

Report on Payment Systems

2017



BANCO DE
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Executive summary

In 2017 payment systems in Portugal, which process large-value and retail transactions, operated in a stable and secure manner.

TARGET2-PT, which is the Portuguese component of Eurosystem's real time gross settlement system, processed 1.9 million transactions, totalling €1,942 billion. This component accounted for 1.2% and 0.3% of the number and total value of transactions settled by TARGET2 respectively.

The number of transactions settled in TARGET2-PT continued to increase (8.2%, after a 1.7% rise in 2016), boosted by an increase in transactions between the institutions participating in the system.

Conversely, the amounts settled continued to follow a negative trend, persisting since 2015 and broadly based across all types of transactions processed by TARGET2-PT. In 2017 transactions settled in TARGET2-PT declined by 7.7% in value, albeit significantly below the 27.2% fall recorded in 2016.

With regard to securities settlement through TARGET2-Securities (T2S), in 2017 this platform processed 6,781 credit liquidity transfers and 6,742 debit liquidity transfers from dedicated cash accounts, corresponding to €107,354 million and €108,656 million respectively. In addition, 148 thousand debit securities instructions amounting to €107 billion and 145 thousand credit securities instructions amounting to €108 billion were settled.

Retail transactions processed through the Interbank Clearing System (SICOI) grew by 8% in number and in value, continuing developments seen in previous years. In 2017 SICOI processed 2,541 million transactions, amounting to €417 billion.

Most transactions originating in the various SICOI subsystems continued to be processed in the Multibanco network (2,185 million transactions), which continued to account for 86% of the total. Ranking second were transactions through direct debits, with a share of 7.1% (179 million transactions). The number of transactions in this subsystem grew the most in 2017 (12.1%). Paper-based instruments accounted for only 1.3% of the overall payment volume, reflecting the users' preference for electronic payment instruments.

With regard to amounts processed by SICOI in 2017, credit transfers accounted for 53.3% of the total value (€222.3 billion), followed by transactions through the Multibanco network, with a share of 27.6% (€115 billion).

Cheques, although still accounting for 13.1% of the amounts processed in SICOI (€55 billion), have been playing an increasingly less relevant role. Compared with 2016, transactions processed in this subsystem fell by 11.6% in number and 5.8% in value. In 2017 there was also a decline in the number of returned cheques (-12.2%), most due to lack of funds, and consequently in entities included in the list of cheque defaulters (-13%).

As regards ongoing developments in the payments field in Portugal, changes will soon be introduced in SICOI: participants will have to open a mandatory individual guarantee account, there will be an increase in the maximum value per transaction processed in three subsystems (cheques, credit transfers and direct debits) and a solution will be introduced to allow for instant transfers (expected to be implemented in the second quarter of 2018).

Important developments are also taking place at Eurosystem level, such as the service for the ongoing settlement of instant payments in central bank money, TIPS, which is the TARGET instant payment settlement service that will be offered as of November 2018, and the consolidation of TARGET2 with T2S.

At regulatory level, in 2018 there will be changes to the current framework governing payment services as a result of the entry into force of the revised Payment Services Directive (PSD2) in the internal market as well as the regulatory technical standards and guidelines complementing the Directive.

These changes will have a significant impact on the payment services market, insofar as, among other innovations, they will widen the scope of application of the European framework, create and regulate new payment services – account information services and payment initiation services – and establish new security requirements for online transactions (strong customer authentication) and new rules on accountability for unauthorised transactions.

The growing digitalisation of financial services, boosted by the implementation of new technologies, such as the Distributed Ledger Technology underlying virtual means of payment, might also influence the Portuguese payments market.

