



**NBP**

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Narodowy Bank Polski

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# Payment system oversight in Poland

Ohrid, 6-8<sup>th</sup> June 2016



## A few words about Poland

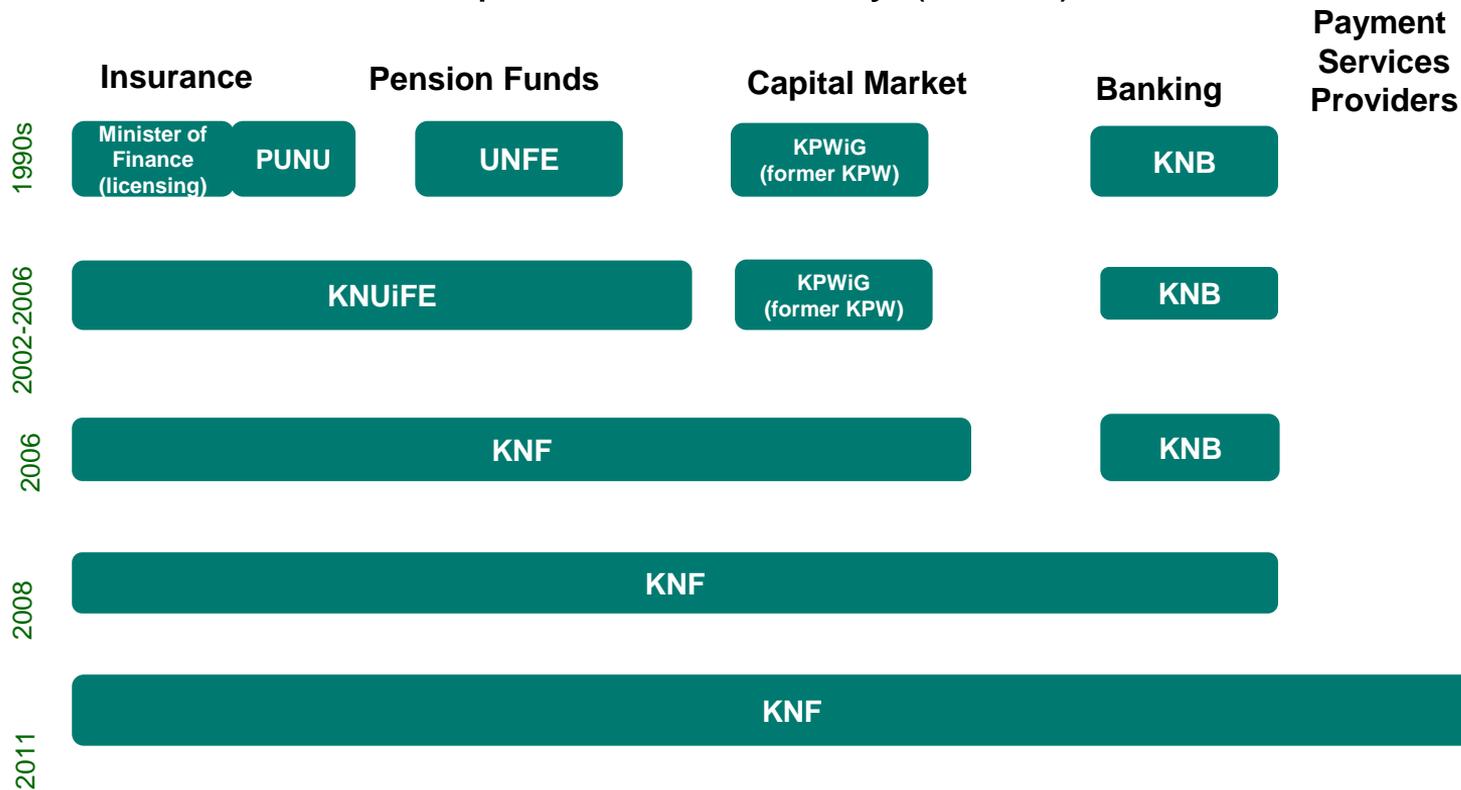


- Location: Central Europe
- Member of European Union since 1<sup>st</sup> May 2004
- The total area of Poland: 312 679 square kilometres
- Population: circa 38,5 million people
- 6<sup>th</sup> largest in European Union
- Population: circa 38,5 million people
- Poland is divided into 16 administrative voivodeship

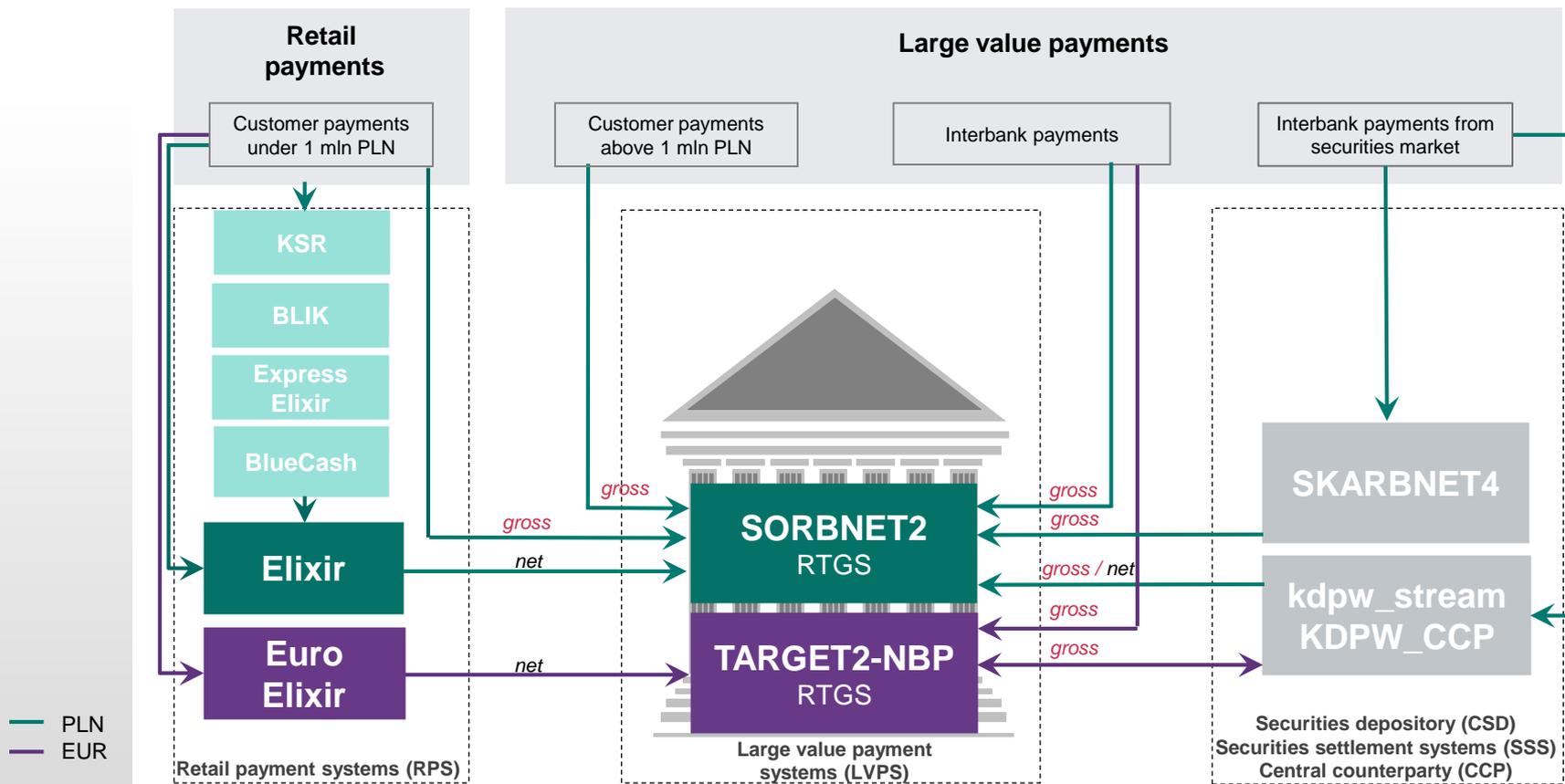
## Main actors in the Polish payment system

- Narodowy Bank Polski (NBP)
- Polish Financial Supervision Authority (PFSA)
- Polish Bank Association (PBA)
- Payment System Council
- National Clearing House (KIR S.A.)
- KDPW Group (KDPW S.A., KDPW\_CCP S.A.)
- 37 commercial banks
- 560 cooperative banks
- 27 branches of credit institutions
- non-banking acquirers

# Polish Financial Supervision Authority (PFSA)

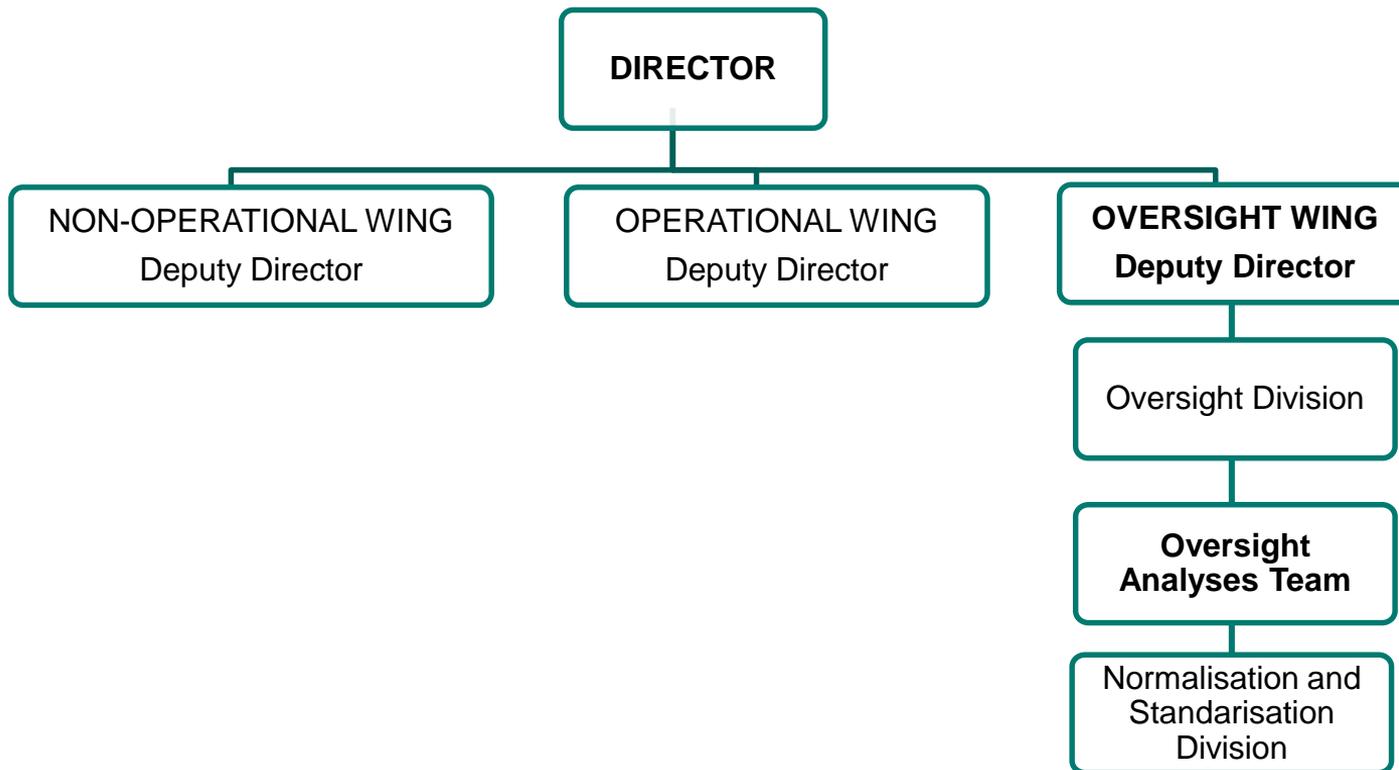


# Payment system in Poland – 2016



Type of system	System name	Operator	Description
<b>systemically important large-value payment systems</b>	SORBNET2	NBP	large-value payment system in PLN
<b>systemically important large-value payment systems</b>	TARGET2-NBP	NBP	large-value payment system in EUR, component of the TARGET2 payment system
<b>systemically important retail payment systems</b>	Elixir	KIR S.A.	Retail payment system in PLN
<b>prominently important retail payment systems</b>	EuroElixir	KIR S.A.	Retail payment system in EUR
<b>other retail payment systems</b>	Express Elixir	KIR S.A.	Instant payment system
	BlueCash payment system	Blue Media S.A.	Instant payment system
	National Clearing System	First Data Polska S.A.	Card payment system
	BLIK payment system	Polski Standard Płatności sp. z o.o.	Mobile payment system

## Structure of the Payment Systems Department



## NBP's Operational Oversight Activities

- Collecting qualitative and quantitative data from Payment Systems (eg. SORBNET2, TARGET2-NBP, ELIXIR, EURO-ELIXIR)
- On-going collaboration with the systems operators and participants
- Drawing up periodic and ad-hoc analysis
- Incident investigations

## Collecting qualitative and quantitative data from Payment System

- Number of Transactions
- Value of Transactions
- System availability
- Number of direct and indirect participants
- Interbank payment networks

## Drawing up periodic and ad-hoc analysis

- System availability for participants based on number of queries to the system in different time frames (SORBNET2, TARGET2-NBP)
- Identification of critical participants of SORBNET2
- Identification of systemically important and prominently important RPS
- Simulation analysis with the use of BoF Simulator
- Stress tests of SORBNET2
- Free riding investigation of SORBNET2

## Aim of periodic and ad-hoc analysis

- Determining the levels of the banks' liquidity necessary to carry out the settlement in SORBNET2 and to measure the effects of decreasing the liquidity in the system
- Assessing the impact of an unexpected default of the major participant on the settlement process
- Network analysis
- Measuring the level of the free riding in the system

## Incident investigations

- Collecting data based on standard incident template
- Understanding the nature of the issue
- Measuring the impact of incident on the system
- Measuring the level of importance of occurred issue
- Finding best recovery solution if it is needed

## NBP's oversight activities

- granting authorization to operate payment systems
- issuing opinions in the process of authorisation of payment services providers (PSP) in the area of acquiring
- performing assessment of the rules of systems and their modifications  
(questionnaire for payment systems operators is available on the website: [www.nbp.pl](http://www.nbp.pl))
- initiating activities in support of the development of payment system

# Main reference documents concerning oversight of payment systems and payment instruments

## Payment systems

- Principles for financial market infrastructures, BIS, April 2012
- Regulation of the ECB No 795/2014 of 3 July 2014 on oversight requirements for systemically important payment systems (SIPS Regulation)
- Revised oversight framework for retail payment systems, ECB, February 2016

## Payment instruments

- Harmonised oversight approach and oversight standards for payment instruments, ECB, February 2009
- Oversight framework for card payment schemes – Standards, ECB, January 2008
- Oversight framework for direct debit schemes, ECB, October 2010
- Oversight framework for credit transfer schemes, ECB, October 2010
- Recommendations for the security of internet payments, European Forum on the Security of Retail Payments (SecuRe Pay), January 2013
- Assessment guide for the security of internet payments, ECB, February 2014

## Payment schemes

- Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions (MIFReg)

# Principles for Financial Market Infrastructures

## General organisation

- P1 Legal Basis
- P2 Governance
- P3 Framework for the comprehensive management of risks

## Credit and liquidity risk management

- P4 Credit risk
- P5 Collateral
- P6 Margin
- P7 Liquidity risk

## Settlement

- P8 Settlement finality
- P9 Money settlements
- P10 Physical deliveries

## Central securities depositories and exchange-of-value settlement systems

- P11 Central securities depositories
- P12 Exchange-of-value settlement systems

## Default management

- P13 Participant-default rules and procedures
- P14 Segregation and portability

## General business and operational risk management

- P15 General business risk
- P16 Custody and investment risks
- P17 Operational risk

## Access

- P18 Access and participation requirements
- P19 Tiered participation arrangements
- P20 FMI links

## Efficiency

- P21 Efficiency and effectiveness
- P22 Communication procedures and standards

## Transparency

- P23 Disclosure of rules, key procedures, and market data
- P24 Disclosure of market data by trade depositories

## Policy of the NBP in the area of payment systems oversight

- Approved on 8th October 2015
- Scope of the Policy:
  - 1) payment systems,
  - 2) acquiring service,
  - 3) securities settlement systems,
  - 4) securities clearing systems.

## Legal basis for performing oversight function – Polish law

- **Act on Settlement Finality in Payment and Securities Settlement Systems and on the Rules on Oversight of these Systems** dated 24 August 2001, implementing Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems
- **Act on Payment Services** dated 19 August 2011, implementing Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market

## **Act on Settlement Finality in Payment and Securities Settlement Systems and on the Rules of Oversight on These Systems**

- The President of the NBP with regard to payment systems and the Polish Financial Supervision Authority (PFSA), at the opinion of the President of the NBP with regard to SSSs:
  - authorization for system maintenance
  - authorization for changes to the operational rules of the system
  - requesting information from system operator
  
- The application to obtain an authorization should be submitted:
  - 3 months before planned start of the system
  - accompanied by documents on rules governing the functioning of the system, legal status and responsibilities

## **Act on Settlement Finality in Payment and Securities Settlement Systems and on the Rules of Oversight on These Systems**

- NBP assesses payment systems on the basis of documents submitted against:
  - compliance with the Polish law
  - efficient and safe system functioning
  
- Permission shall not be granted if the rules of a system do not:
  - comply with the Polish law
  - ensure an efficient or safe functioning
  
- If the operation of the system is not compliant with the criteria the President of the NBP shall issue:
  - a recommendation to adjust the system
  - a decision to terminate the system

## Act on payment services

The Act sets out:

- General conditions for providing payment services
- Scope of liability of PSP
- Conduct of business requirements of PSP

Supervision of the PSP

- PFSA is the authority responsible for the authorization and supervision of PSPs in Poland
- An entity intending to provide payment services shall obtain PFSA authorization as a PSP before commencing its activity

## Act on payment services

- PFSA is obliged to consult the President of the NBP before handing out the authorisation to a PSP intending to provide **acquiring** services
- President of the NBP issues its **opinion** on the basis of documents submitted assessing it against:
  - compliance with the Polish law
  - efficient and safe service provision

The opinion of the President of the NBP is **not binding** to the PFSA

## Future developments

- Extention of Oversight powers of the President of the NBP on payment schemes operating under the Polish jurisdiction – based on the Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions – MIFReg
  - Assessment of compliance with selected requirements (Interchange fee level, separation of card payment schemes and processing entities etc.)
    - Granting approval to four-party payment schemes
    - Assessment of three-party payment schemes
  - Criteria: safety, efficiency and compliance with legal rules



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*We protect the value of money*