payment scheme, consequently, as of 7 April 2020, the Billon payment scheme became subject to ongoing oversight of the Governor of NBP and included in the list of payment schemes overseen.⁴⁴

Incidents concerning payment schemes

In 2020, payment scheme operators reported four incidents. In accordance with the declarations of the entity operating the scheme, ICT network failures were the main reason of these incidents. These incidents were not of key importance for the proper functioning of the payment system in Poland as a whole, while the measures taken by the entity operating the scheme in connection with the above incidents were assessed as correct.

Analysis of statistical data concerning payment schemes

At the end of 2020, 43.7 million payment cards were issued (against 43.0 million cards at the end of 2019, an increase of 1.6%; and against 41.2 million at the end of 2018, an increase of 5.9%), of which the share of cards issued by the payment organisations Visa Europe Ltd. and Mastercard Europe SA, jointly accounted for 99.5% of all payment cards issued in Poland. The share of cards with the logos of American Express and Diners Club did not exceed 0.1% of all cards issued. Besides cards issued by the above-mentioned card organisations, proprietary cards of issuers also operate on the Polish market, which accounted for approx. 0.4% of all cards issued in Poland in 2020 (these are cards with only local character, used mainly for cash withdrawals from ATMs issued mostly by cooperative banks).

⁴² In accordance with Article 132zo(3) of the Payment Services Act.

⁴³ In 2019, Billon Solutions sp. z o.o. started its activity as the first licensed e-money institution operating under the KNF permit with the authorisation to issue digital national currencies across the EU.

⁴⁴ The list is published on the website: https://www.nbp.pl/en/system_platniczy/list-of-systems-and-schemes.pdf

In all payment schemes (collectively), in 2020 as compared to previous years,⁴⁵ a clear increase was recorded in both the number and the value of executed transactions, respectively to the level of 5.7 billion transactions (an increase of 8.9% compared to 2019 and 33.9% compared to 2018) and the value of PLN 489.7 billion (an increase of 11.8% compared to 2019 and 33.6% compared to 2018). The increase in the number of transactions executed in payment schemes results largely from the changing payment habits of Poles (growing popularity of online shopping, also due to the restrictions imposed by the government as a result of the SARS-CoV-2 virus epidemic) as well as the increasing number of entities accepting card payments and the increase in the number of payment cards issued.

In order to estimate the impact of the restrictions introduced by the government in connection with declaring the state of epidemic in Poland on the card payment market the additional analysis of data for 2020 was performed. Analysing the developments in changes of card transactions in 2017–2020, a regularity was noticed whereby the number and value of domestic payment transactions in the first quarters are usually lower than in the fourth quarter of the previous year. However, the differences between 2020 Q1 and 2019 Q4 are significantly higher than those that occurred between 2019 Q1 and 2018 Q4. This is mainly due to the lower number and value of transactions processed in POS terminals and ATMs in 2020 Q1. Compared to the difference between 2019 Q1 and 2018 Q4, this decline was 5.6 p.p. higher with regard to the number of transactions and 0.2 p.p. higher in relation to the value of transactions. In March 2020, a significant decrease in the growth rate of the number and value of transactions in each of the card schemes was recorded, most likely due to the restrictions imposed by the government (mainly on trade, restaurants and travel) as a result of the first wave of the SARS-CoV-2 virus outbreak. While the total number and value of domestic transactions in card schemes executed in 2020 increased compared to 2019 figures, these increases were three to four times lower than the change between 2019 and 2018 (the increase in the number of transactions between 2018 and 2019 was 20.7% and in terms of the value – 19.5%, while the increases between 2019 and 2020 reached 5.8% and 6.3%, respectively).

In 2020, the total of 5.3 billion transactions with the value of PLN 435.7 billion were processed in card schemes, which means an increase of 5.8% and 6.3%, respectively in relation to 2019 (and an increase of 27.7% and 23%, respectively, as compared to 2018). On the other hand, the growth rate in Other payment schemes is significantly higher. In 2020, in total, 407.0 million transactions with the value of PLN 54.0 billion were processed in these schemes, which means an increase of 78.1% and 93.3%, respectively, in relation to 2019 (and an increase of 271.7% and 343.7%, respectively, compared to 2018). The high growth of this sector is largely due to the very rapid popularisation of mobile payments using the BLIK scheme. A total of PLN 53.9 billion and 391.8 million transactions were executed in this scheme, respectively, representing 99.7% of the total value and 96.3% of the total number of transactions executed in all Other schemes.

In accordance with Article 132zq(3) of the Payment Services Act and Article 3 and Article 4 of Regulation 2015/751, a four-party card organisation or an organisation recognised as four-

⁴⁵ The presented data refer to the following types of transactions: domestic, made with 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).

party provides NBP with quarterly information required to check the accuracy of application of the level of the *interchange* fee (fees levied by the card issuer on its clearing agents for each payment card transaction). Accordingly, NBP analysed the level of *interchange* fees charged in 2018–2020 by individual card organisations, broken down into debit cards and credit cards. As a result of the analysis, no irregularities were found in the scope of application of the *interchange* fees by the organisations, i.e. the value of the fees did not exceed the statutory limit of 0.2% for debit cards and 0.3% for credit cards (issued to individual clients).

2.3. Securities clearing and settlement systems

Securities settlement systems are legal relationships governed by Polish law between at least three institutions⁴⁶ in the framework of which common rules for clearing or execution of settlement orders apply in transactions concluded in financial instrument trading, including derivatives (participant's orders related to the transfer of securities by means of relevant entries in the securities registers maintained or otherwise).

Source: Article 1(2) and (12)(b) of the Settlement Finality Act.

In 2020, similar to previous years, the following securities clearing systems and securities settlement systems operated on the Polish market:

- SKARBNET4 System for registration of NBP bills and Treasury bills (hereinafter referred to as SKARBNET4);
- the clearing system of transactions concluded in financial instrument trading operated by KDPW S.A. (hereinafter referred to as the system operated by KDPW);
- the clearing system for transactions in financial instruments pursuant to Rules of Transaction Clearing (organised trading) operated by KDPW_CCP S.A. and the clearing system for transactions in financial instruments pursuant to Rules of Transaction Clearing (non-organised trading) operated by KDPW_CCP S.A. (both systems hereinafter jointly referred to as systems operated by KDPW_CCP);
- the securities clearing and settlement system of financial instruments operated by Izba Rozliczeniowa Giełd Towarowych S.A. (hereafter referred to as IRGiT SRF).

The oversight activities in 2020, as in previous years, involved mainly issuing opinions on the requested amendments to the rules for the functioning of the securities clearing systems and securities settlement systems, monitoring of the functioning of these systems and the analysis of quantitative data as well as recorded incidents.

⁴⁶ Within the meaning of the Act on Trading in Financial Instruments, 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.

Resolutions of the Governor of NBP concerning securities clearing systems and securities settlement systems

In 2020, at the request of the KNF, the Governor of NBP issued 5 opinions in the form of resolutions: two opinions referred to the amendments to the Rules for transaction clearing (KDPW_CCP), three opinions were related to the amendments to the KDPW rules for the functioning. Opinions on the systems operated by KDPW_CCP referred to the introduction of an additional method of electronic communication between participants using the GUI system and the introduction of regulations facilitating the process of handling the insolvency of a clearing participant who is a member of more than one clearing system organised by KDPW_CCP S.A. The amendments to the KDPW rules of functioning resulted from the regulations contained in the Act of 30 August 2019 *amending the Act on Commercial Companies Code and certain other acts* and the adjustment to EU and national regulations establishing minimum requirements with respect to the identification and exercise of shareholders' rights as well as the extension of the scope of application of partial settlement.

Other oversight activities regarding securities clearing systems and securities settlement systems

In 2020, oversight activities in the area relating to securities clearing systems and securities settlement systems focused on the analysis and preparation of comments on draft oversight regulations in connection with participation in committees and working groups operating at the ECB and ESMA. Representatives of NBP participated in legislative work related to the preparation of the draft *Regulation of the European Parliament and of the Council (EU) on the legal framework for the recovery and resolution of CCPs* and the initiated regulatory 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 Directive 98/26/EC, Directive 2014/65/EU and Regulation (EU) no. 236/2012*.

In connection with the entry into force on 1 January 2020 of the provisions of the Regulation amending the EMIR Regulation (so-called EMIR 2.2)⁴⁷ introducing changes in supervisory procedures for CCPs, a representative appointed by NBP participated in the work of two committees of the European Securities and Markets Authority (ESMA)⁴⁸ – the CCP Oversight Committee and the CCP Policy Committee, which dealt with, among others:

- preparation of draft implementing legislation to be issued in connection with the entry into force of the EMIR 2.2,
- preparation of decisions in the scope of authorisation of LCH Ltd as a third country CCP and the assessment of the systemic validity of the CCP, in accordance with the relevant provisions of the EMIR,
- checking the preparedness of CCPs to operate during the period of restrictions imposed by European governments in connection with the SARS-CoV-2 epidemic.

⁴⁷ Regulation (EU) 2019/2099 of the European Parliament and of the Council of 23 October 2019 amending Regulation (EU) No 648/2012 as regards the procedures and authorities involved for the authorisation of CCPs and requirements for the recognition of third-country CCPs (OJ L 322 of 12.12.2019, p. 1).

⁴⁸ The rules concerning establishment of the college arise from the provisions of EMIR.

At the beginning of 2020, the second edition of the *Survey on resilience of cyber security*, conducted in accordance with the survey template developed by the ECB, was completed. All systems analysed, i.e. the system operated by KDPW S.A. and the system operated by KDPW_CCP S.A. as well as the SKARBNET4 system operated by NBP, were classified as “Profile 2 – Progressive Model”.⁴⁹ Recommendations and guidelines were formulated to strengthen the cyber resilience of the systems in question.

Incidents in the securities clearing systems and securities settlement systems

In 2020, five incidents were recorded in the securities clearing systems and securities settlement systems. One of them, mainly due to its duration (over 8 hours) was recognised as a critical incident. The reason was the technical problem in the performance of one of the components of the internal IT system, consisting in disruptions in communication within the IT network. The reasons of all incidents included mainly software errors and other technical problems. Despite the impact on the operation of individual systems, these incidents were not of key importance for the proper functioning of the entire payment system in Poland.

Analysis of statistical data concerning securities clearing systems and securities settlement systems

The statistics indicate that in 2020, increases in global volumes compared to 2019 prevailed in the area of securities clearing and settlement. Only the value of operations recorded in the system operated by KDPW S.A. showed a decline compared to the previous year.

It should be noted that 2020 was not a typical year due to the prevailing epidemic of the SARS-CoV-2 virus and the measures taken by the Polish government in response to the situation. The need to cover increased budget expenditure (mainly resulting from the requirement to finance successive so-called anti-crisis shields) resulted, inter alia, in the emergence of transactions in Treasury bills in the analysed period, with the aim to satisfy the state’s demand for money⁵⁰ and to regulate the money supply in the economy.

The impact of the recommendations and restrictions imposed by the Polish government in connection with the ongoing epidemic can also be noticed in the considerable increase in the GK KDWP trading. This increase was a direct result of the growth in the GPW trading. In 2020, the trading volume on the GPW spot market (including the remaining quotation systems) amounted to 18.1 billion (compared to 11.5 billion in 2019, i.e. an increase of 56.6%) and the trading volume on the futures market amounted to 11.5 million (compared to 7.0 million in 2019, i.e. an increase of 64.6%).

In 2020, in the SKARBNET4 system, 1.29 thousand of transactions in debt instruments were performed (against the total of 0.28 thousand transactions in 2019, i.e. a 360.0% growth on 2019 figure and a 257.8% growth compared to 2018) with the total value of PLN 1,011.0 billion (against the total of PLN 660.2 billion in 2019, which represented an increase of 53.1% as compared to 2019 and a 61.5% growth compared to 2018). Unlike in 2018–2019, in 2020, transactions in both NBP bills and Treasury bills were performed in the SKARBNET4 system (in 2018 and 2019 only transactions in NBP bills were executed). The appearance of

⁴⁹ The profiles range from 1 to 10, where 1 is the highest level of cyber resilience and 10 is the lowest level.

⁵⁰ Treasury bills are issued by the Ministry of Finance.

transactions in Treasury bills in the period under analysis resulted from the need to cover increased state budget expenditure related to the government's measures in connection with the SARS-CoV-2 epidemic declared in 2020.

In 2020, in the settlement system operated by KDPW S.A., the total of 14.9 million transaction settlement operations were conducted (against 6.6 million in 2019; a 125.4% growth on 2019 and a 91.0% growth compared to 2018) with the total value of PLN 9.7 trillion (against PLN 12.6 trillion in 2019; a 23.1% decline and a 18.4% decline compared to 2018). When analysing the trading for the organised market, increases were observed in both the number (by 143.9%) and the value (by 9.9%) of settlement operations performed. The non-organised market recorded an increase in the number (by 24.3%) but a decrease in the value (by 24.7%) of settlement operations. The decrease in the value of operations recorded in the system operated by KDPW resulted mainly from the lower liquidity of the domestic government bond market.

The total number of transactions cleared in the systems operated by KDPW_CCP S.A. in 2020 amounted to 44.0 million transactions in financial instruments (against 22.0 million in 2019; a 100.0% growth on 2019 and a 96.4% growth compared to 2018) with the total value of PLN 839.7 billion (against PLN 616.2 billion in 2019; a 41.8% growth and a 31.5% growth compared to 2018). In both the organised and non-organised markets, increases were recorded compared to the previous year in terms of the number (by 100.0% and 14.3%, respectively) and the value (by 46.2% and 19.3%, respectively) of the clearing transactions performed.

In 2020, no financial transactions were processed in the IRGiT SRF system operated by the IRGiT S.A. company.

2.4 Provision of the acquiring service

Provision of the acquiring service means the activity facilitating the execution of payment transactions, initiated by the merchant or through it, using the payer's payment instrument, with the exception of activities of clearing and settlement 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.

Source: Article 3(1)(5) of the Payment Services Act.

Resolutions of the Governor of NBP concerning the provision of the acquiring service

The oversight of the provision of the acquiring service by the Governor of NBP consists mainly in issuing opinions (in the form of resolutions), on request of the Chair of the KNF, in relation to entities intending to offer the acquiring service under their licence of the NPI.

In 2020, the Governor of NBP did not issue any resolution regarding the provision of the acquiring service, however, at the request of the Chair of the KNF, two proceedings were conducted regarding the applications of the entities IAI sp. z o. o. and Diviti sp. z o. o.

Analysis of statistical data related to the provision of the acquiring service

At the end of 2020, the total number of entities holding the KNF's licence to operate as the NPI amounted to 3, 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 2019 as well as at the end of 2018. Moreover, as at 31 December 2020, 82 Small Payment Institutions (SPIs) were entered in the register of payment services, 46 of which held capacity to provide the acquiring service (at the end of 2019, 46 SPIs operated, of which 22 held capacity to provide the acquiring service; at the end of 2018, there were 10 SPIs, including 4 SPIs with a possibility to provide the acquiring service).

In 2020, the value of transactions executed within the acquiring service amounted to PLN 2.2 billion (against 303 million in 2019; a 16.3% growth of 2019 and a 43.4% growth compared to 2018) whereas the value of transactions amounted to PLN 220.2 billion (against PLN 61.0 billion in 2019; an increase of 38.3% of 2019 and a 77.5% growth compared to 2018).

2.5 Summary of the functioning of the payment system

In 2020, among the significant factors affecting the functioning of the Polish payment system, macroeconomic and market restrictions as well as the effects of legislative changes should be mentioned.

Macroeconomic factors include the measures taken by the Polish government involving the introduction of sanitary restrictions on the territory of the country in connection with the outbreak of the coronavirus pandemic as well as the decisions taken by the NBP Monetary Policy Council (MPC) related to interest rate cuts and a reduction in the required reserve ratio. The aforementioned factors had an indirect impact mainly on the functioning of payment schemes and securities clearing and settlement systems.

Starting from the end of the first quarter of 2020, the situation triggered by the outbreak of the coronavirus pandemic had a major impact on the country's economy, including the functioning of payment service providers, who took measures such as reducing direct customer service at stationary outlets by, among others, introducing limits on the number of customers served, reducing the opening hours of outlets and introducing hours for senior citizens. A reduction in cash withdrawal limits by ATM operators was also noted. Moreover, as a consequence of the sanitary safety restrictions and requirements resulting from the pandemic, the importance and frequency of using remote channels for purchases and payments, primarily using the Internet, has increased.

However, despite the specific conditions resulting from the restrictions imposed by the government in connection with the prevailing epidemic, the Polish payment system in 2020 functioned properly, ensuring the smooth and safe execution of clearing and settlement, which was confirmed by the responses received from operators of systems and schemes, informing that in the period analysed they had not identified any instances of materialisation of risks associated with the ongoing epidemic which would have an impact on the security and continuity of the operation of their systems and schemes.

Index of abbreviations

BlueCash	A payment system owned and operated by Blue Media S.A.
CCP	Central Counterparty, i.e. the entity which becomes the sole buyer for all sellers and the sole seller for all buyers
CPMI	Committee on Payments and Market Infrastructures
CPSS	Committee on Payment and Settlement Systems
CROE	<i>Cyber resilience oversight expectations for financial market infrastructures</i> , ECB
CSD	Central Securities Depository
CSDR	<i>The Central Securities Depositories Regulation</i> – 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
EC	European Commission
ECB	European Central Bank
EMIR	<i>European Market Infrastructure Regulation</i> - Regulation on OTC derivatives, central counterparties and trade repositories
ESMA	European Securities and Markets Authority
EU	European Union
EUR	euro
GK KDPW	The KDPW Capital Group formed by KDPW SA and KDPW_CCP SA.
GPW	Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange)
GUI	<i>Graphical User Interface</i> , a method of information presentation by a computer and interaction with the user based on drawing and operating widgets
IOSCO	International Organization of Securities Commissions
IRGiT S.A.	Izba Rozliczeniowa Giełd Towarowych S.A.
IRGiT SRF	the securities clearing and settlement system of financial instruments operated by IRGiT S.A.
KDPW S.A.	Krajowy Depozyt Papierów Wartościowych S.A.; it is a part of the GK KDPW
KDPW_CCP S.A.	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

KIR SA	Krajowa Izba Rozliczeniowa SA
KNF	Polish Financial Supervision Authority
KSR	Krajowy System Rozliczeń - a retail payment system owned and operated by First Data Polska S.A.
LVPS	<i>Large-Value Payment System</i>
NBP	Narodowy Bank Polski
NPI	National Payment Institution
OPS	Office of Payment Services
PFMIs	<i>Principles for Financial Market Infrastructures</i>
PIRPS	Prominently Important Retail Payment System
POS	Point of Sale
PSD2	<i>Payment Service Directive</i> – Directive 2015/2366 of the European Parliament and of the Council of Europe (EU) of 25 November 2015 on payment services in the internal market
PSP	Polski Standard Płatniczy sp. z o.o.
RTGS	Real-Time Gross Settlement
SKARBNET4	Registration system for NBP money bills and Treasury bills, i.e. the securities settlement system operated by NBP, functioning since 13 April 2015
SIRPS	Systemically Important Retail Payment Systems
SORBNET2	Bank Account Operating System – Polish RTGS system for payments in PLN, a new web version functioning since 10 June 2013
SPI	Small Payment Institution
SSP	Single Shared Platform - common technology platform of TARGET2
TARGET2	Trans-European Automated Real-Time Gross Settlement Express Transfer System
TARGET2-NBP	Polish component of the TARGET2 system

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