



NARODOWY
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Assessment of the Polish payment system functioning in the second half of 2022

SUMMARY



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Summary

The *Assessment of the Polish payment system functioning* is a cyclical material prepared by the Payment Systems Department, which provides a basis for the NBP Management Board to carry out a periodical assessment of payments and monetary circulation, i.e. to fulfil the task set out in Article 17(4)(3) of the Act on Narodowy Bank Polski.¹

The *Assessment of the Polish payment system functioning in the second half of 2022*, hereinafter referred to as the *Assessment* presents the major facts and events related to the functioning of the Polish payment system in the second half of 2022 as well as statistical data reflecting the development of the Polish payment system during that period.²

The most significant events for the payment system in the second half of 2022 included:

- adoption of the decision by the ECB Governing Council of 20 October 2022 to postpone the migration to the new TARGET system from 21 November 2022 to 20 March 2023.³
- increasing the limit for a single *cash back* transaction in Poland to PLN 1,000 as of 1 September 2022 by the card organisations, Visa and Mastercard (previously it was PLN 300 for Visa cards and PLN 500 for Mastercard cards), subject to obtaining a prior relevant approval of the Governor of Narodowy Bank Polski. Raising *cash back* withdrawal limits may increase still relatively low popularity of this service in Poland.
- final replacement, as of 12 July 2022, of the session-based clearing under STEP2-T by a new *Continuous Gross Settlement* (CGS) model. NBP acceded to the new settlement model as of 14 June 2022. NBP acts as an intermediary in the access to the STEP2-T system under the SEPA credit transfer service for the Euro Elixir system participants.

The most important changes in the area of payment system regulation include:

- adoption on 14 December 2022 by the Management Board of Narodowy Bank Polski of *Resolution No 54/2022 amending the Resolution on the terms and conditions of opening and maintaining banks' accounts by Narodowy Bank Polski*^{4,5} and introduction on 20 December 2022 of amendments⁶ to the *Regulation of the Governor of Narodowy Bank Polski on the manner of conducting interbank*

¹ Act of 29 August 1997 on Narodowy Bank Polski (Journal of Laws [Dz. U.] of 2022, item 2025).

² Apart from the semi-annual *Assessment*, the NBP prepares and publishes quarterly information: on interbank clearings and settlements, where information and data on payment systems is presented, and on payment cards.

³ Postponing of the migration to March 2023 was published on the ECB website: [Eurosystem reschedules start of renewed wholesale payment system \(europa.eu\)](https://www.ecb.europa.eu/press/pr/2022/1020220101_en.html).

⁴ Official Journal of NBP, item 22.

⁵ Resolution No 9/2013 of the Management Board of Narodowy Bank Polski of 24 May 2013 on the terms and conditions of opening and maintaining banks' accounts by Narodowy Bank Polski (consolidated text, Official Journal of NBP of 2021, item 1).

⁶ Regulation No 31/2022 of the Governor of Narodowy Bank Polski concerning the method of performing interbank clearing and interbank settlements (Official Journal of NBP item 24).

*clearing and interbank settlements.*⁷ These legal changes were associated with the launch of the new generation TARGET system which replaced TARGET2 as of 20 March 2023.

- postponing to 1 January 2024 of the deadline for:
 - introduction of a limit on cash payments in consumer-entrepreneur relations, according to which it will not be possible to use cash for payments of PLN 20,000 or more,
 - reduction of the limit for payments between entrepreneurs in mutual settlements by reducing the amount above which entrepreneurs must use payment accounts for mutual settlements, from PLN 15,000 to PLN 8,000.⁸
- enactment on 1 December 2022 of the *Act on the Financial Information System*,⁹ the purpose of which was, among others, to implement into the Polish legal order EU regulations aimed at preventing the use of the financial system for money laundering and terrorist financing. Accordingly, the Financial Information System (SInF) has been set up to enable, in certain cases, the efficient location of an account or other product (used for the collection, storage or investment of funds) belonging to a person or entity, without being able to obtain information about the assets therein or the transactions performed. Accounts in payment systems operated by NBP are excluded from reporting to the SInF.

The second half of 2022 also saw activities (including in the regulatory area) that may have a significant impact on the functioning of the Polish payment system in the near future. These include, in particular:

- continuation by NBP of work on the SORBNET3 Project, under which the launch of a new RTGS system in zloty conforming to the ISO 20022 standard is planned in 2025,
- continuation by NBP of work on the consolidation of the TARGET2 system and the T2S platform,

and in the regulatory area:

- publication of the legislative proposal aimed at promotion of the use of instant payments in euro on 26 October 2022 by the EC.¹⁰ The proposal for a regulation aims to create uniform rules in the EU for instant credit transfers in euro by, among others, introducing a definition of an instant credit transfer as a category of credit transfers by specifying the conditions that such an instant service must jointly meet.

⁷ Regulation No 30/2017 of the Governor of Narodowy Bank Polski concerning the method of performing interbank clearing and interbank settlements (Official Journal of NBP item 21).

⁸ Act of 5 August 2022 amending the Act on mortgage loan and the supervision of mortgage loan intermediaries and agents and the Act amending the Act on Personal Income Tax, the Act on Corporate Income Tax and certain other acts (Journal of Laws item 1719).

⁹ Act of 1 December 2022 on the Financial Information System (Journal of Laws of 2023, item 180).

¹⁰ Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 260/2012 and (EU) 2021/1230 as regards instant credit transfers in euro.

- presentation by the EC for consultation of a legislative package amending Regulations (EU) No 648/2012¹¹ (EU) No 575/2013¹² and (EU) 2017/1131¹³ as regards measures to reduce excessive exposures to third-country central counterparties and to enhance the efficiency of EU clearing markets,
- presentation in October 2022 by the EC for consultation of draft delegated regulations of the European Commission to be issued under *Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories (EMIR)*.

The key statistics reflecting the development of the Polish payment system in the second half of 2022 compared to the previous six months are as follows:

Table 1. Data on the number and value of orders executed in payment systems and changes compared to the first half of 2022.

Payment system	Number of orders	Change in the number of orders	Value of orders	Change in the value of orders
SORBNET2	2.8 million	3.7%	PLN 67 trillion	4.2%
TARGET2-NBP	1.3 million	11.2%	EUR 1.6 trillion	31.5%
Elixir	1.1 billion	0.6%	PLN 4.1 trillion	7.9%
Euro Elixir	24.9 million	8%	EUR 182.4 billion	11.2%
Express Elixir	130 million	33.3%	PLN 81.7 billion	24.4%
BlueCash	7.4 million	9%	PLN 9.2 billion	11.4%
BLIK	695.7 million	28.9%	PLN 92.7 billion	30.1%
KSR	25.7 million	10.4%	PLN 7.8 billion	9.6%

Source: NBP data

Table 2. Data concerning the number and value of operations/transactions executed in securities clearing and settlement systems and changes compared to the first half of 2022.

Systems	Number of operations	Change in the number of operations	Value of operations	Change in the value of operations
Securities settlement system operated by KDPW S.A.	4.7 million	↓19.4%	PLN 6.2 trillion	↓5.9%
SKARBNET4 system - NBP bills	2.1 million	↓7.1%	PLN 11.8 trillion	5.2%
Securities clearing systems operated by KDPW_CCP S.A.	19.3 million	↓13.2%	PLN 460.4 billion	↓14.9%

Source: NBP data

¹¹ Regulation of the European Parliament and of the Council (EU) No 648/2012 of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ L 201 of 27.7.2012, pp. 1-59).

¹² Regulation of the European Parliament and of the Council (EU) No 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176 of 27.6.2013, pp. 1-337).

¹³ Regulation of the European Parliament and of the Council (EU) No 2017/1131 of 14 June 2017 on money market funds (OJ L 169 of 30.6.2017, pp. 8-45).

Table 3. Selected data on the infrastructure of the Polish payment system and changes compared to the first half of 2022.

Infrastructure of the Polish payment system	Number	Change
Payment service providers, including:	1,980	1.4%
NPI (Domestic Payment Institution)	42	2.4%
SPI (Small Payment Institution)	149	16.4%
BUPs (Payment Services Offices)	1,193	0.8%
SKOK	19	↓1.1%
ATMs	21,310	↓0.9%
Points of sale providing <i>cash back</i> service	280 thousand	↓0.4%
Merchants offering <i>cash back</i> service	187.4 thousand	↓0.6%
Merchants accepting payments by card at POS terminals	569.5 thousand	1.7%
Merchants accepting online card payments	49 thousand	6.1%
Number of POS terminals in points of sale	1.2 million	2.3%

Source: NBP data

Table 4. Selected data on bank accounts and non-cash payment instruments and changes compared to the first half of 2022.

Bank accounts and non-cash payment instruments	Number	Change
Current accounts of natural persons operated by banks	47.8 million	3.9%
Average number of non-cash transactions on a single payment account	145.4	5.8%
Payment cards, including:	44.5 million	1.3%
Credit cards	5.2 million	2.7%
Credit transfer	2.4 billion	8.3%
Direct debit	14.9 million	2.9%

Source: NBP data

The period under review saw a 2.8% decline in cash in circulation (including banks' cash desks) from PLN 379 billion at the end of June 2022 to PLN 368 billion at the end of December 2022. For the first time, a surplus in the value of lodgements of currency to NBP over the value of withdrawals from NBP persisted for such a long period.

The second half of 2022 was also a period of dynamic development of the market of innovative payment instruments and services, comprising in particular contactless cards and mobile payments. Poland is among the countries with the highest level of use of contactless cards in the world. At the end of December 2022, the number of payment cards with a contactless function reached 41.6 million, which is 127.0 thousand more than in June 2022. Contactless cards accounted for 93.5% of all payment cards in Poland, with an increasing share in the number and value of card transactions. In the second half of 2022, the share of contactless card transactions in the total number of non-cash transactions with cards reached 99.1%, which is due, among others, to the fact that from the first half of 2019, 100% of POS terminals were adapted to support payment cards with a contactless function.

In addition to contactless cards, mobile payments (e.g. BLIK) are developing very dynamically. The BLIK system allows users to make payments using, for example, mobile phones or tablets, both online and in conventional shops, service outlets, public transport, public offices and between mobile phone users (P2P). Users of the BLIK system most often make non-cash online payments (an increase of 20.6% in their number and of 21.1% in their value). P2P payments are also highly popular, as in the second half of 2022 they grew dynamically in their number and value (of 39.9% and 51.7%, respectively), which clearly confirms the growing interest in this type of service.

Taking into account the above statistical data as well as detailed information and opinions contained in the whole report, the following key assessments of the functioning of the Polish payment system in the second half of 2022 can be formulated:

- the payment systems (SORBNET2, TARGET2-NBP, Elixir, Euro Elixir, Express Elixir, BlueCash, BLIK and KSR) functioned properly, ensuring safe and efficient interbank clearings and settlements,
- the securities settlement and clearing systems (including the system operated by KDPW SA, the SKARBNET4 system operated by NBP and the clearing systems operated by KDPW_CCP SA) operated in a stable manner,
- the infrastructure enabling users to perform retail payments developed further, in particular:
 - the payment card network was growing, in particular as regards points of sale accepting contactless cards,
 - dynamic development was recorded in the Express Elixir instant payment system, allowing customers of participating banks to make a transfer to another bank very quickly (usually in a few to several seconds) and in the BLIK system, which clears mobile payments,
- the number of points and services providing access to cash has changed:

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- the ATM network slightly decreased, with a simultaneous increase in the number and value of cash withdrawals,
 - cash withdrawals from ATMs under the BLIK system using a mobile phone increased,
 - *cash back* withdrawals increased, while their number and value is still significantly lower compared to standard ATM withdrawals using cards,
 - the number of payment cards with a contactless function increased, as did the number and value of contactless payments,
 - the number of credit transfers increased, with a simultaneous decline of their share in the total number of all non-cash transactions,
 - there was an increase in the number of bank accounts accompanied by an increase in the average number of non-cash transactions on a single bank account – in connection with a growth in the number of card transactions and credit transfers,
 - the use of person-to-person (P2P) mobile payments increased and further growth was observed in the number and value of online cashless payments under the BLIK system,
 - in terms of fraudulent transactions with cards - according to data reported by banks, the number of fraudulent transactions increased by 24.6% compared to the first half of 2022 (156.9 thousand). The value of these transactions increased by 29% to reach the level of PLN 43.2 million. According to data reported by acquirers, the number of fraudulent transactions decreased by 7.5% (21.6 thousand) and their value increased by 17.0% to PLN 18.6 million. The vast majority of fraudulent transactions was carried out outside our country, which demonstrates the high level of security of the Polish payment system, including the national payment infrastructure. According to data reported by both issuers and acquirers the scale of card fraud is still relatively limited compared to the total of transactions with payment cards and, according to data acquired from banks, amounts to just 0.003% of the number and 0.008% of the value of payment card transactions, while according to agents - to 0.0005% and 0.006%, respectively.
 - no incident recorded in the second half of 2022 in the domestic payment systems, payment schemes and securities clearing and settlement systems was considered critical or significant. The total number of incidents, including cyber-attacks, in the aforementioned elements of the payment system was similar to that recorded in the first half of 2022.

Key conclusions arising from the results of NBP studies and analyses in the scope of payment system discussed in the *Assessment*:

- The scale of refusals to accept cash in the period after the amendment of the *Payment Services Act*¹⁴ is smaller than during the COVID-19 pandemic. The solutions adopted contribute to reducing financial exclusion as they safeguard the interests of consumers wishing to settle in

¹⁴ Act of 17 September 2021 amending the Act on Payment Services (Journal of Laws item 1814). Pursuant to Article 59ea of the amended Act, a merchant may not, with the exceptions specified therein, refuse a customer to accept payment by banknotes and coins issued by NBP.

cash regardless of the prevailing market trends. The fundamental objective of introducing the statutory obligation of general acceptance of cash payments has therefore been achieved.

- In terms of payment infrastructure (i.e. the number of ATMs and POS terminals per million inhabitants and payment cards issued per inhabitant), Poland lags behind the average for the EU countries, but is steadily decreasing the distance. On the other hand, in terms of indicators concerning the use of payment instruments in transactions, Poland ranks among the top European Union Member States (top 10 countries).
- The fastest payment method in supermarkets is the NFC mobile payment, followed by contactless card payments without entering a PIN. Further most effective payment methods in terms of time efficiency from a seller's perspective included: payments using a BLIK code, payments with a card equipped with an EMV chip used in a contactless manner and payments in cash. Contactless card payments with a PIN code showed the longest transaction time from the seller's perspective. In case of small shops, average payment times are much longer but the ranking of payment methods in terms of speed of their processing is the same as for a supermarket. However, in premises with slower service (catering), cash payments gained a certain advantage.

The functioning of the payment system in Poland is the resultant of the actions and decisions of multiple entities (the most important of them are indicated in Chapter 1). While implementing its statutory task of organising payments, Narodowy Bank Polski fulfils not only the regulatory, oversight and operational functions in this area but also – as other central banks – the function of the catalyst for change, which involves, among others, initiating or supporting activities of a number of other entities and institutions within the system. By accepting the role of the catalyst for change, NBP does not always have the final say in all decisions and actions of entities related to the payment system.

Taking into account the information and data presented above, NBP assesses that in the second half of 2022 the individual elements of the Polish payment system functioned correctly, safely and fulfilled their functions. The domestic payment system developed smoothly, the trends initiated earlier in the use of non-cash payment instruments continued and projects were implemented to adapt the payment infrastructure and the securities clearing and settlement infrastructure to new market regulations and standards. The importance of innovative payment services was increasing.

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