



REPORT ON PAYMENT AND INTERBANK SETTLEMENT SYSTEMS | 2007



Banco de Portugal

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ACRONYMS

ADC*	Direct Debit Authorisation
APB*	Portuguese Banking Association
ASI	Ancillary Systems Interface
AT*	Treasury Application
ATM	Automated Teller Machine
BIC	Bank Identifier Code
BPNet*	Banco de Portugal electronic communication system with other entities
CIIC*	Interbank Cheque Image Exchange
CISP*	Interbank Commission for Payment Systems
CLS	Continuous Linked Settlement
DGT*	General Directorate for the Treasury
EAPS	Euro Alliance of Payment Schemes
EBA	Euro Banking Association
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
EFTPOS	Electronic Funds Transfer at Point Of Sale
EPC	European Payments Council
EPM	ECB Payment Mechanism
ESCB	European System of Central Banks
EU	European Union
GFS	General Functional Specifications
GTI*	Interbank Working Group
GDP	Gross Domestic Product
IBAN	International Bank Account Number
ICM	Information and Control Module
IDD*	Direct Debit Instruction
IGCP*	Public Credit Treasury Management Institute
MBNet*	Multibanco service designed to ensure secure domestic or foreign payment of any purchase through the Internet
MIF	Multilateral Interchange Fees
MULTIBANCO	Portuguese ATM and POS Network

(*) Portuguese acronym

NASO - PT	National Adherence Support Organisation – Portugal
NCB	National Central Bank of a European Union Member State
NIB*	National Bank Account Number
NUG PT	National Users Group - Portugal
PHA	Proprietary Home Accounting
RTGS	Real-Time Gross Settlement System
SDD*	Direct Debit System
SEPA	Single Euro Payments Area
SIBOS	Swift International Financial Forum
SIBS*	Portuguese Interbank Services Company
SICOI*	Portuguese Interbank Clearing System
SLOD*	Portuguese Settlement System for Other Depositors
SPGT*	Portuguese Real-Time Gross Settlement System
SSP	Single Shared Platform
TARGET	Trans-European Automated Real-time Gross settlement Express Transfer- system
TEI*	Interbank Electronic Transfers
T2S	TARGET2 - Securities
UDFS	User Detailed Functional Specifications

(*) Portuguese acronym

INTRODUCTION

The “Report on Payment and Interbank Settlement Systems – 2007” provides the most relevant facts and statistics for the payment systems and interbank settlements, both for large-value and retail payments.

It is the Banco de Portugal's responsibility, under the terms of article 14 of its statutes, to regulate, oversee and foster the smooth running of Portugal's payment systems, specifically as part of its role in the ESCB. It therefore oversees domestic payment systems in such a way as to ensure systemic stability, efficiency, security and proper use of payment instruments.

Within this brief, 2007 was replete with events. On 19 November came the first wave of migration to TARGET2 (successor to the existing TARGET, a pan-European gross payment system). It was an unmitigated success. The legal and operational procedures needed for successful start-up were completed on 22 June, with the publication of the fourth progress report. On 29 October, as part of the fifth progress report, the handbooks covering guidelines for the system's pricing were published. The remaining migrations to TARGET2 took place in 2008, the first on 18 February (including Portugal) and the second on 19 May. The system was then fully operational, with 20 of the EU's 27 countries now within TARGET2.

The migration of the Portuguese banking system will take place in two phases. The first is on 18 February 2008, with Banco de Portugal serving as the interface for domestic banks; and the second is scheduled for the first quarter of 2009, when the participants will be directly linked to TARGET2.

The SEPA project (the Single Euro Payments Area) moved ahead, as planned, putting into place the steps necessary for it to reach its main aim: “to make domestic and pan-European payments equivalent in price, efficiency and security.”

The first stage was successfully completed across the area on 28 January 2008. This included countries from the EU, Iceland, Liechtenstein, Norway and Sweden. The objective at this point was to ensure Euro-denominated credit transfers (SEPA Credit Transfers); the next objective is direct debits (SEPA Direct Debits), scheduled for the last part of 2009.

In Portugal, the banking community gave special attention to the SEPA, with a new national plan for migration concluded. The final touches were put to the regulatory and operational mechanisms, including validation tests. As a result, it was possible to begin the production process for Euro- denominated credit transfers within the SEPA space.

There were a number of meetings in the field of communication and information, involving representatives of SEPA users: public sector institutions, employers' federations and consumers' associations.

The ECB and the European Commission continue to focus great interest on the SEPA project. Progress and evaluation reports have been published to ensure that the project is implemented within a context of competitiveness, better technical and operational harmonisation, greater innovation, the maintenance of service quality and no increase in prices.

One of the most important factors in the construction of the SEPA was the publication of Directive 2007/64/CE (Payment Services Directive), of 13 November. This related to payment services in the internal market, which is geared to maximum harmonisation, and should be transposed into law in all member states by 1 November 2009.

Work continued on TARGET2-Securities, which is a single platform to cover securities settlement in central bank money. In the ECB Council meeting of 8 March the decision was taken to go ahead with the next stage of the project relating to definition of user requirements. The Council decided that the project was viable, basing its conclusions on the analysis undertaken (Blueprint), the feasibility

study and opinions sounded out in the market and among public authorities (ECOFIN, the European Parliament and the European Commission).

With the decision to go ahead confirmed, a sequence of public consultations took place. The first was in April and covered the “general principles and main proposals”. The results were made public at the start of July. The second was towards the end of December and covered “detailed user requirements” and “the methodology for assessing the project's economic impact”. This ran until the beginning of April 2008. On 17 July 2008, the ECB Governing Council approved TARGET2-Securities. This will be a Eurosystem contribution to integration of Europe's financial markets and should be live in 2013.

The domestic scene was marked by publication of Decree Law no. 18/2007 of 22 January, which regulated the application of value dates and availability of funds on deposits in cash, cheques and bank transfers. Notice no. 3/2007 was published on 12 February and aimed at standardising procedures relating to compliance with the Decree Law in question.

Notice no. 2/2007 of 8 February introduced changes to Notice no. 11/2005, and clarified certain doubts on interpretation of procedures relating to the opening of a bank account. Notice no. 12/2007 of 25 May set down that credit institutions should allow prior visualisation of the name associated to the personal bank number (the NIB), or to the number of the account indicated by the holder for credit transfers carried out through ATMs. This could well lead to a considerable increase in the use of this means of payment resulting from the greater security it provides.

The Eurosystem undertook a number of public consultations within the field of oversight and circulated the following:

- On 12 November, the standard methodology for assessing systemically and prominently important, Euro-denominated payment systems. It also published a handbook for assessing oversight expectations for business continuity;
- On 11 January 2008, it published the “Report on the Framework for Oversight of Payment Systems with Cards – Standards”, setting out the standards for Eurosystem oversight, and looking to ensure the security and efficiency of card-based payment systems.

In December, Banco de Portugal published a study called “Retail Payment Instruments in Portugal: Costs and Benefits”. For the first time, this provides the essential basis for an objective analysis of the use of payment instruments from both the cost and benefit points of view.

This study was published at a particularly important moment, practically coinciding with the launch of the SEPA as a functioning European transfer system. The results of the study provide an important term of comparison for a similar assessment to be done in the SEPA context, and it can also act as a source for future studies on the topic.

In operational terms, the SPGT/TARGET and SICOI (the Interbank Clearing System) developed as follows: there was a 12.2% rise in quantity and a 5.3% fall in values processed through the SPGT; and a 5.6% rise in quantity and a 6.2% rise in the values processed through SICOI.



CHAPTER I. *Interbank Settlement System*

The interbank settlement system in Portugal, as in other developed countries, is made up of two complementary systems: one is the gross real-time system, designed fundamentally to minimise the risks associated with large-value payments (systemic risk²) thus allowing the payment systems to function smoothly; and the other is the interbank clearing system, which processes large quantities of low-value operations (with minimal systemic risk) and with lower processing costs. The first of these is carried out through the SPGT (the system for large-value payments) and SLOD (the system for other depositors). Clearing is through netting, using SICOI (the interbank clearing system).

During 2007, the Portuguese settlement system processed 1,663.88 million transactions totalling 5,302,536.8 million euros³, corresponding to a 5.6% rise in volume and a 4.7% fall in value year on year (Table I.1). As a result, the average value settled was down considerably, dropping by 9.7%, from 3,528.60 euros in 2006 to 3,186.85 euros in 2007 (Table I.3). During the year, an average of 4,927.41 thousand transactions were settled per day, totalling 20,736.1 million euros (Table I.2).

Table I.1

TRANSACTIONS IN THE INTERBANK SETTLEMENT SYSTEM

(Volume in millions and value in millions of EUR)

	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
Gross Settlement	1.40	5,237,587.2	1.58	4,958,714.4	12.9	-5.3
SPGT	1.34	5,182,064.8	1.50	4,907,283.8	12.2	-5.3
Domestic transactions	0.79	1,497,485.9	0.92	1,743,252.7	17.3	16.4
Cross-border transactions	0.55	3,684,578.9	0.58	3,164,031.1	4.9	-14.1
SLOD	0.06	55,522.4	0.08	51,430.7	27.4	-7.4
Net Settlement - SICOI	1,574.70	323,831.7	1,662.30	343,822.4	5.6	6.2
CHEQUES	154.85	176,835.7	141.22	174,326.8	-8.8	-1.4
BILLS OF EXCHANGE	0.43	2,284.1	0.37	2,247.7	-13.6	-1.6
TEI	54.66	73,896.0	62.86	87,562.0	15.0	18.5
DIRECT DEBITS	71.33	9,809.0	86.73	12,137.8	21.6	23.7
ATM (MULTIBANCO)	1,293.42	61,006.9	1,371.12	67,548.1	6.0	10.7
Total	1,576.10	5,561,418.9	1,663.88	5,302,536.8	5.6	-4.7

The gross settlement systems (SPGT and SLOD) only accounted for 1.58 million transactions (a 12.9% increase over 2006), totalling 4,958,714.4 million euros. Total value year on year fell therefore by 5.3% (Table I.1).

In overall terms, there was a positive change in quantity settled (up 12.9%), fundamentally the result of an increase in domestic transactions (up 17.3%). In terms of amounts processed, the downward trend of previous years continued, with a fall of 5.3% as cross-border transactions slackened (down 14.1%). During the year, there were 0.92 million domestic and 0.58 million cross-border transactions through the SPGT (Table I.1). In terms of daily average, 5.89 thousand transactions were processed, totalling 19,244.3 million euros (Table I.2).

(2) Systemic risk is the most important risk of all. It occurs when a debtor defaults and other institutions cannot fulfil their obligations, and default in turn. To prevent systemic risk from spreading to other sectors of the economy, regulators insist on compliance with a series of criteria designed to minimise the risk.

(3) Corresponding to around 33 times the nominal GDP.

There were 78 thousand transactions settled through SLOD, a 27.4% rise over a year earlier. In terms of value, the figure came in at 51,430.7 million euros, and although this was a fall (down 7.4%), it was less than 2006, when the total was down 20.6% (Table I.1). As a result, the average dipped slightly (down 0.8%), to stand at 1.88 million euros per transaction (Table I.3). The average daily figure was 0.31 thousand transaction, to the amount of 201.7 million euros (Table I.2).

The interbank clearing system (SICOI) processed a total of 1,662.3 million transactions to the amount of 343,822.4 million euros, growing in similar fashion to the previous year (up 5.6% in terms of quantity and 6.2% in value). This was above all true where the value was concerned, the rise being higher than in recent years (Table I.1). The daily average moved likewise, rising to 4,921.21 thousand transactions to the value of 1,290.2 million euros (Table I.2). Unlike previous years, the value of each operation rose, though only slightly, by 0.6%, moving from 205.65 euros in 2006 to 206.84 euros in 2007 (Table I.3).

Table I.2

AVERAGE DAILY VALUES IN THE INTERBANK SETTLEMENT SYSTEM
(Volume in thousands and value in millions of EUR)

	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
Gross Settlement	5.49	20,539.6	6.19	19,445.9	12.9	-5.3
SPGT	5.25	20,321.8	5.89	19,244.3	12.2	-5.3
Domestic transactions	3.09	5,872.5	3.62	6,836.3	17.3	16.4
Cross-border transactions	2.16	14,449.3	2.26	12,408.0	4.9	-14.1
SLOD	0.24	217.7	0.31	201.7	27.4	-7.4
Net Settlement - SICOI	4,673.25	1,222.7	4,921.21	1,290.2	5.3	5.5
CHEQUES	621.88	710.2	564.86	697.3	-9.2	-1.8
BILLS OF EXCHANGE	1.74	9.2	1.49	9.0	-13.9	-2.0
TEI	219.54	296.8	251.43	350.2	14.5	18.0
DIRECT DEBITS	286.47	39.4	346.92	48.6	21.1	23.2
ATM (MULTIBANCO)	3,543.63	167.1	3,756.50	185.1	6.0	10.7
Total	4,678.74	21,762.2	4,927.41	20,736.1	5.3	-4.7

Note: The gross settlement system was in operation for 255 days in both 2006 and 2007. SICOI was in operation for 249 in 2006 and 250 days in 2007, except for the ATM service (Multibanco), which functioned every day of the year.

SICOI can be broken down into various retail subsystems. By doing this it is clear that there was a solid rise in electronic payment instruments – interbank electronic transfers (TEI), direct debits and the Multibanco system. The rises continued the trend of recent years (compare Table I.1 and Table I.2). There was a fall in the use of paper-based forms of payment – cheques and bills of exchange – with a bigger impact in quantity than in value. This meant that the average value of each transaction with this type of instrument is still rising (Table I.3).

Table I.3

AVERAGE VALUE PER PAYMENT INSTRUMENT (In EUR)			
	2006	2007	Variation (%)
Gross Settlement	3,743,090.82	3,139,042.75	-16.1
SPGT	3,873,216.02	3,268,121.50	-15.6
SLOD	1,901,226.57	1,886,147.24	-0.8
Net Settlement - SICOI	205.65	206.84	0.6
CHEQUES	1,141.99	1,234.47	8.1
BILLS OF EXCHANGE	5,286.45	6,018.16	13.8
TEI	1,351.81	1,393.02	3.0
DIRECTS DEBITS	137.51	139.95	1.8
ATM (MULTIBANCO)	47.17	49.26	4.4
Total	3,528.60	3,186.85	-9.7

The number of cheques used fell by 8.8%, corresponding to a 1.4% fall in value (Table I.1). This led to an 8.1% rise in average value year on year (Table I.3). This payment instrument continues to be the most frequently used at retail level in terms of the amount processed (174.3 billion euros). This is approximately half the amounts cleared through SICOI.

There were 0.37 million bills of exchange, totalling 2,247.7 million euros (Table I.1), accounting for a mere 0.02% in quantity and 0.65% in value settled through SICOI. This is still the biggest faller in terms of payment instruments (down 13.6%). This form of payment, however, comes in with the biggest growth in average value per transaction (13.8%), with the value moving from 5,286.45 euros in 2006 to 6,018.16 euros in 2007 (Table I.3).

In terms of interbank electronic transfers (TEI), the number of transactions processed in 2007 was 62.86 million, with an approximate value of 88 billion euros, representing a 15% rise in quantity and an 18.5% rise in value (Table I.1). Daily averages moved in the same way - around 14.5% in quantity and 18% in value (Table I.2). Average value, however, only rose 3% to stand at 1,393.02 euros (Table I.3).

The direct debit system came in with the biggest growth rates in terms of quantity (21.6%) and value processed (23.7%). During the year, 86.73 million transactions were cleared, totalling 12,137.8 million euros (Table I.1). Daily averages also saw a big upward swing in quantity and value, with 346.92 thousand transactions processed, to the value of 48.6 million euros (Table I.2). Average value cleared through this subsystem, however, only grew by 1.8% year on year, rising from 137.51 euros in 2006 to 139.95 euros in 2007 (Table I.3).

The Multibanco ATM system is still the most frequently used at a retail level (Chart I.1), accounting for 82% of transactions (1,371.12 million) processed through SICOI during the year. This, however, only represents 19.6% of the amounts settled (67.5 billion euros). The system has the lowest average value per transaction, 49.26 euros, though this came in at a 4.4% rise on a year earlier (Table I.3). In terms of daily averages, there was a rise in quantity (6%) and in value (10.7%) over the previous year (Table I.2).

Chart I.1

VOLUME SHARES IN THE INTERBANK SETTLEMENT SYSTEM (SPGT AND SICOI)

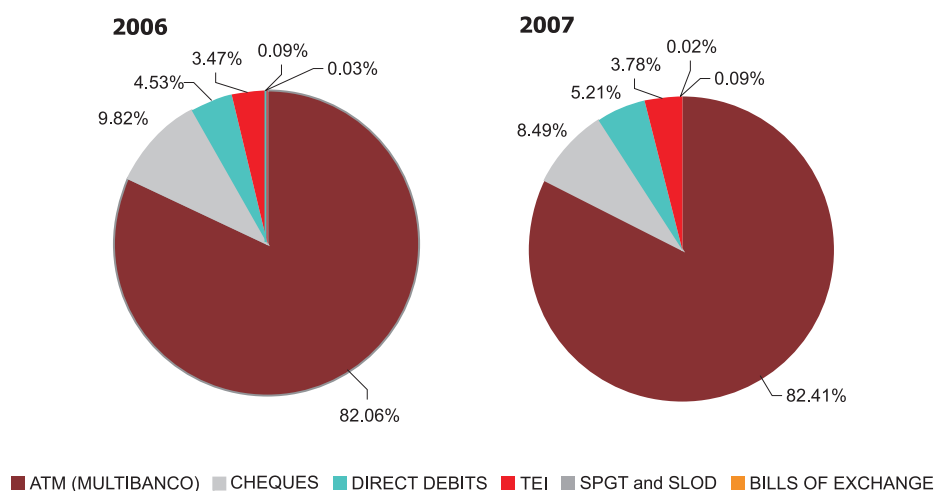
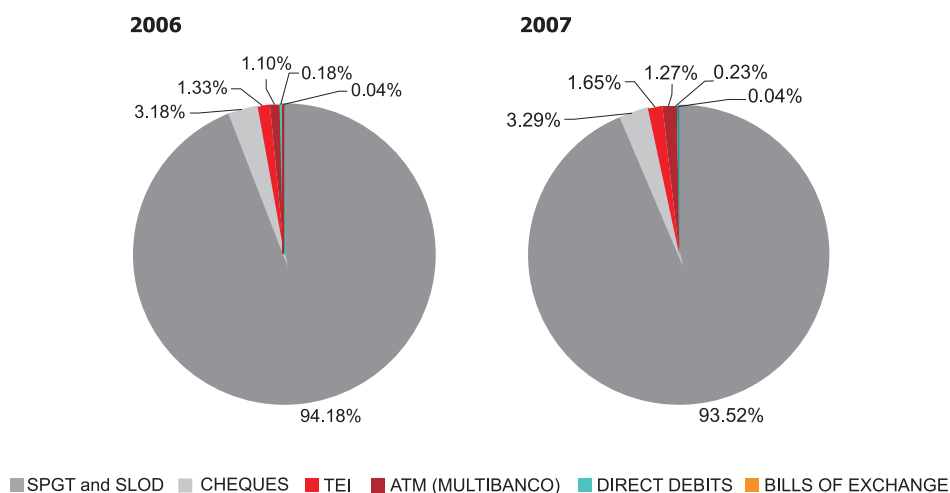


Chart I.2

VALUE SHARES IN THE INTERBANK SETTLEMENT SYSTEM (SPGT AND SICOI)



During the year there was a fall in the overall number of participants in the interbank settlement system (Table I.4). Important here is the drop in the number of direct participants, with 6 less at year-end. It should also be noted that there was a fall in the total number of institutions participating in the two gross settlement systems (SPGT and SLOD), with the emphasis on SLOD. As for the number of participants in the SICOI subsystems, one participant dropped out of the cheques and the bills of exchange subsystems (indirect) and one entity came into the direct debit and Multibanco subsystems. One new participant came into the cheques and direct debit systems as a direct participant.

Table I.4

NUMBER OF PARTICIPANTS IN THE INTERBANK SETTLEMENT SYSTEM

	2006		2007	
	Direct	Indirect	Direct	Indirect
Gross Settlement				
SPGT	37	-	36	-
SLOD	93	-	86	-
Net Settlement - SICOI				
CHEQUES	29	29	30	28
BILLS OF EXCHANGE	21	13	21	12
TEI	40	18	40	18
DIRECT DEBITS	25	13	26	14
ATM (MULTIBANCO)	23	9	23	10
Total	268	82	262	82

Box 1

Important events in 2007

JANUARY	<p>Decree Law no. 18/2007 was published on the 22nd: this set up a regulation for the application of value dates and availability of funds for deposits in cash and cheques and also covered transfers, both intra- and inter-bank. The regulation came into force on March 15.</p> <p>On the 26th, ECB started a market consultancy process on the proposal for governance of TARGET2-Securities (T2S). Replies due on 9 February.</p>
FEBRUARY	<p>On the 1st, ECB issued a communiqué on oversight of SWIFT, an action carried out jointly by the national central banks of the countries that make up the G10 and ECB.</p> <p>On the 8th, Banco de Portugal published Notice no. 2/2007, clarifying and simplifying the general conditions for opening bank accounts. This emended the relevant information in Notice no. 11/2005, of 21 July.</p> <p>On the 12th, Banco de Portugal published Notice no. 3/2007, which sets out uniform procedures for transactions detailed in Decree Law no. 18/2007, of 22 January, above all as concerns the treatment of delivery for deposit where there is no immediate certification of the amounts deposited.</p>
MARCH	<p>Circulation of the National Plan for Migration to the SEPA, on the 6th (version in Portuguese).</p> <p>On the 8th, ECB sent out a communiqué relating to publication of the Blueprint and the studies covering the functional, operational, legal and economic viability of the T2S and the decision of the Council of Governors on the start of the next stage of the project – definition of user requirements.</p>

APRIL	The SEPA service is now available through the BPnet portal. This makes it possible for credit institutions to interact with interbank working groups involved in some way with the SEPA project and working within the CISP framework.
MAY	<p>On the 3rd, ECB started a public consultation process within the framework of payment systems using cards, with replies due by 2 August.</p> <p>On the 14th, ECB launched a public consultation on oversight of payments infrastructures: a common Eurosystem methodology for evaluating payment systems that have systemic repercussions and are fundamentally important in terms of the Core Principles. Replies due by 14 August.</p> <p>On the 25th, Banco de Portugal Notice no. 12/2007 was circulated. This stipulated that credit institutions must allow prior visualisation of the name associated to the bank identification number (NIB) or to the number of the account, as indicated by the holder for credit transfers through ATMs. This came into force on 22 September 2007.</p>
JUNE	On the 22nd, ECB presented its Progress Report on TARGET2, including confirmation of dates when production will start.
JULY	<p>There were meetings held on the 5th within the programme of information relating to SEPA. These are held under the aegis of the Banco de Portugal and involve the General Directorate for Consumer Affairs, the Confederation of Industry and the Confederation of the Service Industry, along with the IGCP and other bodies representing the public sector.</p> <p>On the 20th, ECB presented the 5th SEPA Progress Report, entitled "From concept to reality".</p>
AUGUST	<p>On the 14th, the 4th edition of the "Blue Book" was published. This appeared for the first time in two volumes: the first relating to the euro area countries and the second containing information on the remaining member states.</p> <p>Banco de Portugal provided information to the participants in the SPGT and SICOI on the implications deriving from the move in state treasury management functions from the General Directorate for the Treasury (DGT) to the Public Credit Treasury Management Institute (IGCP), stemming from Decree Law no. 263/2007, of 30 July.</p>
OCTOBER	<p>Within the framework of the annual SWIFT event – Sibos – which took place in Boston (USA) between the 1st and the 5th, the first procedures relating to European banks joining SEPA were formalised.</p> <p>On the 22nd, a new service came on line through the BPnet portal, named "SICOI-Interlocutores" (SICOI Participants). The aim was to provide adequate management of the contacts between those representing institutions in the working groups and the dissemination of information in a secure way easily accessed by credit institutions.</p> <p>On the 26th, ECB published its first report on progress in the T2S project. This focused fundamentally on broadening user requirements.</p> <p>On the 29th, ECB presented the 5th TARGET2 Progress Report, including the "Information Guides" for users and guidelines on pricing.</p> <p>Also on the 29th, a protocol was signed between the Banco de Portugal and the Portuguese Banking Association (Annex 3), relating to the creation of a national body to provide support for those joining or wishing to join the SEPA (NASO-PT, National Adherence Support Organisation – Portugal).</p>

NOVEMBER	<p>On the 8th, the NUG PT (National Users Group – Portugal) for T2S is set up and holds its first meeting.</p> <p>On the 12th, ECB issued a communiqué confirming adoption of the principles for a common Eurosystem methodology, based on the Core Principles, for oversight of the fundamental systemically important payment systems in euros. It also included an implementation guide for the assessment of expectations in the oversight of business continuity for systemically important payment systems. The announcement came in the wake of a public consultation on the issue, launched on 14 May 2007.</p> <p>Following the positive reaction from the European Parliament on 24 April and the ECOFIN on 27 March (Annex 2), the Directive on Payments Services was approved and later formalised in no. 2007/64/CE, of 13 November 2007 (published in the Official Gazette on 5 December). A deadline was also set down for transposition of the Directive into member states' domestic regulations: 1 November 2009.</p> <p>On the 16th, the statistical data in the “Blue Book” for 2006 were disseminated. This is the start of a paperless methodology, with information circulated only through the Internet.</p> <p>The 19th saw the start on production for TARGET2. The first migration window included Austria, Cyprus, Germany, Latvia, Lithuania, Luxembourg, Malta and Slovenia.</p> <p>On the 29th and 30th, meetings were held with representatives of SEPA service users: companies, the public sector and consumers.</p>
DECEMBER	<p>On the 12th, Banco de Portugal presented its study on “Retail Payments Instruments in Portugal: Costs and Benefits”.</p> <p>On the 13th, Banco de Portugal issues a circular with a Handbook of Good Practices relating to “stolen or mislaid cheques” and “abusive use of cheque revocation” (Annex 1).</p> <p>On the 18th, it began a public consultation on T2S user requirements and on the methodology for evaluating the economic impact of the project.</p> <p>On the 19th, the Competition Authority of the European Commission decided that Multilateral Interchange Fees on MasterCard cards were illegal.</p> <p>The 27th saw the biggest ever volume of transactions settled through the SPGT, totalling 10,639. To this can be added 279 transactions through SLOD, giving an overall total of 10,918 transactions.</p>



CHAPTER II. *Gross Settlement Systems*

All domestic payments above a certain value (known as large-value payments) are processed through the SPGT and/or SLOD. This provides adequate assurance that systemic risk in the Portuguese payment system is kept under control.

In terms of service, there were no significant incidents during the year either in the SPGT or in TARGET. As a result, the availability indicator stayed above 99.9%, as in previous years. Some minor glitches did occur, causing interruptions or delays in the normal processing of payments, mostly related to the SPGT/SIBS domestic service. These were solved in time for all transactions to be correctly processed before the end of the session in question. In terms of TARGET, there were only two incidents in the French SLBTR system. These occurred on 16 February and 20 September, and meant that the interbank period had to be extended on those dates, in the first instance by one hour and in the second by half an hour. This extra time allowed the technical problems to be solved and the subsequent settlement of all operations pending.

In line with the planning and scheduling of the SWIFT operator for Portugal, the Banco de Portugal carried out adjustments to its technical infrastructure so as to be able to patch into SWIFTNet Phase 2. In tandem, the changes brought about by the SWIFT release (planned for October) were carried out and tested in SPGT/TARGET. One of the fundamental changes was the inclusion of a new format for customer payment messages.

The regular contingency sets were also carried out and these included simulations of realistic situations covering activation of the Business Continuity Plans, both at Banco de Portugal (half-yearly tests on 25 May and 8 October, carried out at the Olivais alternative centre) and at SIBS (on 5 June). In March and October the standard mandatory half-yearly tests were carried out on the SPGT emergency circuits, based on the SWIFT and fax alternative network used by the participants. Also undertaken following standard procedures were the contingency tests in realistic circumstances on cross-border TARGET circuits for critical payments (covering the EBA/Euro1, CLS, and others). All the relevant participants were involved, and the central banks cooperated in the activation of the alternative circuits being used.

Proper management of financial crises has been as the heart of the Eurosystem national central banks' concerns and Banco de Portugal has been involved in all the work, specifically in terms of payments systems. The aim is to bring together the various strands of information and decision-making and the definition of efficient procedures for detecting, monitoring and solving situations resulting from any crisis.

II.1. SPGT

During the year there was a 12.2% rise in the volume of transactions carried out through the SPGT, the Portuguese real-time gross settlement system. This was fundamentally on the back of an increase in domestic traffic (up 17.3%). In terms of value, there was a 5.3% fall, following the trend of previous years, stemming from the drop in cross-border transactions (Table I.1).

The growth in domestic traffic resulted fundamentally from the increase in Stock Exchange settlements (up 41.4%), above all in the real time segment, though also, to a lesser degree, from the increase in payments processed through the SPGT/SIBS channel (up 21.1%). The maximum number of settlements through the SPGT platform on any one day was 10,918 (on 27 December). This was caused by a run of 5 days without settlements, following a combination of weekend and national holidays.

The amounts involved in cross-border transactions accentuated the negative pattern of previous years. This stemmed fundamentally from changes in business and alterations to the way certain major institutions carried out settlement - fundamentally a 14% fall in interbank operations.

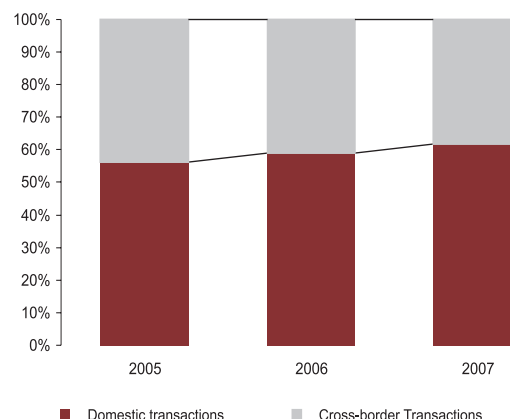
Chart II.1

DEVELOPMENT OF DOMESTIC AND CROSS-BORDER SPGT TRANSACTIONS
(in volume)



Chart II.2

PERCENTAGE OF DOMESTIC AND CROSS-BORDER SPGT TRANSACTIONS
(in volume)



As a consequence, the increase in domestic transactions over recent years led to a change in the relative proportions of transactions carried out through the SPGT. In 2005, domestic operations accounted for around 56% of the traffic (in terms of volume), while in 2007 this figure was close to 62% (Chart II.2). Values transacted rose from 27% in 2005 to 36% in 2007 (Chart II.4).

Cross-border transactions have been losing ground steadily over recent years. In 2005, the volume was around 44%, and this fell to around 38% in 2007 (Chart II.2). The fall in value was, however, larger: the proportion moved from 73% in 2005 to 64% in 2007 (Chart II.4).

Chart II.3

DEVELOPMENT OF DOMESTIC AND CROSS-BORDER SPGT TRANSACTIONS

(in value)

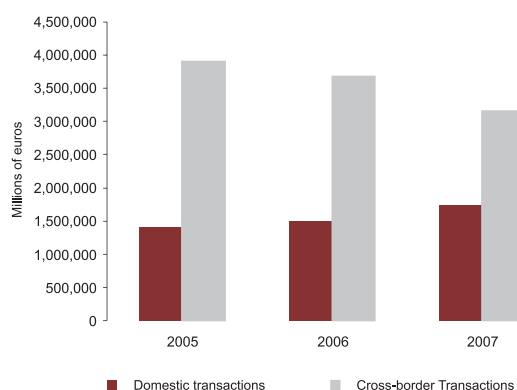
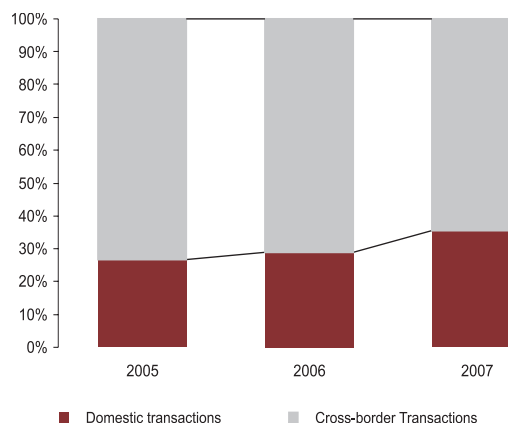


Chart II.4

PERCENTAGE OF DOMESTIC AND CROSS-BORDER SPGT TRANSACTIONS

(in value)



An analysis of domestic transactions (those that give rise to a payment order and/or receipt with exclusive impact in the settlement accounts of the SPGT and/or SLOD participant) shows that the majority of these transactions continue to come from ancillary systems: 62.3% in volume and 46.5% in value (Table II.1). These correspond fundamentally to settlement of the balances on clearing systems, operations processed through the market system by Banco de Portugal, securities operations and the settlement of large-value cheques and direct debits⁴.

Operations carried out through the SPGT account for 37.7% of quantity and 53.5% in value. These operations, however, played the biggest part in domestic transactions during the year, with growth rates of 21% in volume and 23% in value.

(4) Large-value cheques and direct debits are taken to be those with a value of 100 thousand euros or above.

Table II.1

SPGT DOMESTIC TRANSACTIONS IN 2007
(Volume in units and value in millions of EUR)

	Transactions through ancillary system		Transactions through SPGT		Total of Domestic Transactions	
	Volume	Value	Volume	Value	Volume	Value
January	46,555	67,018.2	27,389	75,528.5	73,944	142,546.7
February	42,301	57,964.8	23,850	59,254.1	66,151	117,218.9
March	47,115	59,333.6	27,424	65,884.9	74,539	125,218.5
April	41,698	53,899.5	25,205	60,401.4	66,903	114,300.9
May	49,943	64,567.9	28,099	66,503.5	78,042	131,071.4
June	48,988	65,883.8	28,785	84,970.0	77,773	150,853.8
July	53,389	68,038.5	31,885	81,998.4	85,274	150,036.9
August	48,969	72,342.6	29,251	88,456.6	78,220	160,799.2
September	45,497	69,029.3	27,882	78,342.0	73,379	147,371.3
October	52,006	75,693.0	31,548	97,247.3	83,554	172,940.3
November	51,336	73,868.4	30,813	81,429.5	82,149	155,297.9
December	48,455	83,284.9	35,857	92,312.0	84,312	175,596.9
Total	576,252	810,924.5	347,988	932,328.2	924,240	1,743,252.7
<i>Daily average</i>	<i>2,260</i>	<i>3,180.1</i>	<i>1,365</i>	<i>3,656.2</i>	<i>3,624</i>	<i>6,836.3</i>
Memorandum:						
Total (2006)	500,364	738,262.6	287,278	759,223.2	787,642	1,497,485.8
<i>Daily average (2006)</i>	<i>1,962</i>	<i>2,895.1</i>	<i>1,127</i>	<i>2,977.3</i>	<i>3,089</i>	<i>5,872.5</i>

Domestic operations channelled through the SPGT include transfers between banks, on behalf of customers and to/from the Treasury. Over the year, these totalled 347,988 transactions to a value of 932,328.2 million euros (Table II.1).

This total includes around 298 thousand large-value cheques totalling 116,091.8 million euros (Table II.2). This translates into a daily average of 1,192 large-value cheques to a total of 464.4 million euros per day. There was thus a growth in the number of cheques processed of around 5.7%, although the use of cheques overall has fallen significantly (by around 9%).

The biggest number of large-value cheques was processed in July, and the biggest amount was settled in December. Of the 298 thousand transactions processed, around 2.44 thousand correspond to large-value cheques that were returned (approximately 0.8% of those presented).

Table II.2

LARGE-VALUE CHEQUES IN 2007

(Volume in units and value in millions of EUR)

	Presented for clearing		Returned ⁽¹⁾		Total	
	Volume	Value	Volume	Value	Volume	Value
January	25,935	10,807.3	228	64.6	26,163	10,871.8
February	21,161	8,587.8	177	49.2	21,338	8,637.0
March	23,172	8,440.8	222	56.5	23,394	8,497.3
April	21,635	8,448.1	165	49.9	21,800	8,498.1
May	25,072	9,129.7	207	71.3	25,279	9,201.0
June	24,673	9,970.9	182	63.0	24,855	10,033.9
July	27,520	11,024.0	221	69.0	27,741	11,093.0
August	24,845	9,730.5	188	61.8	25,033	9,792.3
September	23,487	8,750.0	203	155.4	23,690	8,905.4
October	27,428	10,173.6	234	66.4	27,662	10,240.0
November	24,487	9,162.0	181	53.2	24,668	9,215.2
December	26,190	11,036.8	228	70.0	26,418	11,106.9
Total	295,605	115,261.6	2,436	830.2	298,041	116,091.8
<i>Daily average</i>	<i>1,182</i>	<i>461.0</i>	<i>10</i>	<i>3.3</i>	<i>1,192</i>	<i>464.4</i>
Memorandum:						
Total (2006)	279,168	109,963.3	2,689	819.9	281,857	110,783.2
<i>Daily average (2006)</i>	<i>1,117</i>	<i>439.9</i>	<i>11</i>	<i>3.3</i>	<i>1,127</i>	<i>443.1</i>

(1) Includes cheques returned and then re-submitted.

The total number of domestic operations also includes large-value direct debits, although these are not so significant. This form of payment only came into the system in October 2003, and there has been a steady increase in its use ever since. There were 3,775 operations processed during the year under review (30% more than a year earlier) to the value of 981,571 thousand euros (a 33% increase year on year) (Table II.3).

Table II.3

LARGE-VALUE DIRECT DEBITS IN 2007

(Volume in units and value in thousands of EUR)

	Presented	
	Volume	Value
January	304	79,174.7
February	260	73,552.2
March	284	72,756.9
April	294	78,506.7
May	304	73,822.5
June	314	78,909.4
July	327	88,188.4
August	341	84,671.8
September	303	80,522.8
October	354	92,408.4
November	340	88,405.5
December	350	90,651.7
Total	3,775	981,571.0
<i>Daily average</i>	<i>15.1</i>	<i>3,926.3</i>
Memorandum:		
Total (2006)	2,909	740,226.3
<i>Daily average (2006)</i>	<i>11.6</i>	<i>2,960.9</i>

Cross-border transactions are those involving orders placed by or in favour of a participant in the SPGT, leading to a payment/receipt in euros in a settlement account in a national central bank of the European Union. The SPGT sent 215,021 operations to TARGET and received 362,300 payments. This leads to the conclusion that operations from abroad into the country are following the trend of previous years with a moderate flow of traffic through TARGET (up 9.5%), while there is a fall in payments sent by SPGT participants to other countries through the same channel (down 2%). There were 1,581,818.1 million euros worth of operations sent through TARGET and 1,582,212.9 million euros worth received. This is a fall of around 14% on both sides (Table II.4).

Table II.4**SPGT CROSS-BORDER TRANSACTIONS IN 2007***(Volume in units and value in millions of EUR)*

	Transactions sent to TARGET		Transactions received from TARGET		Total	
	Volume	Value	Volume	Value	Volume	Value
January	18,994	152,984.5	28,581	150,980.2	47,575	303,964.7
February	16,702	128,095.9	26,544	127,784.2	43,246	255,880.1
March	18,290	111,994.8	30,622	112,737.8	48,912	224,732.6
April	15,890	116,121.4	27,964	114,938.8	43,854	231,060.2
May	17,856	128,608.6	31,017	128,554.8	48,873	257,163.4
June	17,696	129,613.3	31,554	129,829.7	49,250	259,443.0
July	18,323	144,099.9	34,023	145,967.4	52,346	290,067.3
August	17,305	128,050.7	29,866	125,968.5	47,171	254,019.2
September	17,201	142,118.7	28,310	141,411.1	45,511	283,529.8
October	19,936	155,067.3	32,871	154,047.5	52,807	309,114.8
November	18,965	130,202.6	31,303	129,631.7	50,268	259,834.3
December	17,863	114,860.4	29,645	120,361.2	47,508	235,221.6
Total	215,021	1,581,818.1	362,300	1,582,212.9	577,321	3,164,031.0
<i>Daily average</i>	<i>843</i>	<i>6,203.2</i>	<i>1,421</i>	<i>6,204.8</i>	<i>2,264</i>	<i>12,408.0</i>
Memorandum:						
Total (2006)	219,477	1,839,624.4	330,804	1,844,954.4	550,281	3,684,578.8
<i>Daily average (2006)</i>	<i>861</i>	<i>7,214.2</i>	<i>1,297</i>	<i>7,235.1</i>	<i>2,158</i>	<i>14,449.3</i>

In terms of cross-border transactions sent through TARGET from the SPGT (Table II.5), interbank operations accounted for 51.3% of the volume and 97.8% of value, with customer payments accounting for 48.6% of the volume and 2.2% of value. The remainder relates to transfers sent to other NCBs. Interbank transfers were down on 2006 (by 14.4%) and transfers between NCBs were down 60.7%.

Table II.5

CROSS-BORDER TRANSACTIONS SENT BY THE SPGT TO TARGET
(Volume in units and value in millions of EUR)

	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
Interbank	110,600	1,807,254.9	110,395	1,546,541.4	-0.2	-14.4
Costumers	108,740	29,317.4	104,453	34,078.1	-3.9	16.2
Inter-NCBs	137	3,052.3	173	1,198.5	26.3	-60.7
Total	219,477	1,839,624.6	215,021	1,581,818.0	-2.0	-14.0
<i>Daily average</i>	<i>861</i>	<i>7,214.2</i>	<i>843</i>	<i>6,203.2</i>	<i>-2.0</i>	<i>-14.0</i>

Table II.6

CROSS-BORDER TRANSACTIONS RECEIVED FROM TARGET IN THE SPGT
(Volume in units and value in millions of EUR)

	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
Interbank	105,919	1,800,578.6	115,516	1,541,719.4	9.1	-14.4
Costumers	224,622	43,551.3	246,412	39,785.7	9.7	-8.6
Inter-NCBs	263	824.5	372	707.8	41.4	-14.2
Total	330,804	1,844,954.4	362,300	1,582,212.9	9.5	-14.2
<i>Daily average</i>	<i>1,297</i>	<i>7,235.1</i>	<i>1,421</i>	<i>6,204.8</i>	<i>9.5</i>	<i>-14.2</i>

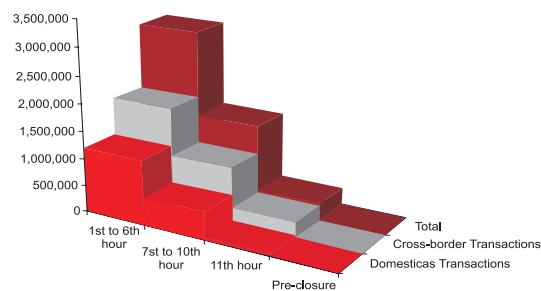
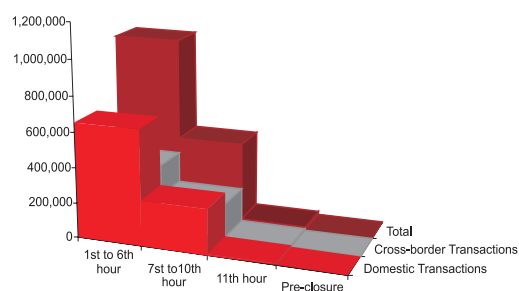
In terms of cross-border payments received at the SPGT through TARGET, the breakdown is identical to the outward flow, though customer operations come in with a larger proportion. Around 97.4% in terms of value and 32% in terms of volume related to interbank transactions (Table II.6). Customer payments accounted for 68% of volume but only 2.5% of value. The remainder related to payments from other NCBs. There were increases in quantity across the board, especially in transactions from other NCBs, where the rise was 41.4%.

Chart II.5

SPGT – SETTLEMENT PER OPERATING PERIOD IN 2007

Volume in units

Value in millions of EUR



The SPGT price structure sets out different figures for the two settlement periods. The purpose of this differentiation is to cut down systemic risk, with a higher tariff for transactions settled late; by the same token, there is an incentive for participants to settle their operations as early as possible. The aim of the policy is to avoid an accumulation of payments in the period just before the close and to prevent any possible shortage of liquidity during the early hours of the following day (Table II.7 and Chart II.5). It can be seen from the data that during the year the first 6 hours (between 6 a.m. and noon) saw processing of 68.5% of quantity and 62.4% of value. By the 10th hour of operations, the SPGT had already settled 99% of payments processed and 93.5% of the amount involved.

Table II.7

SPGT – SETTLEMENT PER OPERATING PERIOD IN 2007
(as a %)

	Domestic		Cross-border		Total	
	Volume	Value	Volume	Value	Volume	Value
Normal period ⁽¹⁾						
1st to 6th hour	70.91	68.15	64.58	59.23	68.48	62.40
7th to 10th hour	28.11	29.20	34.39	32.09	30.52	31.06
Interbank period						
11th hour	0.95	2.61	1.03	8.64	0.98	6.50
Pre-closure period	0.02	0.04	0.01	0.04	0.02	0.04
Total	100	100	100	100	100	100

(1) Interbank and customer transfers

II.2. SLOD

The Settlement System for Other Depositors (SLOD) was created to maintain access facilities to Banco de Portugal accounts by institutions that are not eligible for the SPGT. The system therefore encompasses those depositors that use Banco de Portugal but are not within the SPGT purview since they do not fulfil the minimum requirements, which are of necessity more demanding and more selective. Over the year, there were 78,129 transactions through the system, to an approximate value of 51.4 billion euros. This represents a faster rate of growth than 2006 in terms of volume (up 27.4%), but a fall in amounts (down 7.4%) (Table I.1). This led to a small drop (down 0.8%) in the average unit value of payments: from 1,901,226.57 euros in 2006 to 1,886,147.24 euros a year later (Table I.3). This development is also visible in the daily averages, which rose in volume and fell in value (Table I.2). At the end of the year, there were 86 participants in the system, meaning that 7 participants dropped out during the year (Table I.4).

II.3. TARGET2

TARGET2 coming on stream on 19 November 2007⁵ was a major milestone in the history of the Eurosystem. The revamped Real-Time Gross Settlement System represents a fundamental shift toward integration of Europe's financial infrastructure, since it means a move from a network of decentralised platforms to a common centralised platform with harmonised interfaces, procedures and prices. The launch was successful, although slight disturbances were felt, stemming from payments that were not so well formatted or simply wrongly channelled at source. It is worth noting that TARGET2 is based on a single shared pan-European platform, a fact that led some participants to reorganise their strategy for doing business through the system. They moved to a centralised process of connections from a single point, irrespective of their BIC codes in branches located across Europe. In addition, special attention was needed for the strategy of different windows for migration by various countries. This is because the cross-border Interlinking network (which has certain specific technical features) will only be withdrawn completely when the final window is closed.

During the year, most of the working groups involved in some way with this move⁶ focused fundamentally on preparation for the launch. Specifications for the system and the norms governing operations were finalised; and preparation and tests for national migration were carried out. The first of these took place on 19 November, as scheduled.

Tests involving the central banks had started on 1 February 2007 and continued for three months, with a group of central banks checking whether the SSP⁷ complied with the specifications defined in the User Detailed Functional Specifications (UDFS). May saw the start of tests for the users who were in the 1st window; for those in the 2nd and 3rd, these tests began on 18 June and 2 July respectively. The anomalies detected during this phase were considered to be normal for a project of this size and were smoothly resolved through new releases.

The ECB organised a briefing on TARGET2 for 14 June to give information to the markets. The session was attended by representatives from various commercial banks, peripheral systems and central banks.

At a domestic level, Banco de Portugal co-ordinated the work on migration to TARGET2. In order to facilitate transition for domestic institutions, it was decided that the first phase would involve Banco de Portugal as the direct participant, representing all those institutions that wished to be part of the system. This would allow everyone to continue for the time being with access to the existing facilities provided by the SPGT. Institutions would continue to effect international payments through what is known as PHA (Proprietary Home Accounting). This would take over temporarily from the SPGT, with payments subsequently transferred to Banco de Portugal account at the SSP and, at a later time, to the accounts of those due to receive (and vice-versa, in the case of cross-border payments from countries in the TARGET2 network).

This migration strategy⁸ implied changes to the SPGT so as to adjust the system to the specific requirements of TARGET2, followed by changes to the handbooks and the regulatory framework of SPGT, hereafter called SPGT2. Also worth a mention is the work of the GTI-T2 (the TARGET2 Interbank Working Group). This was created in 2005 within the remit of the CISP, the aim being to develop a co-operative solution for drawing up specifications for a new treasury application (AT2), which will link the Portuguese direct participants to TARGET2 and serve for the development of the ASI interfaces for SICOI⁹.

(5) The countries in the first migration window were Austria, Cyprus, Germany, Latvia, Lithuania, Luxembourg, Malta and Slovenia. The second migration, which included Portugal, took place on 18 February 2008 and the third on 19 May 2008.

(6) *Payment and Settlement Systems Committee, Working Group on T2, Task Force on T2 Migration Issues and Task Force on Contractual Issues.*

(7) *Single Shared Platform for TARGET2.*

(8) This was disseminated in a variety of ways, one being the interbank meeting of 1 February 2007 at Banco de Portugal. At the same time, information on TARGET2 was posted on the Banco de Portugal site, including details of migration/transition.

(9) The ASI interface may be used in future by other peripheral systems

During the year, the following documentation was published by the ECB relating to TARGET2:

- a) The ECB Guidelines of 26 April relating to an automatic pan-European transfer system for real-time gross settlements (TARGET2), (BCE/2007/2), April 2007;
- b) *General Functional Specifications (GFS) – version 2.1, July 2007;*
- c) *User Detailed Functional Specifications, 1st and 2nd Books - version 2.4, November 2007;*
- d) *User Detailed Functional Specifications, 4th Book - version 2.3, October 2007;*
- e) *Routing and Mapping of Payments and Ancillary Systems Transactions - version 1.4, March 2007;*
- f) *National Migration Profiles and Ancillary System Profiles, October 2007, with subsequent updates;*
- g) *Information and Control Module (ICM) User Handbook I - version 2.4, November 2007;*
- h) *Information Guide for TARGET2 Users, October 2007;*
- i) *Information Guide for TARGET2 Pricing, October 2007;*
- j) *Fourth Progress Report, June 2007;*
- k) *Fifth Progress Report, October 2007.*

Banco de Portugal also approved the following documents during the year:

- a) Regulations for TARGET2-PT (Instruction 33/2007, published on 15 January 2008)¹⁰;
- b) Regulations for SPGT2 (Instruction 34/2007, published on 15 January 2008);
- c) Procedural Handbook for SPGT2 (final version published in January 2008).

During the year, TARGET held its position as the most frequently used system for large-value payments across the Euro area. Almost 89.2% in value and 60.5% in large amounts were settled through the system (cf. Table II.8 and Chart II.6). This is a 1.9 pp. gain in quantity over the period 2005 to 2007. From 2006 to 2007, there was a significant growth in traffic through TARGET (12.3% in quantity and 15.6% in value), with EURO 1 recording a growth in quantity of around 12.9% and 20.7% in value. Meanwhile, the Paris Net Settlement (PNS) fell by around 2.8% in quantity but went up by 9.4% in value, while the Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS) rose by around 2.5% in the number of transactions processed and around 2% in value.

(10) Available on www.bportugal.pt

Table II.8

PAYMENT ORDERS PROCESSED BY TARGET AND OTHER TRANSFER SYSTEMS FOR LARGE-VALUE INTERBANK FUNDS IN THE EURO AREA

(Volume in thousands and value in billions of EUR)

	2005		2006		2007	
	Volume	Value	Volume	Value	Volume	Value
TARGET	76,150.6	488,901	83,180.0	533,541	93,380.2	616,860
Domestic	58,467.5	324,089	64,162.2	348,765	72,574.4	395,412
Cross-border	17,683.1	164,812	19,017.8	184,777	20,805.8	221,448
EURO 1	46,413.0	42,939	47,726.7	48,241	53,860.3	58,234
PNS (France)	6,835.7	15,648	6,613.9	14,862	6,429.2	16,265
POPS (Finland)	595.3	454	586.5	459	601.1	468
Total	129,994.6	547,941	138,107.1	597,104	154,270.8	691,827
Daily average	505.8	2,132	541.6	2,342	605.0	2,713

During the year, a daily average of 366,197 payments was processed through TARGET, to a value of 2,419 billion euros. These numbers correspond to a rise of almost 12.3% in quantity and 15.6% in value over the previous year. As has been happening in Portugal since 2002, TARGET processes a larger quantity and larger value in domestic over cross-border payments. Cross-border payments accounted for 22.3% of total traffic in terms of quantity and 35.9% in terms of value.

Chart II.6

PAYMENT ORDERS PROCESSED BY TARGET AND OTHER TRANSFER SYSTEMS FOR LARGE-VALUE INTERBANK FUNDS IN THE EURO AREA

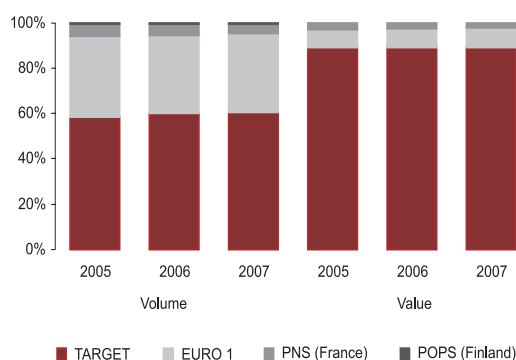
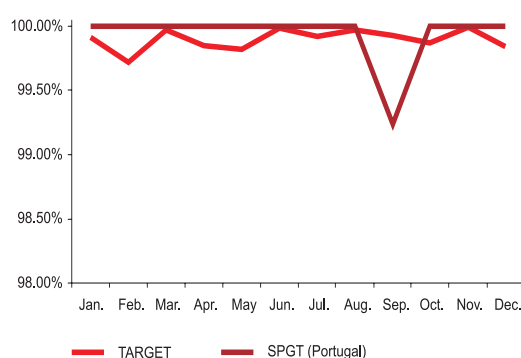


Chart II.7

SERVICE AVAILABILITY OF THE SPGT AND TARGET IN 2007

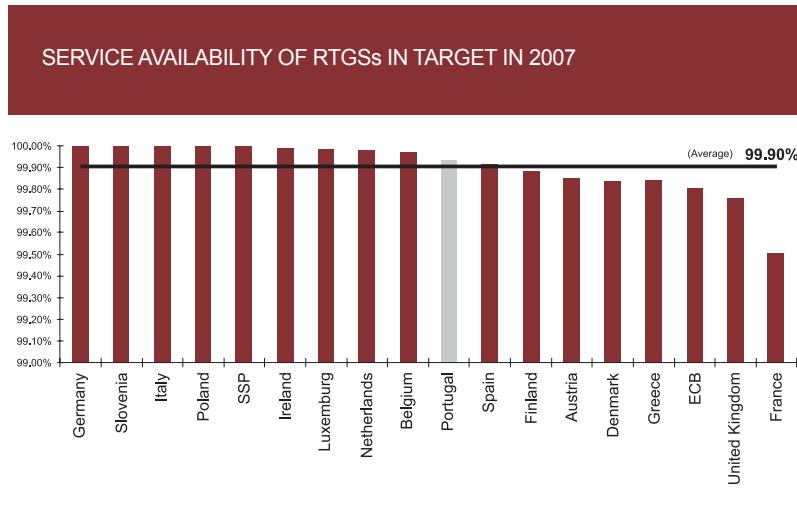


As with the SPGT, the vast majority of TARGET participants put in their payments at the start of the day and this provides a significant contribution to the smooth running of the system and a cut in bottlenecks, specifically in the case of pressures on liquidity at the end of the day.

In terms of service availability, TARGET has been improving in overall figures: from 99.81% in 2004 to 99.83% in 2005, 99.87% in 2006 and 99.9% in 2007. The SPGT, above all in terms

of the TARGET/Interlinking segment, rose by comparison with 2006, coming in with average 99.94% availability.

Chart II.8



There are 20 real-time gross payment systems (SLBTR) linked directly to TARGET, including the ECB payments component, the ECB Payment Mechanism - EPM (Table II.9). When TARGET2 came on stream on 19 November 2007 (the first migration window), some of the national SLBTRs were taken out of service (Austria, Germany and Luxembourg). They moved to the Single Shared Platform. On that date a number of new countries joined TARGET2 direct – Cyprus, Lithuania, Latvia, Malta and Slovenia.

During the year the German SLBTR (RTGSplus) continued at the top in terms of quantity and value of payments processed, accounting for 27.3% of total quantity and 24.7% of total value (Table II.9).

Table II.9

CROSS-BORDER PAYMENTS SENT BY EACH NATIONAL RTGS SYSTEM LINKED TO TARGET
(Volume in thousands and value in billions of EUR)

	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
Austria - ARTIS ⁽¹⁾	546.6	3,690	635.8	4,566	16.3	23.7
Belgium - ELLIPS	917.8	15,939	1,143.0	21,686	24.5	36.1
Cyprus - TARGET2-CY	-	-	2.0	1	-	-
Germany - RTGSplus ⁽¹⁾	5,147.5	46,751	5,669.2	54,705	10.1	17.0
Denmark - KRONOS	108.0	3,100	122.8	4,026	13.7	29.9
Spain - SLBE	1,031.9	6,885	1,228.9	9,065	19.1	31.7
ECB - EPM	39.7	5,049	43.1	7,007	8.5	38.8
Finland - BOF	159.4	2,044	166.6	3,771	4.5	84.5
France - TBF	2,456.0	27,197	2,752.5	31,097	12.1	14.3
United Kingdom - CHAPS Euro	4,116.6	32,229	4,264.8	37,967	3.6	17.8
Greece - HERMES euro	323.5	2,488	361.2	2,805	11.7	12.7
Irlanda - IRIS	485.8	3,117	552.0	3,138	13.6	0.7
Italy - BI-REL ⁽²⁾	2,078.6	12,058	2,155.2	14,617	3.7	21.2
Lithuania - TARGET2-LT	-	-	1.0	2	-	-
Luxemburg - LIPS-GROSS ⁽¹⁾	473.2	4,491	530.0	6,231	12.0	38.7
Latvia - TARGET2-LV	-	-	4.6	4	-	-
Malta - TARGET2-MT	-	-	0.0	0	-	-
Netherlands - TOP	854.8	16,089	947.8	19,160	10.9	19.1
Portugal - SPGT	219.5	1,840	215.0	1,582	-2.1	-14.0
Slovenia - TARGET2- SI	-	-	10.3	20	-	-
Sweden - Euro RIX ⁽³⁾	58.8	1,810	0.0	0	-100.0	-100.0
Total	19,017.7	184,777	20,805.8	221,448	9.4	19.8

(1) These national components ceased to operate on 16 November 2007.

(2) Includes SORBNET Euro (Poland).

(3) Ceased to operate with TARGET at end of 2006.

Other European SLBTRs are also important. In terms of cross-border payments (volume figures), the Italian BI-REL carries 10.4% of traffic, the French TBF carries 13.2% and the UK CHAPS Euro carries 20.5%.

The Portuguese SPGT processed 215 thousand cross-border payments, corresponding to 1,582 billion euros, out of a TARGET total of 20,805.8 thousand, to the value of 221,448 billion euros (Table II.9). The SPGT fell by around 2.1% year on year in terms of quantity and 14% in the value of cross-border payments, the only SLBTR to see a fall in both quantity and value, although its relative position was unchanged from a year earlier.

The biggest year on year growth was the Belgian SLBTR, with a 24.5% rise in quantity.

As with the SPGT cross-border payments, TARGET can be broken into interbank payments, payments on behalf of customers and payments between NCBs (Table II.10).

Table II.10

CROSS-BORDER PAYMENTS THROUGH TARGET (Volume in thousands and value in billions of EUR)						
	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
Interbank	9,015	175,618	9,723	209,230	7.9	19.1
Costumers	9,987	9,096	11,061	12,122	10.7	33.3
Inter-NCBs	15	62	22	95	44.0	53.1
Total	19,018	184,777	20,806	221,448	9.4	19.8
Daily average	75	725	82	868	9.4	19.8

During the year cross-border payments through TARGET came in with interbank transactions accounting for 94.5% in terms of value and 46.7% in terms of quantity. The remainder, in terms of quantity, relate fundamentally to customer payments (53.2%) with a residual figure for inter-NCB transfers (0.1%). The average value of interbank payments was 21.5 million euros and the average value of payments on behalf of customers was 1.1 million euros.

In terms of cross-border transactions, customer operations in 11 of the 20 direct systems in TARGET account for more than 50% of the total, these being TARGET2-CY, RTGSplus, SLBE, TBF, CHAPS, HERMES, IRIS, BI-REL, TARGET2-LT, TARGET2-LV and TARGET2-SI. In terms of value, however, their importance is very low (Table II.11).

So, there has been an overall rise in the use of TARGET for cross-border customer payments. It should be noted, however, that payments on behalf of customers account for a relatively small proportion in the overall system, with TARGET coming in at 53.2% and the Portuguese system at 48.6%.

Table II.11

CROSS-BORDER PAYMENTS THROUGH TARGET BY TYPE OF TRANSACTION AND BY RTGS
(Volume in units and value in billions of EUR)

		2007		Proportion (%)				2007		Proportion (%)	
System		Volume	Value	Volume	Value	System		Volume	Value	Volume	Value
Artis						HERMES					
(Austria)	Customer	110,506	409.0	17.38	8.96	(Greece)	Customer	212,538	19.9	58.84	0.71
	Interbank	525,090	4,156.0	82.59	91.02		Interbank	148,462	2,783.8	41.10	99.23
	Inter NCBs	187	1.2	0.03	0.03		Inter NCBs	216	1.8	0.06	0.06
		635,783	4,566.2					361,216	2,805.5		
ELLIPS						IRIS					
(Belgium)	Customer	559,034	929.2	48.91	4.28	(Ireland)	Customer	379,446	288.1	68.74	9.18
	Interbank	574,779	20,737.7	50.29	95.63		Interbank	172,397	2,849.1	31.23	90.79
	Inter NCBs	9,177	18.6	0.80	0.09		Inter NCBs	174	0.9	0.03	0.03
		1,142,990	21,685.5					552,017	3,138.1		
TARGET2- CY						BI-REL					
(Cyprus)	Customer	1,118	0.1	65.30	8.33	(Italy)	Customer	1,218,192	377.8	56.52	2.58
	Interbank	594	1.1	34.70	91.67		Interbank	934,989	14,232.4	43.38	97.37
	Inter NCBs	-	-				Inter NCBs	2,047	6.5	0.09	0.04
		1,712	1.2					2,155,228	14,616.7		
RTGSplus						TARGET2- LT					
(Germany)	Customer	2,983,947	2,862.4	52.63	5.23	(Lithuania)	Customer	834	0.1	80.81	5.26
	Interbank	2,684,246	51,823.7	47.35	94.73		Interbank	198	1.8	19.19	94.74
	Inter NCBs	1,043	18.4	0.02	0.03		Inter NCBs	-	-		
		5,669,236	54,704.5					1,032	1.9		
KRONOS						LIPS-Gross					
(Denmark)	Customer	12,123	12.5	9.88	0.31	(Luxembourg)	Customer	238,880	177.3	45.08	2.85
	Interbank	110,638	4,013.1	90.12	99.69		Interbank	289,926	6,051.3	54.71	97.12
	Inter NCBs	0	0.0	0.00	0.00		Inter NCBs	1,155	2.3	0.22	0.04
		122,761	4,025.6					529,961	6,230.9		
SLBE						TARGET2- LV					
(Spain)	Customer	713,981	410.3	58.10	4.53	(Latvia)	Customer	3,657	0.2	79.41	5.41
	Interbank	509,142	8,630.1	41.43	95.21		Interbank	948	3.5	20.59	94.59
	Inter NCBs	5,774	24.2	0.47	0.27		Inter NCBs	-	-		
		1,228,897	9,064.6					4,605	3.7		
EPM						TARGET2- MT					
(ECB)	Customer	6,428	0.1	14.92	0.00	(Malta)	Customer	-	-		
	Interbank	36,482	6,997.4	84.70	99.87		Interbank	12	0.2	100.00	100.00
	Inter NCBs	164	9.1	0.38	0.13		Inter NCBs	-	-		
		43,074	7,006.6					12	0.2		
BOF						TOP					
(Finland)	Customer	19,987	186.5	12.00	4.95	(Netherlands)	Customer	215,657	1,737.1	22.75	9.07
	Interbank	146,449	3,583.4	87.91	95.04		Interbank	731,985	17,417.9	77.23	90.91
	Inter NCBs	156	0.7	0.09	0.02		Inter NCBs	207	5.4	0.02	0.03
		166,592	3,770.6					947,849	19,160.4		
TBF						SPGT					
(France)	Customer	1,556,968	2,201.6	56.57	7.08	(Portugal)	Customers	104,453	34.1	48.58	2.16
	Interbank	1,194,402	28,890.5	43.39	92.90		Interbank	110,395	1,546.5	51.34	97.77
	Inter NCBs	1,102	4.8	0.04	0.02		Inter NCBs	173	1.2	0.08	0.08
		2,752,472	31,096.9					215,021	1,581.8		
CHAPS						TARGET2- SI					
(United Kingdom)	Customer	2,714,795	2,475.0	63.66	6.52	(Slovenia)	Customer	8,070	0.6	78.40	3.05
	Interbank	1,550,018	35,491.7	36.34	93.48		Interbank	2,224	19.1	21.60	96.95
	Inter NCBs	30	0.0	0.00	0.00		Inter NCBs	-	-		
		4,264,843	37,966.7					10,294	19.7		



CHAPTER III. *The Interbank Clearing System (SICOI)*

III.1. SICOI

The clearing system grew during the year, as it had in previous years, coming in with a 5.6% rise in quantity and a 6.2% rise in value. Total transactions numbered 1,662.30 million and total value stood at 343,822.4 million euros (Table III.1). Daily average rose to 4,921 thousand operations to the value of 1,290.2 million euros (Table I.2).

The increases were the result of growth in the use of electronic payment instruments, both in terms of quantity and value. Interbank electronic transfers grew by around 15% in quantity and 18.5% in value and direct debits rose by 21.6% in quantity and 23.7% in value. The ATM system (Multibanco), however, came in with more moderate rises, 6% in quantity and 10.7% in value.

Paper-based payment instruments fell in quantity (down 8.8% for cheques and 13.6% for bills of exchange) and in value (down 1.4% for cheques and 1.6% for bills of exchange). The average value of transactions, however, continued to rise at rates higher than a year earlier: 8.1% for cheques (as against 7.9%) and 13.8% for bills of exchange (as against 11.7%).

Table III.1

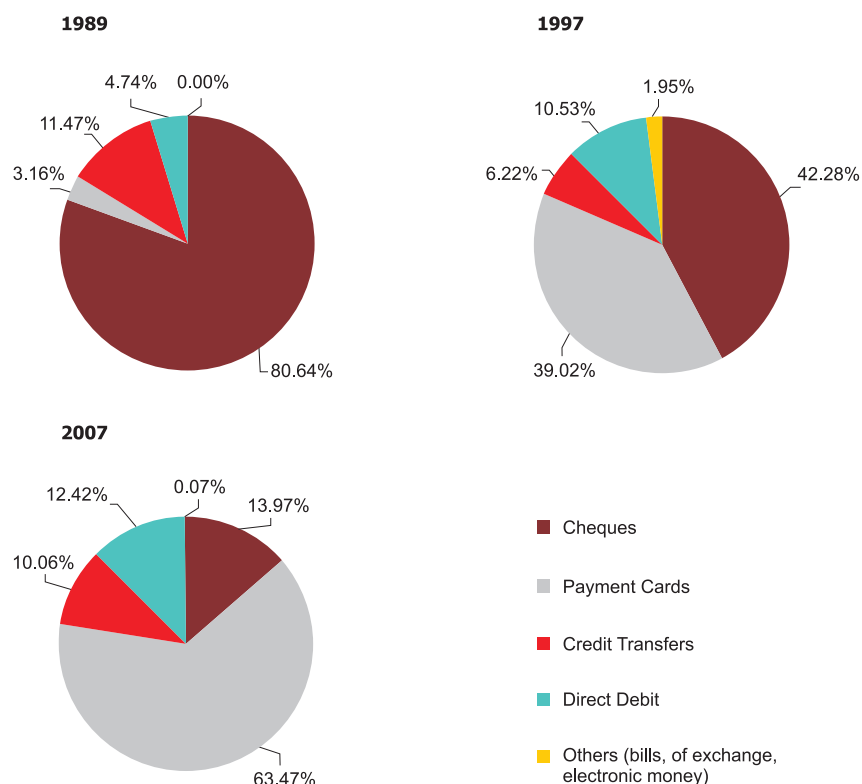
TRANSACTIONS IN THE INTERBANK CLEARING SYSTEM (SICOI)
(Volume in millions and value in millions of EUR)

	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
Clearing	1,574.70	323,831.7	1,662.30	343,822.4	5.6	6.2
CHEQUES	154.85	176,835.7	141.22	174,326.8	-8.8	-1.4
Truncated	151.25	97,134.9	137.71	93,828.5	-9.0	-3.4
Not truncated	3.60	79,700.9	3.51	80,498.3	-2.6	1.0
OTHERS	1,419.85	146,996.0	1,521.08	169,495.6	7.1	15.3
BILLS OF EXCHANGE	0.43	2,284.1	0.37	2,247.7	-13.6	-1.6
TEI	54.66	73,896.0	62.86	87,562.0	15.0	18.5
DIRECT DEBITS	71.33	9,809.0	86.73	12,137.8	21.6	23.7
ATM (MULTIBANCO)	1,293.42	61,006.9	1,371.12	67,548.1	6.0	10.7
<i>Daily average</i>	<i>4.673</i>	<i>1,222.7</i>	<i>4.921</i>	<i>1,290.2</i>	<i>5.3</i>	<i>5.5</i>

An analysis of the moves in different payment instruments in Portugal over three years (Chart III.1) leads to the following conclusions: (i) the use of cheques has been going down considerably and they now account for only 14% of the total amount of payments, whereas in 1989 they accounted for 80.6%; (ii) cards are also being used more and more, accounting for 63.5% of payments (the figure for 1989 was a mere 3.2%); (iii) direct debits and credit transfers both grew, the first accounting for around 12.4% of payments and the second 6.2%.

Chart III.1

DEVELOPMENT OF PAYMENT SYSTEMS IN PORTUGAL



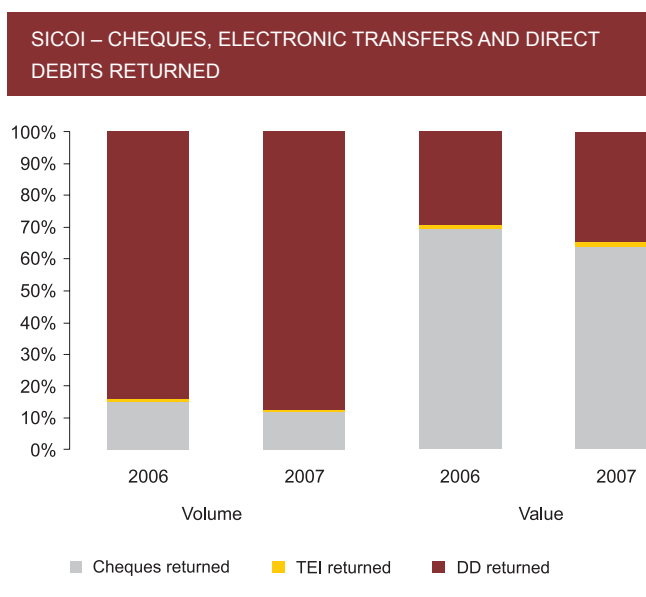
The number of documents sent back through SICOI increases by around 20% over the year but is still only 0.4% of the total number of documents presented. This increase was due in part to the number of documents sent back through the direct debit subsystem (up 24.9%) and credit transfers (up 17.8%). However, given the increase in the number of transactions, these variations resulted in a small increase in the number of documents sent back. The number of cheques sent back fell (down 6.5%) but the proportion was fundamentally the same (around 0.6% of the number of cheques presented).

Table III.2

DOCUMENTS IN SICOI - PRESENTED AND RETURNED (Volume in millions and value in millions of EUR)						
	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
SICOI						
Presented for clearing	1,574.70	323,831.7	1,662.30	343,822.4	5.6	6.2
Returned	6.17	3,933.9	7.42	4,127.3	20.1	4.9
CHEQUES						
Presented for clearing	154.85	176,835.7	141.22	174,326.8	-8.8	-1.4
Returned	0.93	2,738.8	0.87	2,636.6	-6.5	-3.7
BILLS OF EXCHANGE						
Presented for clearing	0.43	2,284.1	0.37	2,247.7	-13.6	-1.6
TEI						
Presented for clearing	54.66	73,896.0	62.86	87,562.0	15.0	18.5
Returned	0.06	42.7	0.07	67.8	17.8	58.8
DIRECT DEBITS						
Presented for clearing	71.33	9,809.0	86.73	12,137.8	21.6	23.7
Returned	5.19	1,152.4	6.48	1,422.9	24.9	23.5
ATM (MULTIBANCO)						
Presented for clearing	1,293.42	61,006.9	1,371.12	67,548.1	6.0	10.7

Chart III.2 shows that cheques are still the payment instrument that accounts for the biggest proportion of amounts sent back through SICOI, coming in at around 2,636.6 million euros. This was 64% of the total value of documents sent back. However, in terms of quantity, direct debits account for the largest number (87%), with a rise of around 25% from a year earlier.

Chart III.2



III.2. CHEQUES

During the year, 141.22 million cheques were processed, to a total value of 174,326.8 million euros. This was 8.8% down on 2006 in terms of quantity but only 1.4% in value. Cheques are still the biggest single item in terms of value, representing approximately 50.7% of the amounts settled through SICOI.

As a result of the interbank cheque imaging process (CIIC), 97.5% of cheques processed through the clearing system were truncated in the receiving bank. This represented 137.71 million cheques. Cheques imaging is only mandatory in certain circumstances, but credit institutions can access all cheques through this technique, whatever their value. This leads to a marked improvement in the management of risk associated with this payment instrument.

Table III.3

CHEQUES TRUNCATED AND NOT TRUNCATED

(Volume in millions and value in millions of EUR)

	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
CHEQUES	154.85	176,835.7	141.22	174,326.8	-8.8	-1.4
Truncated	151.25	97,134.9	137.71	93,828.5	-9.0	-3.4
Not truncated	3.60	79,700.9	3.51	80,498.3	-2.6	1.0
<i>Daily average</i>	<i>0.62</i>	<i>710.2</i>	<i>0.56</i>	<i>697.3</i>	<i>-9.2</i>	<i>-1.8</i>

It can be seen from Chart III.3 that truncated cheques represent 97.5% of all cheques cleared in terms of quantity but only 53.8% in terms of value. Non-truncated cheques only come in with 2.5% of volume but they account for a considerable proportion in terms of value (46.2%).

Chart III.3

CHEQUES TRUNCATED AND NOT TRUNCATED

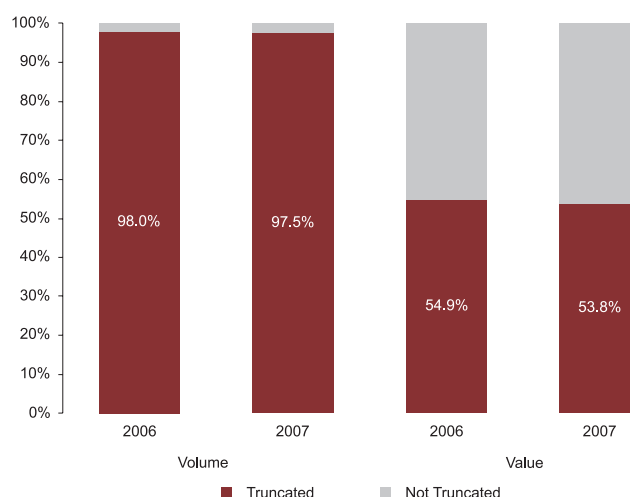


Table III.4 gives a breakdown of the reasons why cheques were sent back. It can be concluded from an analysis of this that: (i) for the total, and in absolute terms, the number of cheques sent back went down 6.5% over the year; (ii) the amount returned for "lack of provision or insufficient funds" has gone down by 8.2%, but it is still the biggest reason for returns, accounting for 75.1% of the total (down 1.4 pp year on year); (iii) the second biggest reason for cheques being sent back continues to be "cheques revoked for good reason – loss", with 63,436 returns (7% of the total); (iv) for the drawee bank, the biggest growth came under "duplicated register" (427.6%); (v) for the drawing bank, the biggest growing cause for returns was "returned after the time limit". This rose by 25.9%.

Table III.4

BREAKDOWN OF REASONS FOR CHEQUES BEING RETURNED (in units)			
Reason for return	Volume		Variation (%)
	2006	2007	
Return by Drawee			
Lack of main requirement	3,426	3,225	-5.9
Cashing irregularities	2,473	2,724	10.1
Irregular endorsement	3,473	3,102	-10.7
Cheque revoked for good reason - theft	5,210	4,449	-14.6
Cheque revoked for good reason - theft with violence	6,609	5,153	-22.0
Cheque revoked for good reason - loss	72,791	63,436	-12.9
Cheque revoked for good reason - embezzlement	759	829	9.2
Cheque revoked for good reason – accidental disability	385	336	-12.7
Cheque revoked for good reason – causes beyond control	37,691	39,199	4.0
Cheque revoked - submitted after time limit	1,733	1,871	8.0
Cheque presented after time limit	14,377	20,532	42.8
Account blocked	9,621	10,875	13.0
Account suspended	265	110	-58.5
Account closed	4,691	4,034	-14.0
Lack of provision or insufficient funds	713,575	655,006	-8.2
Misdirection of account	384	413	7.6
Non-existent account number	526	503	-4.4
Non-existent cheque number	2,942	3,703	25.9
Data error	2,709	2,202	-18.7
Incorrect amount	5,272	5,577	5.8
Non delivery of cheque	4,212	3,660	-13.1
Duplicate register	717	3,783	427.6
Lack of stamp/submitting reference	9,246	6,442	-30.3
Altered cheque	217	511	135.5
Return at the request of the collecting bank	17,813	18,947	6.4
Not cleared because of changes to printed data on cheque	272	209	-23.2
Return by Payee			
Invalid return reason	10,218	9,484	-7.2
Misdirection of account	452	525	16.2
Duplicate register – drawee institution	32	25	-21.9
Cheque returned after the time limit	1,069	1,346	25.9
Total	933,160	872,211	-6.5

A monthly analysis (Table III.5), shows that there was a fall in the number of cheques presented and cheques sent back: the monthly average for cheques presented went down from 12,904 thousand (to the value of 14,736.3 million euros) in 2006 to 11,768 thousand cheques (to the value of 14,527.2 million euros) a year later; the monthly average for cheques sent back went down from 77.54 thousand in 2006 to 72.48 thousand in 2007. The months with biggest peaks for cheques

presented were, in descending order: January (12,809 thousand), May (12,767 thousand) and July (12,693 thousand). September was the month with fewest cheques presented (10,775 thousand).

Table III.5

MONTHLY DATA ON CHEQUES PRESENTED AND RETURNED THROUGH THE CLEARING SYSTEM IN 2007

(Volume in thousands and value in millions de EUR)

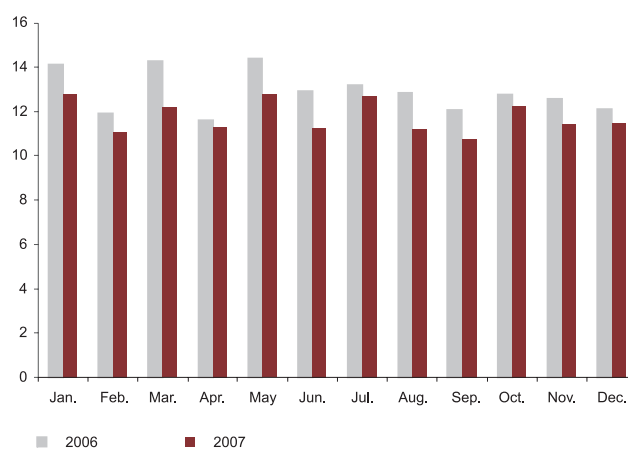
Month	Presented for clearing		Returned	
	Volume	Value	Volume	Value
January	12,808.83	15,606.2	75.41	233.5
February	11,051.98	13,198.0	64.48	192.4
March	12,208.57	14,391.3	81.55	234.1
April	11,287.22	13,291.1	68.10	197.8
May	12,767.40	15,352.9	81.33	236.8
June	11,260.33	13,908.7	71.96	208.6
July	12,692.66	15,622.7	74.47	225.5
August	11,221.40	14,512.1	67.34	202.3
September	10,775.17	13,592.6	62.84	198.1
October	12,270.27	15,734.7	78.17	251.0
November	11,392.50	14,619.3	75.05	238.1
December	11,479.75	14,497.2	69.09	218.3
Total	141,216.08	174,326.8	869.78	2,636.6
<i>Monthly Average</i>	11,768.01	14,527.2	72.48	219.7
Memorandum:				
Total 2006	154,848.20	176,835.7	930.47	2,738.8
<i>Monthly average 2006</i>	12,904.02	14,736.3	77.54	228.2

The number of cheques presented for clearing dropped for every month over the previous year. The most significant falls were in March, May, June, August and September (Chart III.4).

Chart III.4

MONTHLY DATA ON THE VOLUME OF CHEQUES PRESENTED FOR CLEARING IN 2006 AND 2007

(Volume in millions)



In terms of distribution by value brackets for all cheques presented for payment in the interbank systems (including large-value cheques)¹¹ (Table III.6), the rate of cheques sent back was the same as a year earlier: 0.6% in quantity and 1.2% in value.

Table III.6

CHEQUES PRESENTED AND RETURNED IN 2007 BY VALUE BRACKET
(Volume in thousands and value in millions of EUR)

Brackets (Euros)		Presented		Returned	
		Volume	Value	Volume	Value
0	24	6,427.96	103.0	7.69	0.1
25	50	11,704.53	417.9	10.00	0.3
50	150	31,853.69	2,935.6	27.02	2.6
150	250	19,681.50	3,821.9	74.36	14.6
250	375	15,837.75	4,816.9	80.81	24.6
375	500	10,191.70	4,393.3	58.98	25.5
500	1,000	19,386.01	13,263.8	166.16	115.7
1,000	1,500	7,629.24	9,073.0	102.51	121.9
1,500	2,000	3,903.67	6,633.9	63.04	106.7
2,000	2,500	2,566.09	5,626.5	45.10	98.4
2,500	5,000	5,449.53	18,636.1	107.59	367.3
5,000	10,000	3,308.56	22,229.0	64.96	433.3
10,000	15,000	1,223.75	14,395.9	27.07	319.1
15,000	20,000	586.92	9,903.3	11.83	198.2
20,000	25,000	372.50	8,114.2	6.89	149.6
25,000	37,500	496.46	14,808.3	8.62	253.7
37,500	50,000	212.06	9,085.5	2.87	122.7
50,000	100,000	384.16	26,068.9	4.27	282.5
100,000	150,000	132.18	15,532.7	1.06	122.5
150,000	200,000	53.27	8,971.2	0.44	72.8
200,000	250,000	29.60	6,423.5	0.24	52.0
250,000	350,000	29.18	8,370.2	0.21	59.1
350,000	500,000	17.80	7,285.7	0.14	56.7
500,000	1,000,000	19.84	13,109.4	0.27	193.4
1,000,000	2,500,000	9.19	13,382.9	0.08	110.5
2,500,000	5,000,000	2.50	8,395.0	0.01	22.9
>= 5,000,000		2.06	33,791.4	0.01	140.3
<i>Rate of return (2007)</i>		141,511.69	289,588.7	872.21 0.6%	3,466.8 1.2%
Memorandum:					
Total 2006		155,127.37	286,799.2	933.16	3,558.8
<i>Rate of return (2006)</i>				<i>0.6%</i>	<i>1.2%</i>

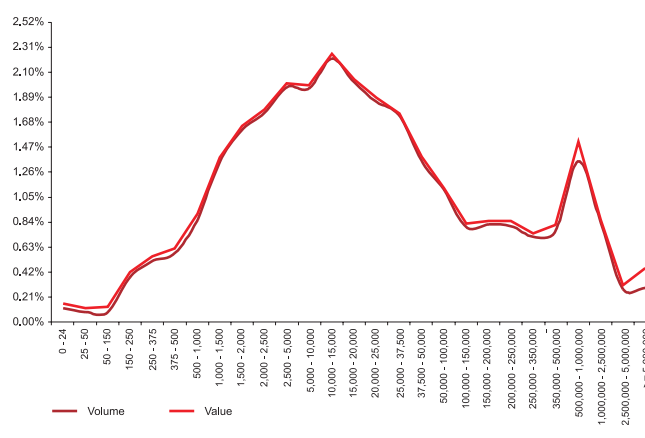
(11) This explains the difference between the figures in Table III.5 and Table III.6.

The value brackets with the biggest number of returned cheques are still those between 10 and 15 thousand euros (2.21% in quantity and 2.22% in value) and between 15 and 20 thousand euros (2.02% in quantity and 2% in value (Chart III.5).

In percentage terms, the rates of return are lowest at the two extremes, that is with values below 1000 euros and above 1 million euros. The rate of return for these is less than 1%. In the first three brackets (0 to 25 euros, 25 to 50 euros and 50 to 150 euros) the rate of return is in fact below 0.1%. It is not possible, however, to deduce from this that there is a lower rate of returned cheques in these brackets, since the regulations stipulate that the drawer's bank has to pay out on all cheques below 150 euros¹². These cannot be returned because of "Lack of provision or insufficient funds" – the reason which accounts by itself for around 75% of returned cheques.

Chart III.5

CHEQUES PRESENTED AND RETURNED BY VALUE BRACKET IN 2007



It is worth pointing out that year on year 2007 saw a smaller number of cheques at a value below 150 euros (the upper limit at which the bank must pay): 49.99 million cheques as against 58.48 million a year earlier. This represents approximately 35.3% of the cheques settled through the country's clearing system (as against 37.7% in 2006). As for the amounts involved, these same cheques totalled 3,456.4 million euros (3,975.2 million euros in 2006). This corresponds to only 1.2% of the values processed (1.4% in 2006). In terms of cheques returned, we can see that only 5.1% of the returns (5% in 2006) occurred with cheques for less than 150 Euros. This corresponds to around 0.1% of the amounts returned (0.1% in 2006).

(12) On 29 September, Law 48/2005 of 29 August came into force. Credit institutions from here on were obliged to pay cheques of less than 150 euros, even when the account on which they were drawn does not have the necessary funds.

III.3. BILLS OF EXCHANGE

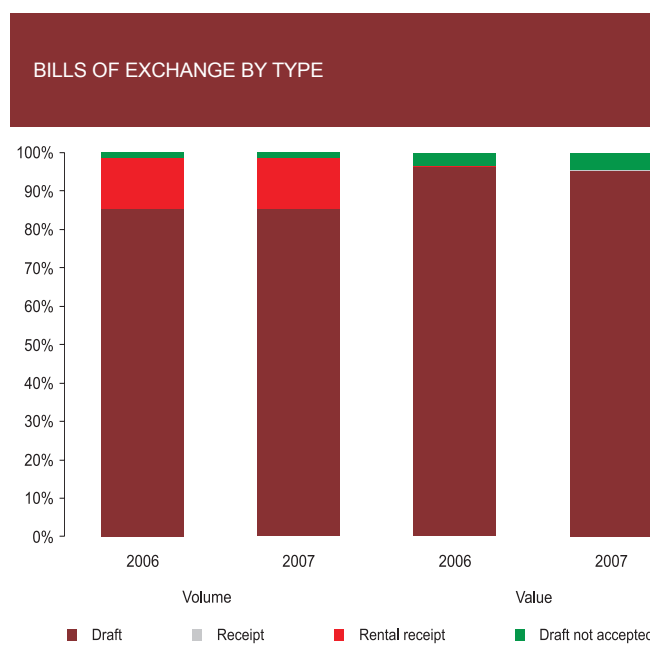
During the year, the bills of exchange clearance system processed 373.5 thousand operations, to the value of 2,247.7 million euros, representing only 0.02% in quantity and 0.65% in value settled through SICOI (Table I.1). This sub-system is the one with the largest fall in number of transactions (down 13.6%), yet it comes in with one of the biggest increases in average value per operation (13.8%), with value moving from 5,286.5 euros in 2006 to 6,018.2 euros a year later (Table I.3).

The breakdown into type of transaction settled through this clearing system was fundamentally unchanged (Chart III.6). “Drafts” still represent around 85.4% of bills cleared during the year (similar to the 85.3% recorded a year earlier). “Rental receipts” represent 12.9% of the number of bills cleared and 0.4% of value. The remaining bills processed also fell in terms of quantity; however, they rose in value, bucking the trend of recent years. “Receipts” fell around 2.6% in quantity and rose 2.1% in value. These are becoming less and less used. “Drafts not accepted” fell in terms of quantity by around 4.5% and rose 29.4% in value.

Table III.7

BILLS OF EXCHANGE BY TYPE (Volume in thousands and value in millions of EUR)						
	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
BILLS OF EXCHANGE	432.1	2.284.1	373.5	2.247.7	-13.6	-1.6
Draft	368.7	2.199.1	319.0	2.141.6	-13.5	-2.6
Receipt	0.4	0.6	0.4	0.6	-2.6	2.1
Rental receipt	56.7	9.1	48.1	8.0	-15.1	-12.1
Drafts not accepted	6.2	75.3	5.9	97.5	-4.5	29.4
<i>Daily average</i>	<i>1.7</i>	<i>9.2</i>	<i>1.5</i>	<i>9.0</i>	<i>-13.9</i>	<i>-2.0</i>

Chart III.6



The structural changes seen in type of bill are also visible in the distribution by type of portfolio (Table III.8), though the figures here are lower. Domestic collection has risen slightly, to 19.19%, from 19.1% in 2006 and around 17.16% in 2005. During 2007 only 72 thousand domestic collections were processed, representing a 13.1% fall over the quantities processed a year earlier. Discounts still represent 78.8% in quantity and 88.6% in value, although there has been a 12.9% fall in quantity over 2006. The remaining items in the system have risen considerably in value. Relative proportions are, however, very small. Collections from abroad with charges (refusable) come in with the biggest fall in terms of quantity.

Table III.8**BILLS OF EXCHANGE BY PORTFOLIO TYPE***(Volume in thousands and value in millions of EUR)*

	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
BILLS OF EXCHANGE	432,1	2.284,1	373,5	2.247,6	-13,6	-1,6
Discount	338,1	2.055,3	294,3	1.991,6	-12,9	-3,1
Domestic collection	82,5	118,9	71,7	113,0	-13,1	-5,0
Collection from abroad - charges can be refused	7,2	38,9	2,8	47,8	-60,8	23,0
Collection from abroad - charges cannot be refused	4,3	70,9	4,7	95,3	9,1	34,3
<i>Daily average</i>	<i>1,7</i>	<i>9,2</i>	<i>1,5</i>	<i>9,0</i>	<i>-13,9</i>	<i>-2,0</i>

An analysis of bills in monthly terms (Table III.9 and Chart III.7) shows that the number of bills processed was significantly down on the equivalent month a year earlier. The average quantities per month fell from 36 thousand in 2006 to 31 thousand in 2007.

Table III.9

MONTHLY DATA ON BILLS OF EXCHANGE

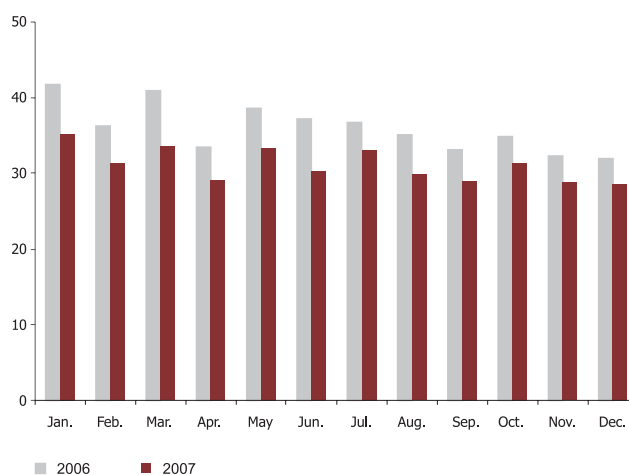
(Volume in thousands and value in millions of EUR)

Month	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
January	41.7	204.3	35.2	193.8	-15.5	-5.1
February	36.3	184.3	31.4	184.3	-13.6	0.0
March	40.9	216.3	33.5	200.3	-18.1	-7.4
April	33.4	180.9	29.1	170.6	-13.0	-5.7
May	38.5	202.8	33.3	195.2	-13.5	-3.7
June	37.1	193.1	30.3	178.0	-18.4	-7.8
July	36.8	195.9	33.1	197.7	-9.9	0.9
August	35.1	177.1	29.8	175.8	-15.1	-0.7
September	33.1	175.8	29.0	181.4	-12.4	3.2
October	34.9	199.0	31.4	202.1	-9.9	1.5
November	32.3	184.1	28.9	187.6	-10.8	1.9
December	32.0	170.5	28.6	181.0	-10.6	6.2
Total	432.1	2,284.1	373.5	2,247.7	-13.6	-1.6
<i>Monthly average</i>	<i>36.0</i>	<i>190.3</i>	<i>31.1</i>	<i>187.3</i>	<i>-13.6</i>	<i>-1.6</i>

Chart III.7

MONTHLY DATA ON BILLS OF EXCHANGE BY VOLUME IN 2006 AND 2007

(Volume in thousands)



In terms of the distribution of bills by value bracket (Table III.10), it is worth noting that around 15.9% of bills are issued for values below 245 euros, and yet they only account for 0.28% of the amounts involved. In terms of quantity and value, the bracket with the largest proportion is from 5 thousand to 25 thousand euros, coming in with 24.21% in quantity and 44.15% in value. This does, however, represent a 3.8% fall in quantity and a 2.5% fall in value. The first four brackets come in with considerable falls

on a year earlier. The last two brackets come in with growth, both in quantity and in value. An analysis of relative proportions (in quantity terms) shows that the five lowest brackets lost ground, whereas the quantities processed in the other brackets showed gains.

It is also important to note that the lower brackets (less than 2.5 thousand euros) were those that fell most, both in quantity and in value, while the higher brackets (between 25 and 250 thousand euros) all grew.

Table III.10

BILLS OF EXCHANGE BY VALUE BRACKET
(Volume in units and value in millions of EUR)

Brackets (Euros)	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
0 245	75,096	8.22	59,199	6.40	-21.2	-22.1
245 1,000	93,250	51.93	73,885	41.34	-20.8	-20.4
1,000 2,500	88,680	142.69	74,762	120.69	-15.7	-15.4
2,500 5,000	60,853	214.63	54,043	191.21	-11.2	-10.9
5,000 25,000	93,955	1,017.78	90,406	992.31	-3.8	-2.5
25,000 50,000	15,277	521.99	16,045	555.96	5.0	6.5
50,000 250,000	4,949	326.82	5,140	339.74	3.9	4.0
	432,060	2,284.1	373,480	2,247.7	-13.6	-1.6

III.4. INTERBANK ELECTRONIC TRANSFERS (TEI)

There were 62.86 million transactions processed in this system totalling 87,562 million euros. This was a 15% rise in quantities and an 18.5% rise in value (Table I.1). The volume of operations sent back came to around 65 thousand, to the value of 67.8 million euros. This was a 17.8% rise in quantity and a 58.8% rise in value. However, the number of transfers sent back as a proportion of the total is still 0.1% (Table III.12).

An analysis by value bracket (Table III.11) shows that the majority of transfers cleared are under 5 thousand euros, representing 96% in quantity and 44% in value in this bracket. The largest number of transfers sent back is, logically, in the same bracket (96% in quantity and 37% in value).

Table III.11

ELECTRONIC TRANSFER BY VALUE BRACKET IN 2007 ¹³				
<i>(Volume in thousands and value in millions of EUR)</i>				
Value brackets (Euros)	Presented		Returned	
	Volume	Value	Volume	Value
0 - 5,000	60,341.5	38,140.2	62.8	25.0
5,000 - 25,000	1,938.7	19,989.6	1.9	19.1
25,000 - 50,000	331.5	11,465.8	0.3	10.5
50,000 - 100,000	246.0	17,966.4	0.2	13.2
Total	62,857.7	87,562.0	65.2	67.8
<i>Daily average</i>	<i>252.4</i>	<i>351.7</i>	<i>0.3</i>	<i>0.3</i>
Memorandum:				
Total 2006	54,664.6	73,896.0	55.3	42.7
<i>Daily average 2006</i>	<i>219.5</i>	<i>296.8</i>	<i>0.2</i>	<i>0.2</i>

Transfers can be classified in terms of operational code (Tables III.12 and III.13), and here it is important to make individual analyses of each processing closure¹⁴. At the first close it can be inferred that "undifferentiated transfers" and salaries continue to be the most important, both in quantity (71%) and in value (75%). These are followed by "suppliers" and "Social Security". As for the second closure, at the top there are the "undifferentiated transfers", salaries, "suppliers" and interbank transfers "from abroad" and "domestic".

The quantity and value of transfers processed in the first session (99.7% of the total quantity, 98.3% of the value) are always going to be higher than those processed in the second session, since the TARGET operating schedule and the point of closure imply that the second session will be limited to transfers communicated direct from back offices: these are domestic interbank transfers; interbank transfers originating abroad; and transfers deemed to be urgent. A supplementary charge is levied on urgent transfers, because of the resources that need to be allotted to processing and the negative impact of the increase in operations in the second clearing session. The aim is to cut back on use of these sessions for non-interbank operations or those that are not in fact urgent.

(13) Only transfers of less than one hundred thousand euros are processed through the electronic transfer system. All those above this figure must be settled through SPGT/TARGET, in order to control systemic risk.

(14) Closure is a series of technical procedures that provide a check on balances for the participants in the clearing system. The word "closure" is used for its association with the "cut-off" point for operations in the particular balance in question.

Only 0.10% in the first session was sent back and 0.16% in the second session (compared with 0.06% a year earlier). These low figures demonstrate the degree of reliability and security that has been reached. However, this did not prevent a rise, as already noted, to 65.17 thousand returns in the first and second sessions (up 8% on 2006). This amounted to 67.8 million euros (corresponding to a rise of almost 60% in value).

Table III.12

ELECTRONIC TRANSFERS BY OPERATIONAL CODE IN 2007 (1ST CLOSURE)
(Volume in thousands and value in millions of EUR)

Operational code	Presented		Returned	
	Volume	Value	Volume	Value
Electricity reimbursements	35.39	4.5	0.04	0.0
Housing rent	154.74	150.2	0.15	0.1
Salaries	19,091.33	20,612.1	5.27	3.7
Suppliers	3,920.38	13,830.0	2.35	5.8
Social Security	9,647.31	1,794.2	12.12	2.7
Pensions	1,301.22	909.0	0.35	0.5
Transfers (undifferentiated)	25,402.29	43,972.4	31.85	35.7
VAT reimbursements	1,460.48	2,415.6	9.34	13.1
Domestic transfer (manual)	0.98	3.7	0.03	0.0
Interbank exchange market	0.00	0.0	0.00	0.0
Commercial transfer from abroad	26.07	612.7	0.51	2.3
Emigrant remittance from abroad	0.38	3.9	0.02	0.0
Low value pension from abroad	1,150.54	336.8	2.07	0.4
Low value commercial transfers from abroad	377.02	1,238.5	0.29	0.9
Low value emigrant remittance from abroad	110.87	166.7	0.46	0.7
Transfer of pension from abroad	2.25	0.5	0.03	0.0
Transfer from abroad (manual)	0.01	0.0	0.00	0.0
Total	62,681.27	86,050.8	64.89	65.9
<i>Rate of return (2007)</i>			<i>0.10%</i>	<i>0.08%</i>
Memorandum:				
Total 2006	54,468.68	72,519.6	55.21	42.2
<i>Rate of return (2006)</i>			<i>0.10%</i>	<i>0.06%</i>

Table III.13

ELECTRONIC TRANSFERS BY OPERATIONAL CODE IN 2007 (2ND CLOSURE)
(Volume in thousands and value in millions of EUR)

Operational code	Presented		Returned	
	Volume	Value	Volume	Value
Electricity reimbursement	0.28	0.6	0.00	0.0
Housing rent	0.45	0.5	0.00	0.0
Salaries	39.83	58.2	0.01	0.0
Suppliers	9.33	150.3	0.00	0.0
Social Security	0.23	0.5	0.00	0.0
Pensions	0.01	0.1	0.00	0.0
Transfers (undifferentiated)	70.28	583.4	0.10	0.2
IVA reimbursements	0.00	0.0	0.00	0.0
Interbank exchange market	7.64	75.7	0.00	0.0
Interbank transfer from abroad	35.29	343.9	0.12	1.3
Commercial transfer from abroad	1.41	25.2	0.03	0.2
Emigrant transmittance from abroad	0.01	0.3	0.00	0.0
Domestic interbank transfer	11.65	272.6	0.03	0.2
Total	176.41	1.511.2	0.28	1.9
<i>Rate of return (2007)</i>			<i>0.16%</i>	<i>0.13%</i>
Memorandum:				
Total 2006	195.97	1.376.4	0.11	0.5
<i>Rate of return (2006)</i>			<i>0.06%</i>	<i>0.04%</i>

In terms of service code (Table III.14), a significant part of the movements relates of course to “transfers effected” (approximately 87.8% of all movements). During the year, there were only 0.04 thousand “transfers of pensions from abroad with standardised account number” received, corresponding to 0.007 million euros. There have been significant falls under this heading since 2004: around 66% in 2005, 94% in 2006 and 70.6% in 2007. This is due to the migration of these operations to “transfers with additional information and NIB or IBAN of the beneficiary” (these rose in quantity by 5.8% compared with 2006). The banks are encouraging this, since it means more automatic treatment, and they now carry the bank identification number (domestic and international) - the NIB/IBAN - rather than the pensioner's number.

Table III.14

ELECTRONIC TRANSFERS BY SERVICE CODE
(Volume in thousands and value in millions of EUR)

Service code	2006		2007	
	Volume	Value	Volume	Value
Transfers effected	53,035.19	70,952.4	61,134.52	84,485.1
Transfers returned	52.80	37.6	61.61	61.8
Movement on drawee's account	5.10	269.7	4.90	168.2
Transfer to cover drawee's account	0.11	0.0	0.10	0.1
Request for confirmation of data (NIB)	0.00	0.0	3,286.38	0.0
Reply to request for account information (NIB)	7.27	1.8	3,294.41	2.1
Information on change of NIB	79.43	0.0	70.20	0.0
Transfer with additional information and NIB or IBAN of beneficiary	1,629.33	2,943.5	1,723.11	3,076.9
Return of transfer with additional information and NIB or IBAN of beneficiary	2.53	5.2	3.55	6.1
Transfer of pensions from abroad with standardised account number	0.13	0.0	0.04	0.007
Return of transfer of pensions from abroad with standardised account number	0.00	0.0	0.00	0.0
Request for return of transfer by drawee's bank	15.56	23.8	22.38	39.5
Reply to request for return of transfer by drawee's bank without accounting value	10.71	15.1	14.11	19.5
Reply to request for return of transfer by drawee's bank with accounting value	7.79	14.6	14.21	27.5

Note: The figures presented for 2007 relating to "request for confirmation of account number (NIB)" and "replies to requests for account number (NIB)" result from the protocol signed by the state, SIBS and the APB, relating to the means of payment to be used for tax rebates.

The monthly data presented in Table III.15 is around an average 5,238.14 thousand transactions (approximately 683 thousand more per month than in 2006) and 7,296.8 million euros (1,139 million euros per month more than in 2006). The maximum figure, both in quantity and value, was recorded in December and the minimum in February. Quantities in every month were higher than in 2006 (Chart III.8).

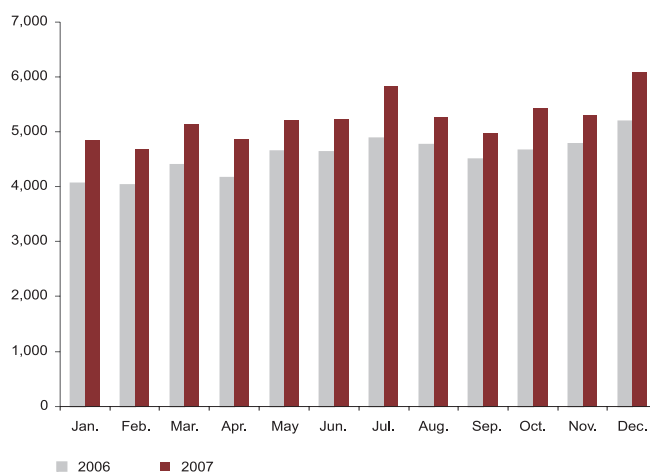
Table III.15

MONTHLY DATA ON ELECTRONIC TRANSFERS IN 2007
(Volume in thousands and value in millions of EUR)

Month	Presented		Returned	
	Volume	Value	Volume	Value
January	4,851.13	6,719.8	7.10	5.7
February	4,674.35	6,052.2	3.75	3.4
March	5,132.11	6,856.3	5.31	6.4
April	4,870.07	6,435.6	4.01	3.9
May	5,213.80	7,119.0	4.39	4.4
June	5,231.14	7,536.3	4.10	4.8
July	5,838.26	8,063.6	9.32	8.9
August	5,254.05	7,459.1	6.65	7.0
September	4,968.73	6,873.5	5.46	6.5
October	5,424.75	7,642.2	4.97	5.3
November	5,312.37	8,317.4	4.55	7.2
December	6,086.93	8,487.1	5.57	4.5
Total	62,857.67	87,562.0	65.17	67.8
<i>Monthly average</i>	<i>5,238.14</i>	<i>7,296.8</i>	<i>5.43</i>	<i>5.7</i>
Memorandum:				
Total 2006	54,664.65	73,896.0	55.33	42.7
<i>Monthly average 2006</i>	<i>4,555.39</i>	<i>6,158.0</i>	<i>4.61</i>	<i>3.6</i>

Chart III.8

MONTHLY DATA ON ELECTRONIC TRANSFERS BY VOLUME
IN 2006 AND 2007
(in thousands)



III.5. DIRECT DEBITS

This system continues to show the biggest growth prospects. The year under review in fact saw the biggest growth in quantity and in value, coming in at around 21.6% and 23.7% respectively. There were 86.73 million transactions cleared, to the value of 12,137.8 million euros (Table I.1). Daily averages rose in the same way in value terms, with 48.6 million euros processed (Table I.2). Direct debits, however, are still the slowest growing in terms of average value settled. The figure was 139.95 euros, a 1.8% growth rate (Table I.3).

The direct debit system is on an upward track, both in quantity and in value, as can be seen from Table III.16 and Chart III.9. The monthly average comes in at 7,227.6 thousand operations (a 21.6% growth rate) to the value of 1,011.5 million euros (a 23.7% growth rate). Both quantities and values were considerably higher than those witnessed 2006, reaching in some months amounts above 7 million and values above 1,000 million euros.

Table III.16

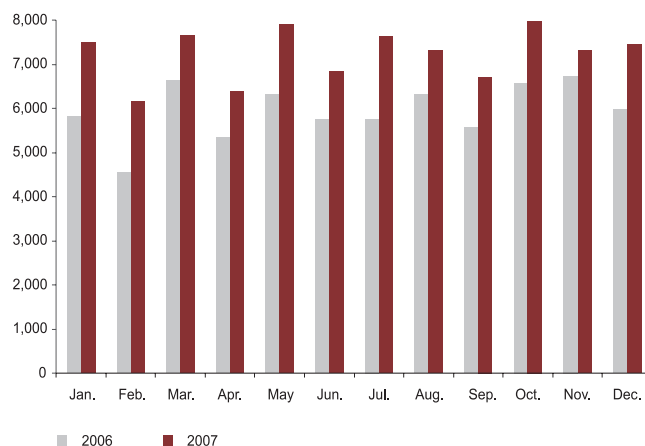
MONTHLY DATA ON DIRECT DEBITS

(Volume in thousands and value in thousands of EUR)

Month	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
January	5,825.76	762,468.6	7,487.70	994,610.8	28.5	30.4
February	4,542.24	627,340.7	6,166.21	875,487.6	35.8	39.6
March	6,619.93	888,779.8	7,643.22	1,003,142.4	15.5	12.9
April	5,341.48	741,053.3	6,377.97	929,590.7	19.4	25.4
May	6,310.04	867,382.0	7,884.88	1,051,587.9	25.0	21.2
June	5,750.68	799,265.1	6,824.34	953,644.5	18.7	19.3
July	5,766.27	814,434.3	7,620.63	1,065,564.6	32.2	30.8
August	6,316.24	881,561.3	7,295.95	1,059,926.2	15.5	20.2
September	5,569.16	788,733.9	6,703.98	943,433.4	20.4	19.6
October	6,577.41	885,089.5	7,984.56	1,135,428.5	21.4	28.3
November	6,726.20	902,656.1	7,300.09	1,051,697.0	8.5	16.5
December	5,985.16	850,250.6	7,441.03	1,073,652.7	24.3	26.3
Total	71,330.57	9,809,015.1	86,730.57	12,137,766.4	21.6	23.7
<i>Monthly average</i>	<i>5,944.21</i>	<i>817,417.9</i>	<i>7,227.55</i>	<i>1,011,480.5</i>	<i>21.6</i>	<i>23.7</i>

Chart III.9

MONTHLY DATA ON DIRECT DEBITS BY VOLUME IN 2006
AND 2007
(in thousands)



The number of instructions (Table III.17) came in at 86.8 thousand, to the value of 12,152.6 thousand euros, a 22% rise in quantity and 24% in value. The proportion of direct debits returned was down from 0.74% in 2006 to 0.65% a year later, and the proportion of total returns of direct debits returned had gone down from 0.11% to 0.08% during the same periods. Returns by the debtor after settlement, returns by bank/debtor before settlement and cancellation before settlement came in with proportionately higher figures in terms of the number of direct debits that were processed.

There were 86,797.34 thousand instructions for collection sent out during the year and of these, around 67 thousand were cancelled by the creditor's bank and 6,407.10 thousand were rejected by the debtor's bank and were therefore not settled. As for instructions rejected, there was a slight rise in the proportion of these, with the 7.2% figure for 2006 rising to 7.4% a year later (Table III.17). After settlement, debtors revoked 74.93 thousand debits, and there were 565.25 thousand returned by the creditor after settlement. Of these, only 0.46 thousand were sent back, and this means that the system is showing a high collection rate (92%).

Table III.17

DIRECT DEBITS BY SERVICE CODE
(Volume in thousands and value in thousands of EUR)

Operational code	2006		2007	
	Volume	Value	Volume	Value
DD instructions	71,337.86	9,810,366.8	86,797.34	12,152,566.2
DD returned by the creditor after settlement	528.86	45,754.1	565.25	48,425.8
DD returned by the debtor after settlement	49.31	17,358.1	74.93	22,517.2
DD returned by the debtor/bank before settlement	5,139.20	1,135,023.1	6,407.10	1,400,393.6
Cancellation of DD by creditor before settlement	7.29	1,351.7	66.77	14,799.9
Return of DD returned by the creditor	0.56	88.8	0.46	51.5

Table III.18 shows that the main operations carried out with direct debits are electricity bills, unspecified payments and those related to CLIP (first client - telephone services). These account for around 73.5% of instructions sent and 78.2% of value. Other operations with significant proportions include public terrestrial services, insurance of all kinds and transfers.

There is a rise in practically all the codes over 2006, both in quantity and in value. Among these are, “purchases on credit”, “other insurance”, “sundry services”, “telecommunications” and “gas”.

Table III.18

DIRECT DEBITS BY OPERATIONAL CODE
(Volume in thousands and value in thousands of EUR)

Operational code	2006		2007	
	Volume	Value	Volume	Value
Water	1,249.26	32,319.0	1,659.36	43,024.5
Gas	675.06	35,145.3	1,068.63	60,781.3
Electricity	26,976.29	2,307,057.3	27,569.17	2,663,997.2
Combined gas / electricity	2.91	67.3	1.37	42.7
Telephone	827.23	22,705.7	1,062.26	32,308.5
House rent	38.46	11,158.9	51.04	19,461.2
Communication infrastructures (cable, fibre optics etc.)	2,024.86	269,442.7	2,349.58	282,200.1
Life insurance	834.62	53,940.0	833.73	53,720.7
Other insurance	4,673.85	324,126.7	8,187.16	549,520.4
Professional fees and dues	924.56	38,508.4	1,224.50	49,222.3
Transfers	3,596.70	942,188.6	2,608.73	955,434.5
Public data communication service	43.57	35,226.2	52.67	36,818.0
Collection of receivables	17,275.80	4,969,658.8	25,836.43	6,407,659.8
Purchases on credit	9.06	21,112.9	50.06	34,078.4
Sundry services	1,256.18	243,580.3	2,112.38	431,833.0
Water and drainage	839.15	17,238.9	1,108.25	25,232.9
Telecommunications	358.18	39,312.6	568.46	46,419.5
First client – CLIP	9,656.12	421,853.9	10,365.73	433,615.5
TV subscription	-	-	0.95	47.0
Others	76.04	25,723.4	86.89	27,148.7
Total	71,337.86	9,810,366.8	86,797.34	12,152,566.2

Table III.19 shows that 90.9% of instructions rejected by the debtor bank related to “no funds or insufficient funds in the account”. In terms of value, the proportion is 86.6%. The second most frequent reason is “charge to the payee’s account not authorised”. This accounts for around 3.4% in quantity and 3.3% in overall value.

An analysis of the proportion of reasons for refusal reveals that the biggest growth is in “cancellation of authorisation by bank” and “operation refused by client”. And the reasons with biggest fall relate to “non-existent account”, “refusal by the bank” and “authorisation expired”.

Table III.19

BREAKDOWN OF REASONS FOR STOPPING DIRECT DEBITS (Volume in thousands and value in thousands of EUR)				
Reason	2006		2007	
	Volume	Value	Volume	Value
Refusal by the bank	182.80	47,556.4	114.86	51,443.4
No funds or insufficient funds in the account	4,589.56	991,754.3	5,889.76	1,232,758.7
Non-existent account	24.66	4,355.6	15.38	3,868.5
Cancellation of authorisation by client	19.21	10,374.3	17.54	16,993.3
Wrong NIB on debtor account	33.16	4,883.5	29.93	4,828.4
Charge to the payee’s account not authorised	168.40	35,855.0	222.80	46,250.3
Operation refused by client	50.18	29,112.5	70.96	39,350.3
Bank does not authorise instructions	4.82	741.3	4.62	609.7
Cancellation of authorisation by bank	2.99	1,006.6	4.89	1,132.3
Value above maximum authorised	0.39	183.6	0.63	163.7
Authorisation expired	0.35	39.4	0.24	91.8
Cancellation of DD already rejected	0.01	1.9	0.02	11.3
Suspension	111.98	26,516.9	110.41	25,409.3
Total	5,188.51	1,152,381.2	6,482.03	1,422,910.8

An analysis of direct debits by value bracket (Table III.20) shows that 34% (27.33 thousand) are below 25 euros, with a total value of 393.5 thousand euros (only 3.7% of the overall value). Approximately 92% of collections were under 250 euros, which means that it is possible to classify the system as a real retail system, given that the majority of operations are low-value.

Table III.20

DIRECT DEBITS COLLECTED BY VALUE BRACKET
(Volume in units and value in thousands of EUR)

Brackets (Euros)	2006		2007	
	Volume	Value	Volume	Value
0 25	22,430,831	318,329.7	27,334,139	393,526.5
25 50	17,989,700	639,533.7	21,818,289	780,075.7
50 150	16,388,749	1,334,730.8	20,149,169	1,633,243.6
150 250	4,012,592	781,388.8	4,630,968	901,595.3
250 500	3,497,755	1,187,368.5	4,074,386	1,386,747.8
500 2,500	1,613,534	1,489,269.6	1,987,045	1,848,374.8
2,500 5,000	132,274	456,968.0	166,745	575,619.9
5,000 100,000	123,050	1,728,400.2	158,957	2,237,205.0
100,000 250,000	2,108	321,830.7	2,765	422,556.1
>= 250,000	783	416,172.0	1,007	558,428.1
	66,191,376	8,673,992.0	80,323,470	10,737,372.7

III.6. MULTIBANCO (ATM)

The Multibanco is a shared ATM network incorporating EFTPOS (Electronic Funds Transfer at Point Of Sale). The service began in September 1985 with 12 ATMs in Lisbon and Oporto.

The Multibanco is the retail payment system with the largest number of operations processed: It totalled 1,371.12 million operations (82% of all those cleared through SICOI) though it represented only 19.6% of value (67.5 billion euros). This is the payments subsystem with the lowest average value per operation (49.26 euros). More than any other, therefore, it can be classified as a retail system (Table I.3).

The use of cards continues on a strong upward track, with a 6% rise in quantity year on year and a 10.7% rise in value (cf. Table III.22). The growth rate of cards in use was 3% in 2007, lower than a year before, when the figure was 7.9% (Table III.21). At year-end there was around 18.18 million payment cards in use and recognised in the system (7.3 million credit cards and 10.85 million debit cards). Since the end of 2003, this payment instrument has grown by 76.78% in terms of credit cards and 2.9% in debit cards. The move in debit cards has followed the trend that set in during 2003, since when there have been very slow rates of growth or even negative growth. This looks to have been when saturation point was reached, since this is an instrument that is widely available, and used by most Portuguese. In terms of credit cards, the year saw lower growth than in previous years (5.8%), though the figure was still significant.

At year-end, there were 12,510 Multibanco ATMs and around 177 thousand POS, a 9.4% rise in the first instance (year on year) and an 11.5% rise in the second (Table III.21).

Table III.21

MULTIBANCO CARDS AND TERMINALS					
	2003	2004	2005	2006	2007
Number of cards and terminals					
Cards issued	14,687,682	16,188,793	16,350,350	17,642,048	18,178,388
Debit cards	10,544,965	10,864,554	10,270,090	10,721,586	10,854,984
Credit cards	4,142,717	5,324,239	6,080,260	6,920,462	7,323,404
Terminals	134,977	146,586	157,860	169,857	189,084
ATMs	9,521	10,085	10,723	11,440	12,510
POS	125,456	136,501	147,137	158,417	176,574
Annual variation (%)					
Cards issued	0.8	10.2	1.0	7.9	3.0
Debit cards	-4.1	3.0	-5.5	4.4	1.2
Credit cards	15.9	28.5	14.2	13.8	5.8
Terminals	10.1	8.6	7.7	7.6	11.3
ATMs	6.2	5.9	6.3	6.7	9.4
POS	10.4	8.8	7.8	7.7	11.5

Note: The breakdown in cards into debit and credit cards results from the fact that the issuing bank provides a classification depending on the type of account associated to the card. In fact, there are some credit cards in use that also function as debit cards.

The Multibanco system provides a wide range of functions for users through the ATM. Some of the operations carried out do not have any impact on the user's account and therefore on the interbank clearing system. Among those that involve cash or payments, there are cash withdrawals, payments for services, interbank transfers, purchases and low-value payments (motorway tolls, telephone calls and parking).

An analysis of the transactions with impact on an individual's account (Chart III.10) shows that “purchases” come in with the biggest proportion (41.69%), followed by “cash withdrawals” on cards issued by Portuguese credit institutions, (27.72%). Payments at motorway tolls accounted for around 17% of operations. In terms of value, “domestic withdrawals” and “purchases” came in at 23,684.4 million euros and 25,451.1 million euros respectively. Together, these accounted for 72.8% of the total.

An analysis of developments in the use of the Multibanco system (Table III.22) shows that the headings that grew the most were purchases on MBnet – domestic (a secure form of on-line payments) and the returns of interbank transfers. These rose respectively by 301.8% and 149.1%. The biggest falls proportionately were “low-value payments – telephones” (down 23.6%) and “cash deposits” (down 15.2%).

Table III.22

MULTIBANCO TRANSACTIONS

(Volume in millions and value in millions of EUR)

Function	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
Domestic withdrawals	362.66	22,274.3	380.09	23,684.4	4.8	6.3
International withdrawals	8.84	1,138.4	10.39	1,325.3	17.5	16.4
Withdrawals abroad	3.86	388.2	4.46	443.6	15.7	14.3
Payment of services	148.58	9,040.0	157.23	10,963.7	5.8	21.3
Interbank transfers	8.77	3,489.7	10.48	4,367.6	19.5	25.2
Returns of interbank transfer	0.00	0.1	0.00	0.5	149.1	397.0
Transfers to card account	0.80	459.8	0.77	450.1	-4.1	-2.1
Purchases	532.51	23,428.3	567.35	25,451.1	6.5	8.6
Returns of purchases	0.40	37.1	0.49	41.9	21.2	13.1
Purchases on MBnet - domestic	0.05	4.8	0.22	26.7	301.8	455.6
Low-value payments – tolls	220.66	583.9	232.34	644.5	5.3	10.4
Low-value payments – telephones	1.59	2.6	1.21	2.0	-23.6	-21.2
Low-value payments – agricultural diesel	1.19	0.0	1.24	0.0	4.2	n,a,
Low-value payments – parking lots	2.88	9.7	4.32	14.2	50.0	46.4
Cash deposits	0.62	150.0	0.52	132.6	-15.2	-11.6
Total	1,293.42	61,006.9	1,371.12	67,548.1	6.0	10.7
<i>Daily average</i>	<i>3.54</i>	<i>167.1</i>	<i>3.76</i>	<i>185.1</i>	<i>6.0</i>	<i>10.7</i>

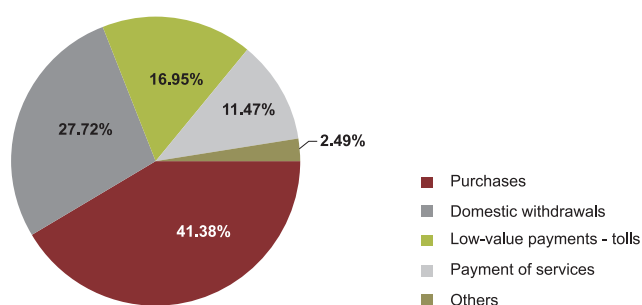
Table III.23

MULTIBANCO TRANSACTIONS
(percentage breakdown)

Function	2006		2007	
	Volume	Value	Volume	Value
Domestic withdrawals	28.04	36.51	27.72	35.06
International withdrawals	0.68	1.87	0.76	1.96
Withdrawals abroad	0.30	0.64	0.33	0.66
Payment of services	11.49	14.82	11.47	16.23
Interbank transfers	0.68	5.72	0.76	6.47
Returns of interbank transfer	0.00	0.00	0.00	0.00*
Transfers to card account	0.06	0.75	0.06	0.67
Purchases	41.17	38.40	41.38	37.68
Returns of purchases	0.03	0.06	0.04	0.06
Purchases on MBnet - domestic	0.00	0.01	0.02	0.04
Low-value payments – tolls	17.06	0.96	16.95	0.95
Low-value payments – telephones	0.12	0.00	0.09	0.00*
Low-value payments – agricultural diesel	0.09	0.00	0.09	0.00*
Low-value payments – parking lots	0.22	0.02	0.32	0.02
Cash deposits	0.05	0.25	0.04	0.20
Total	100.00	100.00	100.00	100.00

* Volume and value are significant in absolute terms but negligible in relative terms.

Chart III.10

MONTHLY DATA ON THE MULTIBANCO IN 2007
(BREAKDOWN IN PERCENTAGES)
(In volume)


There are systems in other countries similar to the Multibanco, but the Portuguese has a series of additional services that are widely accepted and account for quite a large proportion of operations carried out with cards.

Among other functions, the users can make payments to the State and Social Security, included under the heading “payment of services” (Table III.24). During the year, 4,208,105 payments were made to the State (32.7% more than a year earlier), to the value of 3,195.3 million euros. On the side of Social Security, there were 1,096,876 payments made (25.2% more than a year earlier), to

the value of 136.80 million euros.

There were 84.97 million mobile phone charging operations, and this accounted for a significant number, around 6.2% of all operations carried out through the system.

Tickets for the theatre can be purchased, and there were 2,651 such operations during the year (a 47.2% fall on 2006), coming in with a value of 166.3 thousand euros.

Table III.24

BREAKDOWN OF PAYMENT SERVICES

(Volume in units and value in millions of EUR)

Service	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
Utilities	60,698,184	5,695.81	66,162,769	6,537.43	9.0	14.8
State	3,172,127	2,155.88	4,208,105	3,195.30	32.7	48.2
Social security	876,299	107.82	1,096,876	136.80	25.2	26.9
Legal costs	317,890	52.47	358,705	63.66	12.8	21.3
Theatre tickets	5,018	0.27	2,651	0.17	-47.2	-37.4
Loading cash on mobile Phone	83,088,264	996.87	84,972,777	992.61	2.3	-0.4
Others	418,749	30.90	425,047	37.69	1.5	22.0
Total	148,576,531	9,040.03	157,226,930	10,963.67	5.8	21.3

Looking at 2006 and 2007 (Table III.25 and Chart III.11) there was a rise in almost all the operations processed through the system in practically every month. This confirms the importance of the Multibanco in the everyday life of the Portuguese and the growing trust in its reliability.

Table III.25

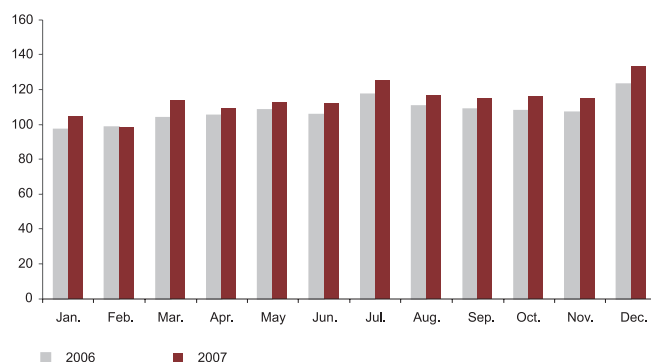
MONTHLY DATA ON THE MULTIBANCO

(Volume in millions and value in millions of EUR)

Month	2006		2007		Variation (%)	
	Volume	Value	Volume	Value	Volume	Value
January	96.94	4,499.6	104.77	4,839.5	8.1	7.6
February	98.27	4,251.0	97.82	4,579.5	-0.5	7.7
March	103.97	4,700.1	113.54	5,274.1	9.2	12.2
April	105.27	4,872.0	109.20	5,241.9	3.7	7.6
May	108.55	4,972.1	113.00	5,478.5	4.1	10.2
June	105.75	4,875.1	111.93	5,433.2	5.8	11.4
July	117.10	5,561.7	125.48	6,244.2	7.2	12.3
August	110.69	5,605.1	116.67	6,278.2	5.4	12.0
September	108.69	5,428.7	114.71	5,931.6	5.5	9.3
October	107.88	5,009.3	115.78	5,663.3	7.3	13.1
November	107.02	5,100.3	114.58	5,703.5	7.1	11.8
December	123.29	6,131.9	133.65	6,880.7	8.4	12.2
Total	1,293.42	61,006.9	1,371.12	67,548.1	6.0	10.7

Chart III.11

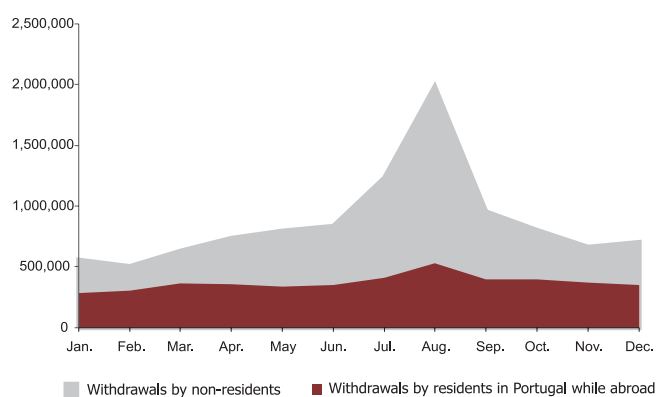
MONTHLY DATA ON MULTIBANCO BY VOLUME IN 2006 AND 2007
(in millions)



A detailed analysis shows a number of economic and social facts. International withdrawals (non-residents, carried out through the system) are higher than residents in Portugal carried out in other countries, in number and value. This reflects the fact that there are more foreign tourists having holidays in Portugal than Portuguese abroad. There were nearly 10.39 million “international withdrawals” but only 4.46 million “withdrawals abroad” (Table III.22 and Chart III.12).

Chart III.12

CASH WITHDRAWALS BY NON-RESIDENTS IN PORTUGAL
AND BY RESIDENTS IN PORTUGAL WHILE ABROAD IN 2007
(in units)



Box 2**SEPA – Single Euro Payments Area**

During the year there was a significant push in the final phase of preparation for the SEPA – Single Euro Payments Area. This push was towards the start of the credit transfer component, which in fact came live on 28 January 2008, as scheduled.

The year under review was therefore extremely important for the launch of the project, bearing in mind that it saw the tests and the final run-up for the credit transfer part of the scheme, as well as the adhesion process for those institutions which showed an interest in making use of the instrument from the word go. There was also a series of other developments essential for the project.

The backdrop to all this was the creation of the legislative framework essential for the single payments area. This culminated in the publication of the Directive on payment services, no. 2007/64/CE of 13 November. This was subject to widespread discussion and analysis and the text was agreed at ECOFIN on 27 March, followed by approval at the European parliament on 24 April. The final date for transposition into the laws of member states is 1 November 2009, while those countries that are in the European Union but are not part of the scheme will be making the necessary changes in their own procedures.

Within CISP – the consultative body of the Banco de Portugal for payment systems – the various working groups involved tracked the development of the project. A major element in this was passing on information to the banking community, above all the credit transfer process (with two meetings, on 11 May and 10 October) and direct debits (with one meeting, on 22 November).

During the year, following a protocol between Banco de Portugal and the Portuguese Banking Association (Annexe 3), the NASO-PT (National Adherence Support Organisation - Portugal) was set up. This provided all the necessary support for domestic banks in formalising the process of joining SEPA. Banco de Portugal has taken on the role of intermediary between the banking community and the EPC – European Payments Council. During the initial phase (moving towards the 28 January 2008 deadline for credit transfers), 16 institutions joined through the NASO-PT.

The direct debit component is due to come live after the transposition of Directive no. 2007/64/CE into the legal framework of the member states. There are likely to be substantial changes still interbank, and there was a lot of work carried out, above all by the interbank working group for direct debits within the CISP. Portugal has an advanced system for direct debits within the European context, although it is relatively underused by comparison with countries where it has been in use for more time. This has led to a concern to make sure that the country's solutions remain in place while adapting them to the model drawn up by the EPC, and any new functionality which may be introduced into the scheme.

In terms of cards, the migration to SEPA is moving at a more gradual pace. A start will be made on procedures during 2008, though a number of developments came through EAPS – Euro Alliance of Payment Schemes during the year under review. The project foresees mutual acceptance and interoperational capacity between cards and the Portuguese Multibanco system is involved, along with another 5 European systems. The year also saw more open discussion on a European brand, providing more competition and choice in the market to counter the dominant Visa and MasterCard brands.

Another factor under analysis during the year was the criteria to be adopted in the payment processing infrastructure so as to ensure SEPA compatibility. A number of points of reference

were set out within the Eurosystem, following consultation with the main bodies operating in the area, the aim being to carry out a self-assessment exercise during 2008.

It is to be hoped that there will be a deepening of the processes in the various components in the short and medium term. This needs to be pan-European, led by the EPC and accompanied by the Eurosystem, though there will clearly be effects on each of the countries involved. In this context, there needs to be the adoption of standards in the bank-customer relationship. This has up to now been left in the background, given that the interbank relationship has been the central focus during the process of getting the SEPA up and running.

Preparation will continue on direct debits, in tandem with the legal harmonisation stemming from Directive no. 2007/64/CE. There are likely to be initiatives to promote the attraction of SEPA, with a view to reaching in a reasonable time a critical mass in terms of transactions. Along with this the project is likely to become more high-profile.



CHAPTER IV. REGULATION AND CONTROL OF MEANS OF PAYMENT

This was a particularly busy year for the Banco de Portugal in terms of its regulatory activity in payments systems.

At the start of February, Notice no. 2/2007 was published. This clarified a number of doubts relating to interpretation and application of the general conditions for opening a bank account. The checking procedures set out in the regulations were simplified.

In the same month, Notice no. 3/2007 was also published. This created the uniform procedures for compliance with Decree Law no. 18/2007, of 22 January, relating to the value date for entries on current accounts and transfers, as well as the point where funds are available for beneficiaries, above all for the handling of funds placed on deposit without verifications on the spot.

Publication of this Decree Law had an immediate impact on the processing circuits relating to "credit transfers" and "cheques" through SICOI, leading to the change in the specific regulation.

In tandem, circular no. 19/2007/DPG set out the instructions for institutions to provide credit information relating to operations regulated through this Decree Law. This was needed for the Banco de Portugal to draw up an "Impact Assessment Report" relating to the Diploma.

At another level, Notice no. 12/2007 of 25 May set out the obligation on credit institutions to allow prior visualisation of the name associated with the bank identification number (NIB) or with the number of the account indicated by the account holder on credit transfers when these are carried out through automatic terminals.

TARGET2 came on stream on 19 November 2007, bringing with it a closely monitored operation to regulate the new system. This took up the whole of the second half of the year, with the migration of the Portuguese SLBTR (Gross Real-Time Settlement System) to the new platform on 18 February 2008 (the second of the four migration windows – including the contingency sequence – as stipulated by the ECB).

This work involved: drawing up the regulations for TARGET2-PT (the Portuguese component of TARGET2), published in Instruction no. 33/2007; publication of Instruction no. 34/2007, governing the operations involved in participation in the Large Payments System (SPGT2), and revoking Instruction no. 115/1996, which it replaces in its entirety; and the publication of Instruction no. 35/2007, relating to the conditions of access to intraday credit, which revokes and replaces Instruction no. 116/1996.

As for retail payments, Instruction no. 36/2007 led to changes in the regulations governing SICOI. This covered the carrying out of closure for clearing and financial settlement of the interbank electronic transfer system for processing operations received and sent through the SEPA, bearing in mind its start on 28 January 2008.

As a final point, a "Handbook of Good Practices" was published (Annex 1), relating to cheques mislaid or stolen, along with the excessive use of revocation of cheques. The substance of this was published in Circular no. 44/2007/DPG.

Directive 2007/64/CE of the European Parliament and Council was published on 13 November and is essential reading for the major impact that it is certain to have on the whole domestic regulatory framework for payments. This directive amends Directives 97/7/CE, 2002/65/CE, 2005/60/CE and 2006/48/CE and revokes Directive 97/5/CE. The aim is to regulate and harmonise payment services with cards, direct debits and credit transfers across the European Union. It forms the legal framework for the SEPA. Its transposition into law in all the member states must be made before 1 November 2009.

During the year, there were seven requests for new designs on cheques submitted for appreciation and approval. These were presented by credit institutions authorised to receive deposits and allow entries and withdrawals using this form of payment.

The Banco de Portugal remit includes the legal provisions against the use of cheques without sufficient cover and the protection afforded to this payment instrument (Decree Law no. 454/91 of 28 December). Within the scope of this, the number of users of cheques who represent a risk stood at 55,788 individuals and organisations, 6,374 down on a year earlier. This is a fall of around 10% in the number of new names included in 2006 (62,162).

As at 31 December 2007, the list of cheque users who represent a risk included the complete name of 85,506 organisations, a fall of around 17% year on year. This builds on the recent trend, with an 11% fall recorded in 2005 and 14% in 2006.

Within the Banco de Portugal remit relating to restrictions on the use of cheques, 20,325 cases were initiated during the year, resulting in the “removal of the name or designation” of 13,811 organisations and the “cancellation of the name or designation” of 6,514 other organisations.

Around half of the procedures relating to this situation – 6,168 removals and 1,014 cancellations – were covered by the regional network of Banco de Portugal. A personal service is provided to clarify issues relating to restrictions on the use of cheques, with 41,322 people being seen during the year, 17,538 at the head office and 23,784 through the regional network.

Banco de Portugal continues to ensure the proper proceedings relating to complaints from bank customers, as set down in the provisions of Decree Law no. 156/2005. This relates, among other things, to the opening of accounts, bank cards, direct debit, credit transfer and payment infrastructures.

A total of 2,716 complaints were received, compared with 2,019 a year before, a 33% increase.

Complaints related to the opening of an account (123), bank cards (901), cheques (965), direct debits (58), credit transfers (200), payment infrastructures (401) and others (68). The last group covered a variety of situations not linked directly with payment means/instruments or systems.

At the end of 2006 a reorganisation had been put in place, with more resources allocated and rationalisation and streamlining of procedures relating to the analysis of complaints. This meant that the period for dealing with a complaint was cut down overall to under 30 days by the end of the year. The procedures for 3,202 complaints were completed, leaving 256 pending at year-end, as compared with 742 a twelve-month earlier.



ANNEXES

Annex 1

Good practices for users of cheques (published in December 2007)

I. Presentation of stolen or mislaid cheques for payment using a false endorsement

A) The situation

There have been cases of theft of cheques already filled out and then later presented for payment and deposited in an account which does not belong to the beneficiary, using a false endorsement for this purpose¹⁵.

These situations occur when the cheque is not presented personally by the beneficiary or when the cheque has been appropriated for an illicit purpose.

B) The legal framework

Cheques should be seen as a means of payment based on mutual trust.

The person receiving payment by cheque has the right to pass it on to a new beneficiary. An endorsement serves for this purpose and the person endorsing should sign on the back of the cheques and write out the name of the person who becomes the new beneficiary.

If a cheque is mislaid and presented by someone who has written a false endorsement (by imitating the signature or official stamp), the receiving bank only has the legal duty to verify whether the person endorsing the cheque has the same name as the beneficiary on the front. The bank is not obliged to check the signatures of those endorsing; indeed, it has not able to do so. So, if there is no apparent forgery (for example, the beneficiary is José Santos and the signature is “José Santos”), the bank will accept it for payment.

C) Recommendations

C.1. For the issuer of the cheque

- 1) There are more efficient and safer ways of paying if the situation is not face to face, including bank transfers and direct debits.
- 2) If it is not possible to use a form of electronic payment, hand over the cheque in person and always issue it in the name of the individual or enterprise you wish to pay;
- 3) To ensure that cheques will only be paid to the specific beneficiary, they should be issued “not to order” (“não à ordem”). This means that no endorsement can be made. Cross out the expression “à ordem” and replace it with “não à ordem”, (i) following the name of the beneficiary or (ii) in the space above the expression crossed out, as in the following examples:

(15) An endorsement is a way for the beneficiary of a cheque to pass it on to another person.

Banco de Portugal
especimen

Pague por este cheque a utilizar em **EUROS**

Assinatura(s)
Maria de Fátima Serradinhas

Local de Emissão
Vendas Novas

Ano: 2000 Mês: 02 Dia: 24

~~não à ordem~~ José Sebastião da Fonseca, não à ordem

a quantia de **EUROS** Seiscentos e vinte e três euros e quarenta e nove centimos

☒ Z. Interbancária ☒ Número de Conta ☒ Número de Cheque ☒ Importância ☒ Tipo

12345678< 12345678901+ 1234567890> 22+

E favor não escrever nem carimbar neste espaço

Banco de Portugal
especimen

Pague por este cheque a utilizar em **EUROS**

Assinatura(s)
Maria de Fátima Serradinhas

Local de Emissão
Vendas Novas

Ano: 2000 Mês: 02 Dia: 24

~~não à ordem~~ José Sebastião da Fonseca

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12345678< 12345678901+ 1234567890> 22+

E favor não escrever nem carimbar neste espaço

- 4) You should keep cheques in a safe place and only carry those you intend to use in the near future.

C.2. For the person being paid with a cheque

- 1) If you have any reason not to trust the issuer, choose electronic means of payment such as bank cards, bank transfers and direct debits.
- 2) If you decide to accept a cheque as payment, ask for the identification of the person paying and a point of contact; ask for the cheque to be "not to order" (see the examples). In this way, if a cheque is mislaid, it cannot be paid to another person.
- 3) Check the expiry date and do not accept the cheque if the printed date is prior to the date when the cheque is issued;
- 4) Keep cheques in a safe place and do not give them to anyone you are not sure of.
- 5) Wherever possible, present the cheque for payment up to 8 days (including weekends and public holidays) after the day following the issue date on the cheque (for

example: if the date on the cheque is 09-07-2007, you should count 8 days from the 10th, which means that the cheques should be presented by 17-07-2007).

- 6) If you receive a cheque as payment for goods to be delivered to the issuer, do not hand over the goods until the cheque has been cleared.

II. Cheque revocation

A) The situation

There have been cases when cheques have been revoked within the legal period for presentation. The issuer writes out a cheque and within 8 days (the legal time limit for presentation) he or she goes to the bank to put a stop to it.

The reason given by the issuer may not be true, but it is enough to block the cheque, even if the issuer has funds in the account on which it is drawn.

B) Legal framework

A cheque should be seen as a means of payment based on mutual trust.

The issuer can stop the cheque before the end of the legal period for presentation, for one of the following reasons: theft, coercion, accidental incapacity or any situation where there has been some pressure placed on the wishes of the person concerned (to issue the cheque). In such situations, the issuer of the cheque can return it to the payee. The bank is not obliged to check whether the reason for returning the cheque is true or not.

If the person receiving the cheque considers that the stop to payment is unjustified, he or she can start proceedings against the issuer, since the situation may be construed as issuing a cheque without cover deceitfully and with wilful deceit.

C) Recommendations

C.1. For the issuer of the cheque

- 1) If a cheque is unduly revoked within the legal limit for payment, this may constitute a crime either relating to the issuing of a cheque without cover or wilful deceit.
- 2) A cheque can only be revoked if it has been stolen or issued under coercion or if any pressure is placed on the wishes of the person concerned, as stipulated in law.
- 3) A cheque is a form of payment that presupposes a climate of confidence. If you use a cheque fraudulently, your bank may not issue cheques to you and you will not be able to use cheques in your dealings with other people.

C.2. For the person receiving the cheque in payment

- 1) If you have any reason not to trust the issuer, choose electronic means of payment such as bank cards, bank transfers and direct debit (for periodical payments);
- 2) If you decide to accept a cheque as payment, ask for the identification of the person paying and a point of contact;
- 3) Check the expiry date and do not accept it if this date is prior to the date when the cheque is issued;
- 4) Wherever possible, present the cheque for payment up to 8 days (including weekends and public holidays) after the day following the issue date on the

cheque (for example: if the date on the cheque is 09-07-2007, you should count 8 days from the 10th, which means that the cheques should be presented by 17-07-2007);

- 5) If you receive a cheque as payment for goods to be delivered to the issuer, do not hand over the goods until the cheque has cleared.
- 6) If a cheque you present for payment has been revoked for a reason you know to be false, you can sue the person who has given you the cheque, since an unjustified block on payment of the cheque may be construed as issuing a cheque without cover or with wilful deceit.

Annex 2

Conclusion of the EU Finance Ministers (ECOFIN) on the subject of payment services, 27 March 2007¹⁶

The Council agreed on a general approach on a draft directive establishing a legal framework for payment services, aimed at facilitating and reducing the cost of payments throughout the European Union.

The draft directive, amending directives 97/7/EC, 2000/12/EC and 2002/65/EC, is aimed at:

- establishing the right for non-bank service providers to provide payment services to the public, by setting up harmonised market access requirements for "payment institutions";
- introducing clear and succinct harmonised information requirements, to be fulfilled by all payment service providers;
- stipulating the rights and obligations of users and providers of payment services (regarding, for instance, the time it can take to execute a payment).

The proposal complements an initiative by which the payments industry has committed itself to establishing by 2010 a "single euro payments area" (SEPA), with integrated payment infrastructures and payment products enabling money to move freely between users, regardless of where they are situated. The legislative proposal is intended to underpin this industry initiative¹⁷.

The Council's agreement is based on a proposal by the presidency involving a compromise on the following main issues:

- capital requirements for payment institutions;
- activities that payment institutions may undertake, in particular the granting of credit;
- the possibility of waiving application of certain provisions for smaller payment institutions;
- the possibility of waiving application of certain provisions for certain instruments used primarily for the payment of small amounts (low-value payments).

The Council's general approach will be used as the basis for adopting the directive in first reading, under the Parliament-Council codecision procedure¹⁸.

(16) http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/93340.pdf

(17) The Council adopted conclusions on SEPA in October 2006.

(18) The Parliament's committee on economic and monetary affairs adopted its report on the proposal on 12 September 2006 and has indicated its wish for the Parliament to vote during its plenary session from 23 to 26 April.

Annex 3

Agreement between the Portuguese Banking Association and the Banco de Portugal to set up a National Adherence Support Organisation (NASO), dated 29 October 2007

The European Payments Council (EPC) has set out that each country should have a National Adherence Support Organisation (NASO) which will serve as a link with the EPC for all matters pertaining to the SEPA schemes.

Until now, the work involving the Portuguese banking community within the framework of preparation for the SEPA has been co-ordinated by the CISP interbank working group for cross-border payments.

However, given the EPC decision and as a means to ensure the good performance of the functions covered by the NASO, there has to be a formal structure in Portugal with the necessary functions.

The NASO, according to the rules of the SEPA, "*could be a national banking association(s) or a regulatory body, which has agreed to conduct the task on behalf of the national community.*"¹⁹

In Portugal, at the current stage of work and bearing in mind the urgency of the process (the SEPA will be live at the end of January 2008 for credit transfers) it is clear that the *National Adherence Support Organisation* (NASO) can benefit from experience already gained and from the structures that already exist.

Given this background, the Portuguese Banking Association and Banco de Portugal, have agreed the following:

1. A *National Adherence Support Organisation* (NASO) should be formed within the scope of the CISP, henceforth designated NASO-PT;
2. The NASO-PT will be autonomous, will not be part of the consultative body of Banco de Portugal (CISP), and will relate directly to the EPC;
3. The following are members of the NASO-PT:
 - a) Members of the CISP;
 - b) Those banks that are not members of the CISP and other entities that are relevant for the SEPA, to be selected by the chairman of the CISP.
4. The remit of the NASO-PT covers links with the EPC in matters regarding adherence to the SEPA schemes;
5. The chair of the NASO-PT will be held by the chair of the CISP;
6. The NASO-PT can delegate the work within its remit to the interbank working group on cross-border payments;
7. Administrative and secretarial support will be provided by Banco de Portugal.

⁽¹⁹⁾ See the European Payments Council document "SEPA Scheme Management Internal Rules ", version 1.6. 5 June 2007, point 2.2.4, page 18.