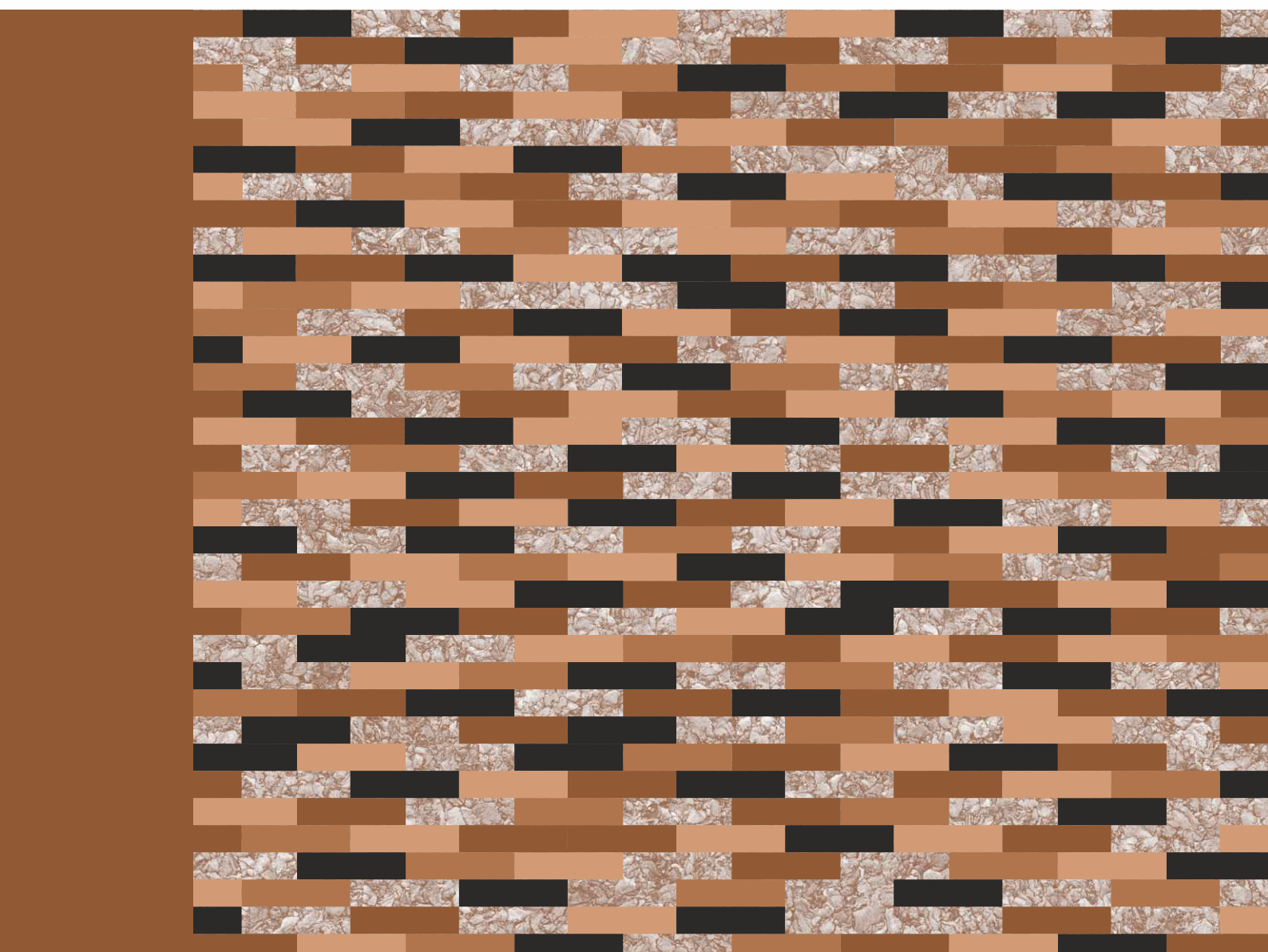


# Report on Payment Systems 2015



BANCO DE PORTUGAL  
EUROSYSTEM





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2015



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## Executive summary

One of the Banco de Portugal's missions is to regulate, oversee and promote the smooth functioning of payment systems. In pursuit of this mandate, the Bank ensures that economic agents have at their disposal stable, safe and efficient payment systems, and contributes to the smooth functioning of the economy and the safeguarding of financial stability.

The Portuguese component of the payment system where typically large-value transactions are settled in real time (**TARGET2-PT**) performed stably in 2015. The system settled EUR 2,892 billion, i.e. every 16 business days it processed the equivalent of the Portuguese gross domestic product (at current prices). Reversing the previous year's growth, there was a 21.8 per cent contraction in amounts settled, which mainly resulted from a decline in the amounts of interbank transactions due to a fall in interbank activity.

In 256 operating days, the system settled 1.8 million transactions, i.e. 4.3 per cent less than in 2014, due to a considerable decline in the number of transactions initiated by Interbolsa. Hence, the growth trend observed in the three previous years changed.

The system processing retail payment transactions in Portugal (**SICOI**) also performed smoothly. SICOI processed 2,205 million transactions, amounting to EUR 358 billion overall (4.8 and 5.5 per cent respectively more than in the previous year), reflecting the positive trend of private consumption in Portugal.

The use of paper-based payment instruments continued on a downward trend. Transactions in the **cheques** subsystem in particular decreased by 11.1 per cent in number and 8 per cent in value from 2014. The gradual reduction in the number of entities included in the List of Cheque Defaulters reflects this reality: as at 31 December 23,124 entities were in this list (24 per cent less than in 2014).

Recourse to electronic payment instruments continued to rise. Over the course of the year 121.8 million **credit transfers** were processed, to an amount of EUR 174.4 billion. With the

migration to the Single Euro Payments Area, **direct debits** processed in SICOI declined by 6.6 per cent in volume and 5.4 per cent in value compared with 2014 (for 153.5 million transactions, amounting to EUR 20 billion), chiefly due to the fact that a number of domestic creditors started to make their collections through foreign banks. SICOI also processed 1,883.3 million transactions in the **Multibanco** network, to an amount of EUR 99.2 billion. Purchases were the main type of transaction, corresponding to 47 per cent of the total volume of transactions and 35 per cent of their value. International purchases in particular increased considerably from 2014: 23.3 per cent in volume and 15.9 per cent in value, as a reflection of Portugal's growth as a tourism destination. Although at the end of 2015 34 per cent of payment cards in Portugal already had contactless technology, they only accounted for 0.7 per cent of the volume and 0.2 per cent of the total value of purchases.

The trend of returned, rejected or revoked transactions in SICOI proves that **payment instruments** in Portugal are **highly reliable**. Unsuccessful SEPA CORE direct debit instructions corresponded to 10 per cent of payments' volume and 13 per cent of their value, in line with the average of the past few years. Insufficient funds continued to be the main reason for rejected and returned collections. Returned cheques as a percentage of submitted cheques continued to decline, accounting for only 0.4 per cent in volume and 0.7 per cent in value. The relative weight of the number of returned credit transfers on total transfers submitted (around 0.13 per cent) also remained very low. Returned card transactions accounted for only 0.11 per cent of the volume of transactions.

To ensure the safety and smooth functioning of payment systems, Banco de Portugal carried out various **oversight initiatives**.

The operational support of TARGET2's Portuguese component was for the first time assessed in the light of the applicable international oversight principles.

An assessment was made of the technological infrastructure of SIBS Forward Payment Solutions, S. A., an entity providing critical services to the Portuguese payments market. Banco de Portugal concluded that the levels of resilience, efficiency and governance of TARGET2-PT and SIBS Forward Payment Solutions, S. A. are in line with best international practice.

The Bank also finalised SICOL's assessment, which showed that most oversight principles were 'fully observed', ensuring its resilience and smooth functioning. Recommendations were submitted with regard to 'broadly observed' principles to improve some elements of the system.

The **regulatory framework** governing payment systems saw important developments in 2015. Through **Guideline ECB/2015/15 TARGET2** regulations underwent changes, so as to pave the way for the operation of TARGET2-Securities (T2S). As a consequence, in June 2015 Banco de Portugal revised Instruction of Banco de Portugal No 54/2012 of 15 January 2013 governing TARGET2's Portuguese component.

**Regulation (EU) 2015/751** of the European Parliament and of the Council of 29 April on interchange fees for card-based payment transactions entered into force on 8 June 2015. **Directive (EU) 2015/2366** of the European Parliament and of the Council on payment services in the internal market was published on 23 December 2015 and will have to be transposed by January 2018.

2015 was also marked by intense work between the Portuguese banking community and payment service users, namely companies and general government bodies, with a view to implementing practices that are fully compatible with the regulatory and technical requirements set out for the **Single Euro Payments Area** and discontinuing by 1 February 2016 of the temporary derogation measures of Regulation (EU) No 260/2012 adopted by the Portuguese State. Banco de Portugal monitored these developments closely and held a number of awareness initiatives, particularly with small and medium-sized enterprises.

At European level, work has started to establish a pan-European instant payment solution by the end of 2017.

The reinforcement of **payment security** continued to be a special focus. On 1 August 2015 the **Final guidelines on the security of internet payments** entered into force, established by the European Banking Authority to promote the security of internet payments, namely by using 'strong authentication' mechanisms, and consumer confidence in these transactions.

**T2S**, the new platform for securities settlement in central bank money, entered into operation on 22 June 2015, with the migration of the first group of central securities depositories. The Portuguese banking community's migration to the platform on 29 March 2016 was successful. The effort and dedication of all stakeholders were instrumental for the successful launch of this project, notably in the pursuit of a wide range of activities, tests and trials, key for preparing migration. The T2S project, which will be completed in 2017, is an important milestone in Europe's financial integration process.



