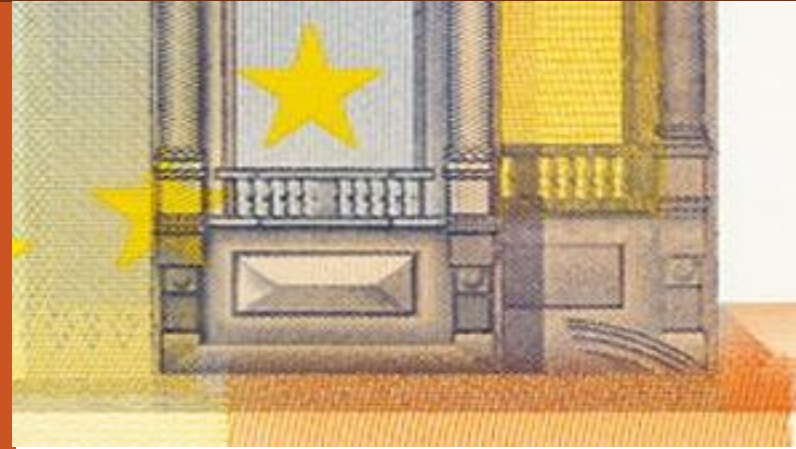


**NATIONAL BANK OF THE REPUBLIC OF MACEDONIA
5TH CONFERENCE ON PAYMENT AND SECURITIES SETTLEMENT SYSTEMS**



BANCO DE PORTUGAL ORGANISATION AND ACTIVITIES IN PAYMENT SYSTEMS

Ohrid, 4 June 2012

**Rui Pimentel
Payment Systems Department
Banco de Portugal**



Banco de Portugal
EUROSYSTEM

BANCO DE PORTUGAL – ORGANISATION AND ACTIVITIES IN PAYMENT SYSTEMS



AGENDA

1. Banco de Portugal – Mission and Functions
2. Role in the context of the financial crisis
3. Involvement in Payment Systems
4. Catalyst approach
5. Topics for discussion





1. BANCO DE PORTUGAL – MISSION AND FUNCTIONS



BANCO DE PORTUGAL – ORGANISATION AND ACTIVITIES IN PAYMENT SYSTEMS



1. BANCO DE PORTUGAL – MISSION AND FUNCTIONS

Portugal – Country profile:

- ✧ Area – 92 345 sq kilometres
- ✧ Population – 10,7 million (2011)
- ✧ GDP per inhabitant – 16 057 € (2011)



BANCO DE PORTUGAL – ORGANISATION AND ACTIVITIES IN PAYMENT SYSTEMS



1. BANCO DE PORTUGAL – MISSION AND FUNCTIONS

Strategic guidelines 2011-2013

1. Financial stability within the European context
2. Effective and fully-fledged contribution to its functions as monetary authority within the framework of the Eurosystem
3. Organisation and efficient management of its resources
4. Strengthened communication and external image



These Broad Strategic Guidelines are closely linked to compliance with the Mission statement, Strategic intents and Organisational principles of the Eurosystem, which reflect the strategy and the overall scope of action of member national central banks as a whole.



BANCO DE PORTUGAL – ORGANISATION AND ACTIVITIES IN PAYMENT SYSTEMS



1. BANCO DE PORTUGAL – MISSION AND FUNCTIONS

- ✧ **Monetary policy**
- ✧ **Asset and reserve management**
- ✧ **Supervision of money and foreign exchange markets**
- ✧ **Prudential and market conduct supervision**
- ✧ **Regulation of payment systems**



BANCO DE PORTUGAL – ORGANISATION AND ACTIVITIES IN PAYMENT SYSTEMS



1. BANCO DE PORTUGAL – MISSION AND FUNCTIONS

- ✧ Currency issue
- ✧ Collection and compilation of statistics
- ✧ Production of economic research and analyses
- ✧ International activity
- ✧ Relations with the State





1. BANCO DE PORTUGAL – MISSION AND FUNCTIONS

- Several of these functions are performed in the framework of Banco de Portugal's participation in the Eurosystem and the European System of Central Banks
- Among these, the role played by Banco de Portugal in the field of payment systems is defined in its Organic Law as

«(...) it is incumbent on the Bank to regulate, oversee and promote the smooth operation of payment systems, namely within the scope of its participation in the ESCB. (...)»

- Clearly, the promotion of the smooth operation of payment systems entails several activities



BANCO DE PORTUGAL – ORGANISATION AND ACTIVITIES IN PAYMENT SYSTEMS



1. BANCO DE PORTUGAL – MISSION AND FUNCTIONS

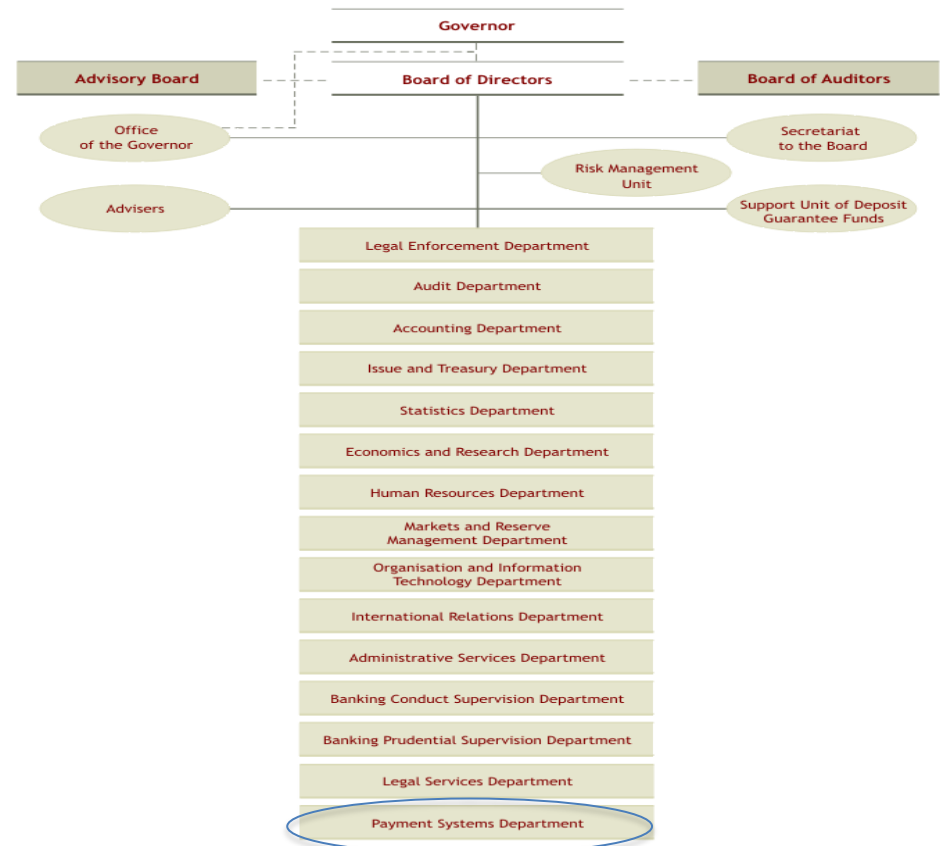
Organisation

➤ Governor

➤ Board of Directors

➤ Departments

➤ 1689 employees (April 2012)





2. ROLE IN THE CONTEXT OF THE FINANCIAL CRISIS



BANCO DE PORTUGAL – ORGANISATION AND ACTIVITIES IN PAYMENT SYSTEMS



2. ROLE IN THE CONTEXT OF THE FINANCIAL CRISIS

In the context of the financial crisis, Portugal is currently under a financial assistance program with the involvement of the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF).

Under this program, several reforms are being implemented and Banco de Portugal has been playing a relevant role, having reinforced attributions.





2. ROLE IN THE CONTEXT OF THE FINANCIAL CRISIS

In this regard, the supervisory functions of Banco de Portugal regarding the financial system were redesigned and are now performed on 3 main lines of action:

❑ Prudential supervision of credit institutions and financial companies

The governor of Banco de Portugal chairs the National Council of Financial Supervisors, an entity which comprises Banco de Portugal, the Portuguese Securities Market Commission and the Insurance and Pension Funds Supervisory Authority

❑ Supervision of the conduct of institutions in their relations with customers

The so-called “market conduct supervision”, entailing a reinforced approach regarding information to the public. An important initiative undertaken by the Bank within this field was the creation of the Portal do Cliente Bancário (bank customer website), which allows customers to submit complaints regarding supervised institutions or request the location of financial assets in case of death of the holder

❑ Revision of legal enforcement powers of the bank





3. INVOLVEMENT IN PAYMENT SYSTEMS





3. INVOLVEMENT IN PAYMENT SYSTEMS

The actions carried out by Banco de Portugal in the field of payment systems are performed according to its mission as stated in the Organic Law, as **it shall be incumbent on Banco de Portugal to ensure economic agents efficient, time-critical and secure payment systems.** These include several areas:

- Large-value payments
- Retail payments (entails the adoption of SEPA)
- Settlement of securities operations
- Payment instruments (oversight role)
- Prohibition of the use of cheques
- Payment systems statistics
- Legislation and regulations (also connected to SEPA)





3. INVOLVEMENT IN PAYMENT SYSTEMS

Several of these tasks are performed within the operational framework of the Eurosystem and European System of Central Banks. However, new challenges and projects have surged and need to be dealt with:

- ❖ Target 2 Securities (T2S)
- ❖ Issues in the field of the security of payments
- ❖ Innovation in payments
- ❖ Financial inclusion/education programmes
- ❖ ...





3. INVOLVEMENT IN PAYMENT SYSTEMS

Over the years, the main approach taken by Banco de Portugal towards the market has been to develop policies in dialogue with participants, enhancing its catalyst role.

This is particularly acute in the field of retail payments, with the setup of

- ❖ the **Payment Systems Interbank Commission (CISP)** – which is active since 1997 for dialogue with banks and financial market operators
- ❖ and the **Payment Systems Forum** – active since 2009 for dialogue with end-users of payment instruments and other relevant stakeholders, including a dedicated SEPA Steering Committee.

Both CISP and the Forum act as consultative bodies of Banco de Portugal and the actions taken have proven fruitful for the development of payment systems in Portugal.





3. INVOLVEMENT IN PAYMENT SYSTEMS

Clearly, the **SEPA** project has been significant in the involvement of Banco de Portugal in payment systems for the last few years.

Issues related to the **regulatory framework**, the **new market entrants**, **innovation**, **security** and fostering **SEPA migration**, among others, have represented continuous challenges to which Banco de Portugal has put a substantial effort.





3. INVOLVEMENT IN PAYMENT SYSTEMS

Also the **collection of statistics** specifically designed for the usage of payment systems and instruments has proven an essential tool to monitor market developments and identify changes of habits and behaviour in banks and end-users.

For instance, SEPA indicators are collected by Banco de Portugal.

Current levels are still unsatisfactory but numbers tend to grow, following the migration of Social Security pensions and other payments and following the establishment of the migration end date (1 February 2014) via Regulation (EU) 260/2012.

Volumes:

SCT – 15.37%

SDD – residual (0.04%)

Amounts:

SCT – 9.35%

SDD – residual (0.06%)

April
2012



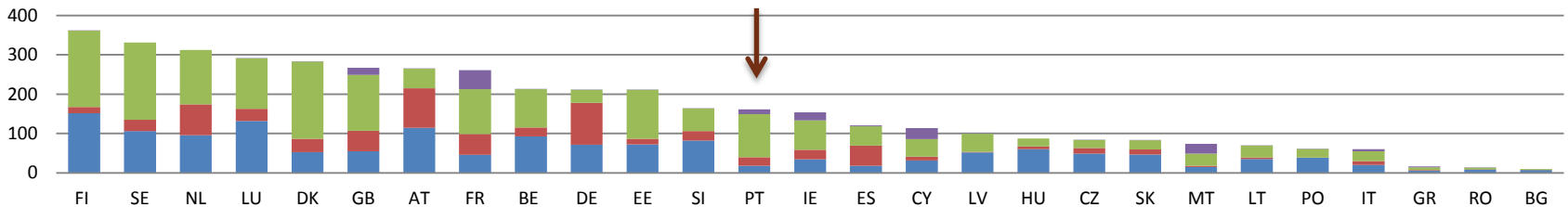
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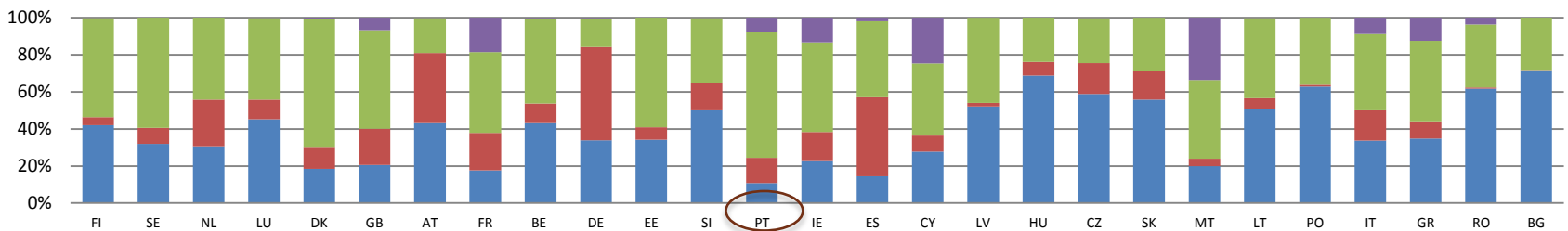
3. INVOLVEMENT IN PAYMENT SYSTEMS

In the context of contributions for the ECB's Statistical Data Warehouse, the identification of trends represent a very relevant exercise for comparison among EU countries.

Number of cashless payments per capita, 2010



Structure of cashless payments, 2010 (%)



■ Credit transfers ■ Direct Debits ■ Cards ■ Cheques

Source: Blue Book (ECB, Statistical Data Warehouse)

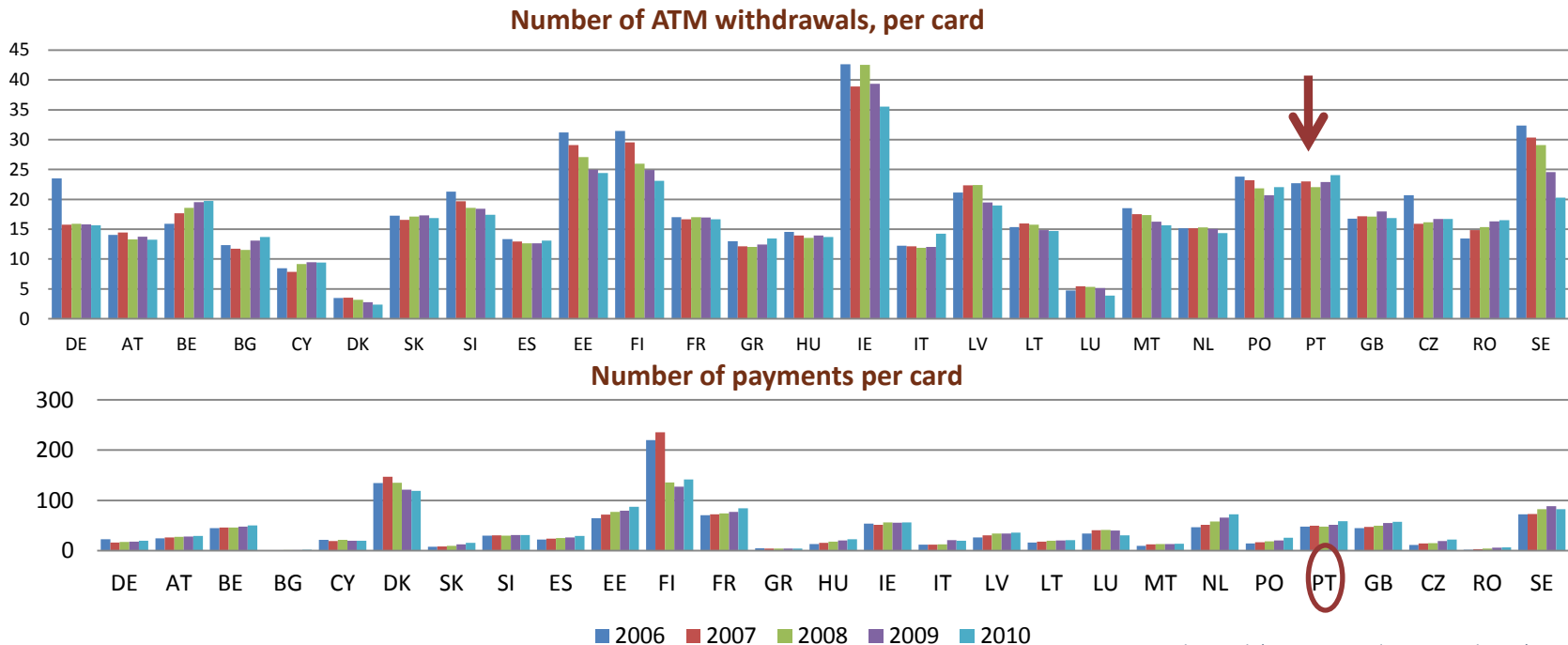


BANCO DE PORTUGAL – ORGANISATION AND ACTIVITIES IN PAYMENT SYSTEMS



3. INVOLVEMENT IN PAYMENT SYSTEMS

Regarding the use of cards, the available data continues to show that usage is growingly oriented for electronic/cashless transactions with less cash withdrawals at ATMs and more payments at POSs (2006-2010)



Source: Blue Book (ECB, Statistical Data Warehouse)





3. INVOLVEMENT IN PAYMENT SYSTEMS

Regarding the Portuguese case, the trend in the last decade has been of a significant growth in the use of electronic payments, following the trend from the previous decade.

This is particularly true for the use of cards, while credit transfers and direct debits also became more widely used during this period (figures for 2011 not yet available).

Use of cashless payment instruments in Portugal (millions)

	2000		2010	
	Number	As a %	Number	As a %
Cheques	323.1	33.0	127.5	7.4
Payment cards	485.6	49.6	1168.1	68.1
Credit transfers	52.8	5.4	186.3	10.9
Direct debits	113.3	11.6	233.4	13.6
Other	3.2	0.3	0.5	0.0
	978.1		1715.9	

Source: Blue Book (ECB, Statistical Data Warehouse), Banco de Portugal statistics

Growth of 75%

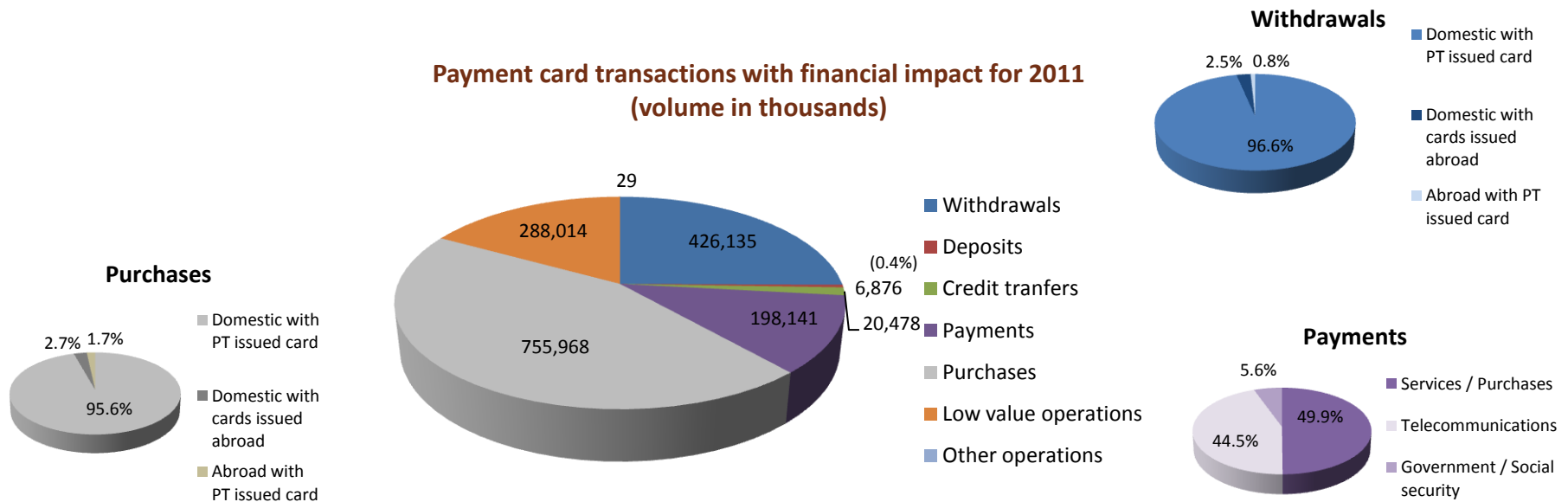




3. INVOLVEMENT IN PAYMENT SYSTEMS

The wide variety of available transactions in the Multibanco network, Portugal’s country profile concerning the **usage of payment cards** – for transactions with financial impact – is currently the following (2011 data):

Payment card transactions with financial impact for 2011
(volume in thousands)

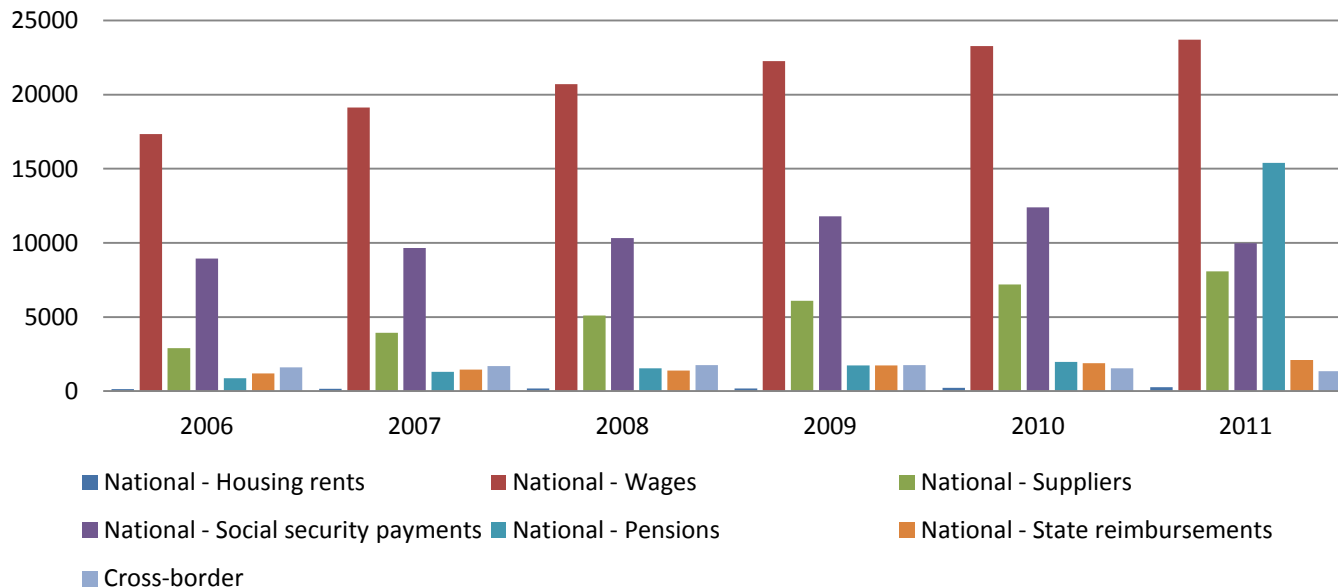




3. INVOLVEMENT IN PAYMENT SYSTEMS

In parallel with the growth in the use of cards, also data on the profile of the usage of **credit transfers** at national level is also analysed in the context of the use of cashless payment instruments in Portugal.

Volume of credit transfers in Portugal - by type of transaction





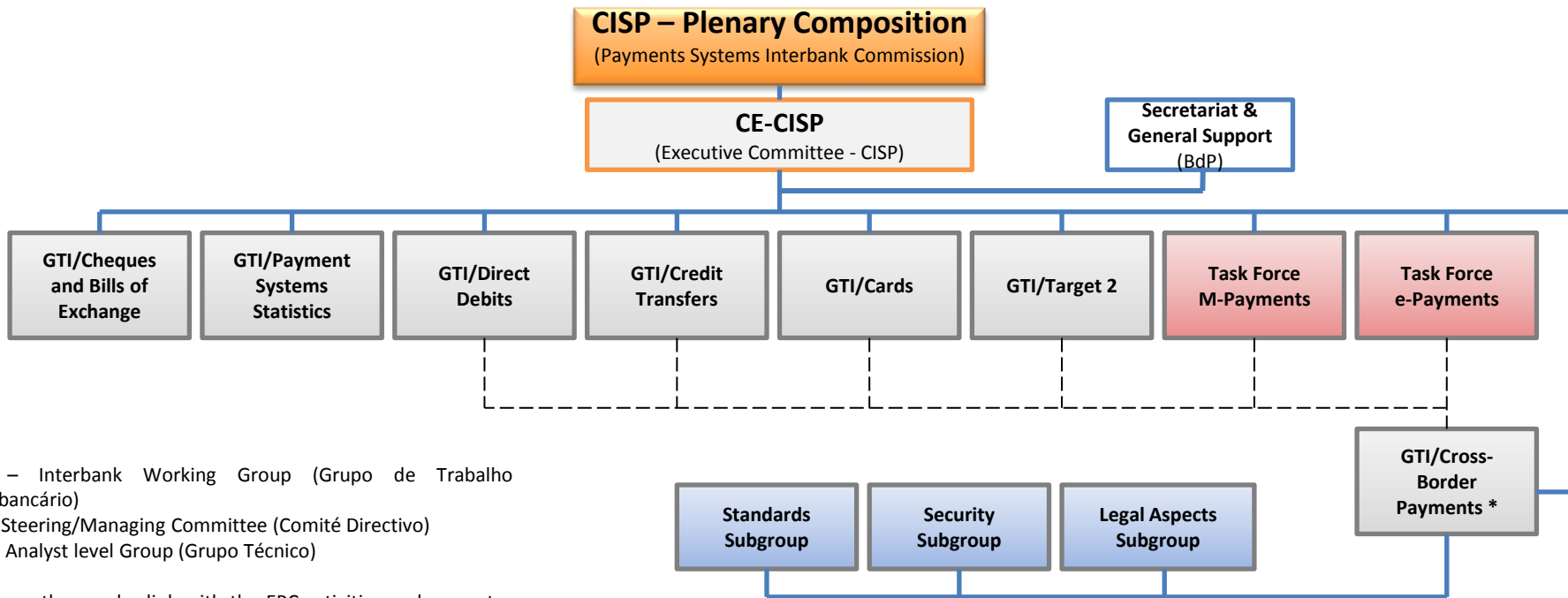
4. CATALYST APPROACH





4. CATALYST APPROACH

CISP ORGANISATION CHART



GTI – Interbank Working Group (Grupo de Trabalho Interbancário)

CD – Steering/Managing Committee (Comité Directivo)

GT – Analyst level Group (Grupo Técnico)

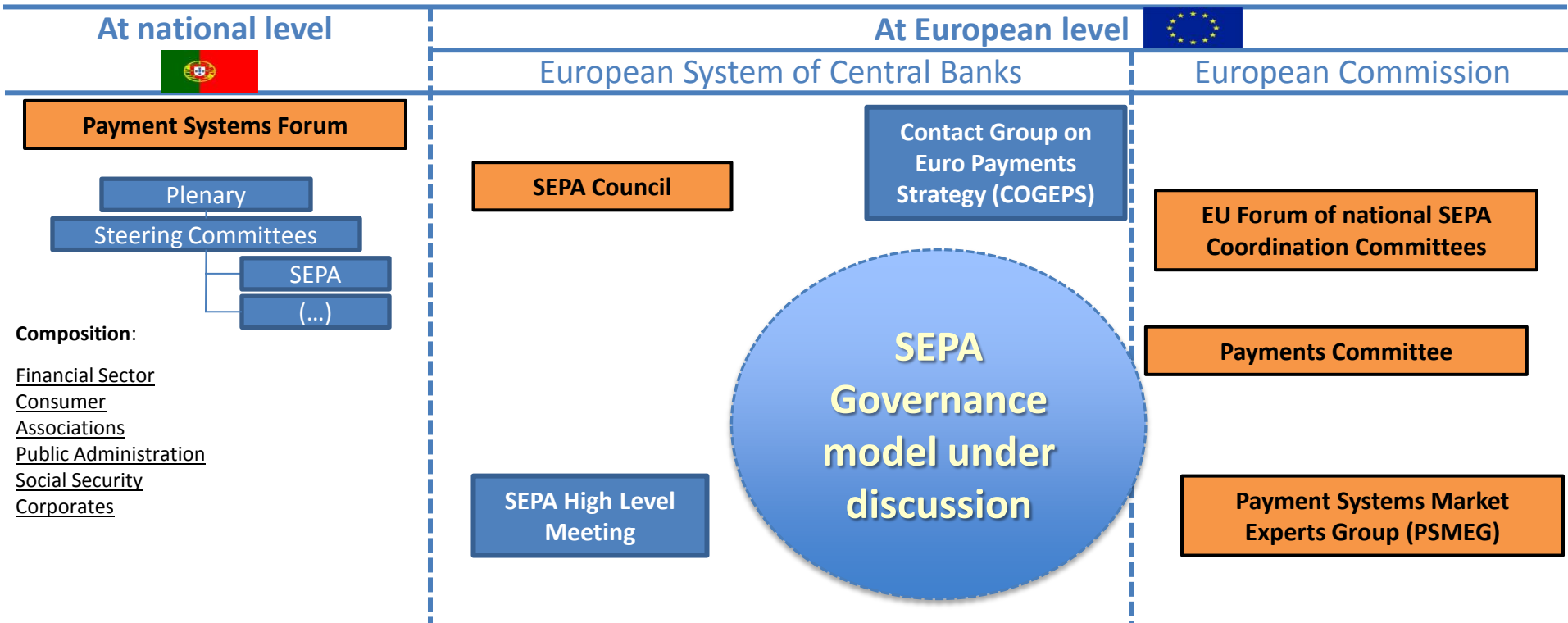
*Ensures the regular link with the EPC activities and promotes the adoption of its recommendations within the domestic systems by regularly addressing the other GTI





4. CATALYST APPROACH

Groups of dialogue between regulators and the market/*stakeholders*





5. TOPICS FOR DISCUSSION

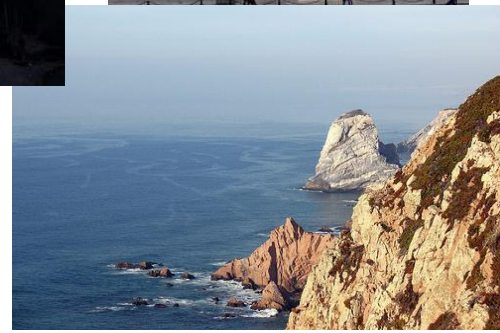


BANCO DE PORTUGAL – ORGANISATION AND ACTIVITIES IN PAYMENT SYSTEMS



5. TOPICS FOR DISCUSSION

- Central banks play several key roles
- Institutional framework
- New challenges
- Catalyst approach
- Continuous adaptation to new developments



Economic development can only be achieved with stability and confidence



PAYMENT HABITS IN PORTUGAL



QUESTIONS





THANK YOU

RUI PIMENTEL

Head of the Payment Systems Analysis and Development Unit

Payment Systems Department

Banco de Portugal

+351.21.3130944

rpimentel@bportugal.pt

