



Current developments in Macedonian Payment Systems

Toni Mircheski, Anita Hegjkezi
Payment Systems Department
National bank of the Republic of Macedonia

The 5-th Conference on Payment and Securities Settlement Systems - Ohrid, 04-06 June 2012



Agenda

- I. APPROACH FOR NATIONAL PAYMENT SYSTEMS DEVELOPMENT**
- II. STATUS OF IMPLEMENTATION OF THE STRATEGY FOR DEVELOPMENT OF PAYMENT SYSTEM IN THE REPUBLIC OF MACEDONIA IN THE PERIOD 2007-2011**
- III. FUTURE DRAFT STRATEGIC GUIDELINES – as a ground for Payment System Development Strategy 2012-2016**
- IV. GENERAL OVERVIEW ON THE CURENT AND FUTURE ACTIVITIES OF THE MACEDONIAN PAYMENT SYSTEMS (MIPS, KIBS and CASYS)**
- V. INDICATORS FOR THE FUNCTIONING OF THE PAYMENT SYSTEMS IN MACEDONIA**
- VI. ANALYSES OF THE STATISTICAL DATA FROM THE PAYMENT SYSTEMS AREA**
- VII.OVERSIGHT ROLE OF THE NBRM IN THE PAYMENT SYSTEMS**



I. APPROACH FOR NATIONAL PAYMENT SYSTEMS DEVELOPMENT

➤ National Payment System Council of the Republic of Macedonia

The National Payment System Council of the Republic of Macedonia (hereinafter referred to as NPC) was established in October 2004 by adopting the Agreement between the Governor of the National Bank of the Republic of Macedonia, the Minister of Finance and the President of the Bank and Insurance Association at the Macedonian Chamber of Commerce.

➤ Catalyst role of NBRM in promoting payment systems development



I. APPROACH FOR NATIONAL PAYMENT SYSTEMS DEVELOPMENT

Duties of the National Payment System Council of the Republic of Macedonia

According to the Agreement, the National Payment System Council of the Republic of Macedonia shall address issues tackling all aspects of the payment systems in the country, and particularly:

- encourages cooperation** between participants and competent market institutions (regulators) in the field of payment systems;

- launches initiative to the competent institutions** on adoption of payment operation regulations, and if needed, undertake initiatives for amendments to the existing laws and bylaws;

- takes part in the preparation of the Payment System Development Strategy** in the Republic of Macedonia.



II. STATUS OF IMPLEMENTATION OF THE STRATEGY FOR DEVELOPMENT OF PAYMENT SYSTEM IN THE REPUBLIC OF MACEDONIA IN THE PERIOD 2007-2011

Degree of fulfillment of the strategic directions:

Strategic guideline no. 1: Legal framework – harmonization with the European regulation

Actions taken:

1. Regulations have been identified in the national legislature that need to be amended in order to be harmonized with the European regulation.
2. Technical assistance has been requested from the IPA 2007 funds of the European Union for implementation of Directive 64/2007/EC. Regarding the realization of the IPA technical assistance, the whole harmonization on domestic legislation with Directive 64/2007/EC is expected to be completed until 2014.

Status: In line with the large number of EU regulations and directives that need to harmonize national legislation, and their constant revision and improvement at EU level, this strategic direction has long-term character for which remains ongoing strategic direction of Macedonia.



II. STATUS OF IMPLEMENTATION OF THE STRATEGY FOR DEVELOPMENT OF PAYMENT SYSTEM IN THE REPUBLIC OF MACEDONIA IN THE PERIOD 2007-2011

Degree of fulfillment of the strategic directions:

Strategic guideline no. 2: Definition of the role of the National Bank of the Republic of Macedonia in the payment systems (European context)

Actions taken:

Decisions were adopted on the payment systems oversight and on payment system operations criteria and standards, and Instructions for assessment of the conformity of payment system operations with the standards.

Status: Completed.



II. STATUS OF IMPLEMENTATION OF THE STRATEGY FOR DEVELOPMENT OF PAYMENT SYSTEM IN THE REPUBLIC OF MACEDONIA IN THE PERIOD 2007-2011

Degree of fulfillment of the strategic directions:

Strategic guideline no. 3: Consolidation of the existing balance of payment operations accounts and their standard definition in consistence with their purpose as transaction accounts

Actions taken:

In 2007, NBRM Council adopted the following bylaws:

- 1. Decision on the manner and the procedure for opening and closing a transaction account;**
- 2. Decision on the manner of maintaining and the contents of the single registry of transaction accounts.**

Status: Completed, within the period specified in the Payment Operations Law (end of 2007).



II. STATUS OF IMPLEMENTATION OF THE STRATEGY FOR DEVELOPMENT OF PAYMENT SYSTEM IN THE REPUBLIC OF MACEDONIA IN THE PERIOD 2007-2011

Degree of fulfillment of the strategic directions:

Strategic guideline no. 4: Encouraging upward trends of non-cash payments

Actions taken:

Activities take place and are monitored through the working groups for Encouraging upward trends of non-cash payments, and active participation in creation of measures the implementation of which rests with the Government of the Republic of Macedonia.

Status: Despite the obvious upward trend in the use of non-cash instruments there is a still a high use of cash payments, so therefore this strategic direction includes further ongoing work.



II. STATUS OF IMPLEMENTATION OF THE STRATEGY FOR DEVELOPMENT OF PAYMENT SYSTEM IN THE REPUBLIC OF MACEDONIA IN THE PERIOD 2007-2011

Degree of fulfillment of the strategic directions:

Strategic guideline no. 5: Harmonization of payment instruments and introduction of new instruments for the purposes of smooth and efficient transition from national payment infrastructure to Pan-European one

Actions taken:

Working groups have been established that operate according to the NPC recommendations.

Status: Due to the fact that the Republic of Macedonia is still not a part of EU, this strategic directions remains further.



II. STATUS OF IMPLEMENTATION OF THE STRATEGY FOR DEVELOPMENT OF PAYMENT SYSTEM IN THE REPUBLIC OF MACEDONIA IN THE PERIOD 2007-2011

Degree of fulfillment of the strategic directions:

Strategic guideline no. 6: Introduction of e-money

Actions taken:

Provisions of the E-money Directives have been transposed to the Payment Operations Law and NBRM adopted a bylaw, making the E-money Directive fully transposed.

Status: Completed



II. STATUS OF IMPLEMENTATION OF THE STRATEGY FOR DEVELOPMENT OF PAYMENT SYSTEM IN THE REPUBLIC OF MACEDONIA IN THE PERIOD 2007-2011

Degree of fulfillment of the strategic directions:

Strategic guideline no. 7: Acceptance of international methodology and standards

Actions taken:

The NBRM adopted a Decision on payment system operations criteria and standards – Basic principles are being accepted as standards. NBRM and SEC are expected to cooperate on ongoing basis, following the international standards in the field of payment and securities settlement systems.

Status: Completed



II. STATUS OF IMPLEMENTATION OF THE STRATEGY FOR DEVELOPMENT OF PAYMENT SYSTEM IN THE REPUBLIC OF MACEDONIA IN THE PERIOD 2007-2011

Degree of fulfillment of the strategic directions:

Strategic guideline no. 8: Transparency of payment service costs

Actions taken:

The Payment Operations Law includes provisions, and the NBRM supervises the banks on the implementation of their transparency obligations.

Status: Completed



II. STATUS OF IMPLEMENTATION OF THE STRATEGY FOR DEVELOPMENT OF PAYMENT SYSTEM IN THE REPUBLIC OF MACEDONIA IN THE PERIOD 2007-2011

Degree of fulfillment of the strategic directions:

Strategic guideline no. 9: Definition of terms and functions of the payment systems and the securities settlement systems

Actions taken:

The new Payment Operations Law incorporates the payment system terms and functions. These issues require further permanent monitoring and implementation.

Status: Completed



II. STATUS OF IMPLEMENTATION OF THE STRATEGY FOR DEVELOPMENT OF PAYMENT SYSTEM IN THE REPUBLIC OF MACEDONIA IN THE PERIOD 2007-2011

Degree of fulfillment of the strategic directions:

Strategic guideline no. 10: Definition of the Treasury as a specific payment operations carrier.

Actions taken:

Implemented in the Payment Operations Law

Status: Completed



II. STATUS OF IMPLEMENTATION OF THE STRATEGY FOR DEVELOPMENT OF PAYMENT SYSTEM IN THE REPUBLIC OF MACEDONIA IN THE PERIOD 2007-2011

Degree of fulfillment of the strategic directions:

Strategic guideline no. 11: Professional training, international cooperation, conferences, workshops, seminars

Actions taken:

Within the technical cooperation with De Nederlandsche Bank, 4 conferences for the working groups were held on issues for Strategy implementation (2008, 2009, 2010 and 2011). The 4th conference, which had an international character was organized in cooperation with De Nederlandsche Bank and Banco De Portugal. The 4th and the current 5th conference, are expected to contribute to international cooperation in the Southeast European region, in the field of payment and securities settlement systems.

Status: Undertaken activities, significantly raised the awareness of regulators and participants for international standards, European legislation, SEPA standards and the practices of European countries in the field of payment and securities settlement systems. This strategic direction involves continued work.



III. FUTURE DRAFT STRATEGIC GUIDELINES – as a ground for Payment System Development Strategy 2012-2016

2. Harmonization of the payment statistics methodology with the methodology of the European Central Bank

The implementation of this strategic guideline ensures timely methodological and operational readiness in terms of payment statistics of the National Bank of the Republic of Macedonia as a future member of the European System of Central Banks.

- a) NBRM is preparing Comparative analyses of statistical data published by ECB, with data collected from NBRM according to the Decision on submitting payment operations data. (expected results - general changes in Decision on submitting payment operations data, according to the ECB methodology);*
- a) NBRM is in a process of preparing the Red Book of payment and securities settlement systems, that will be published by the Bank for International Settlements (BIS) in Basel.*



III. FUTURE DRAFT STRATEGIC GUIDELINES – as a ground for Payment System Development Strategy 2012-2016

3.Encouraging upward trends of non-cash payments

This strategic guideline was also in the current strategy. The NBRM Payment Systems Department recognized that there is still a room for implementation in the 2012-2016 period.

The reduction of cash payments in the Republic of Macedonia requires activities for encouraging non-cash payments and convergence to the instruments of modern and developed market economies.



III. FUTURE DRAFT STRATEGIC GUIDELINES – as a ground for Payment System Development Strategy 2012-2016

4. Acceptance of SEPA standards by banks

This implies creation of individual SEPA plans for:

- ✓ electronic credit transfers
- ✓ electronic direct debit and
- ✓ payment cards

These plans should be integrated in a National SEPA plan.

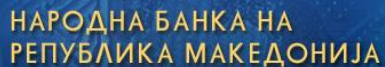


III. FUTURE DRAFT STRATEGIC GUIDELINES – as a ground for Payment System Development Strategy 2012-2016

5. Acceptance of international methodology and standards

In April 2012, BIS published a single set of standards which will supersede the current standards of payment systems, securities settlement systems and CCP – Central counterparties.

These standards (Principles for Financial Market Infrastructures) will create a need of adequate adjustments by the central banks in their everyday operations, with more integrated approach to the implementation of standards, regulations and oversight of the financial market infrastructure.



6. Modernization of the Treasury System

This strategic guideline implies modernization of the Treasury System, thus ensuring use of a single set of payment instruments in the Republic of Macedonia, i.e. uniformity of payments, regardless of the nature of payment.



IV. GENERAL OVERVIEW ON THE CURENT AND FUTURE ACTIVITIES OF THE MACEDONIAN PAYMENT SYSTEMS (MIPS, KIBS and CASYS)

MIPS

- Integrated solution for monitoring all activities of the RTGS system for providing an audit trail;
- Replacement on the hardware of the MIPS system with new one;
- Completely renovated system hall, made by all modern standards, installment of the MIPS system on remote location (expected result – compliance with CP7).

KIBS

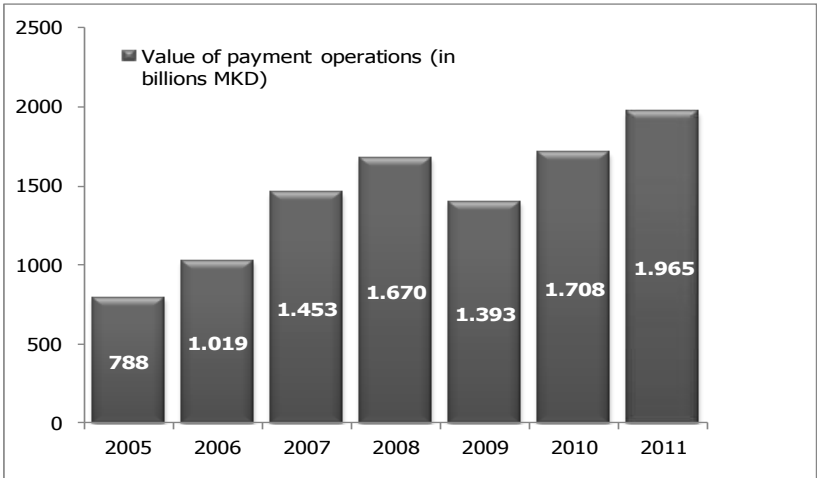
- Development of direct debit simulator, which is in the testing phase by the representatives from the banking and business community in the RM;
- The introduction of e - commerce (payment via internet or mobile telephony);
- Compliance with performance standards issued by EACHA.

CASYS

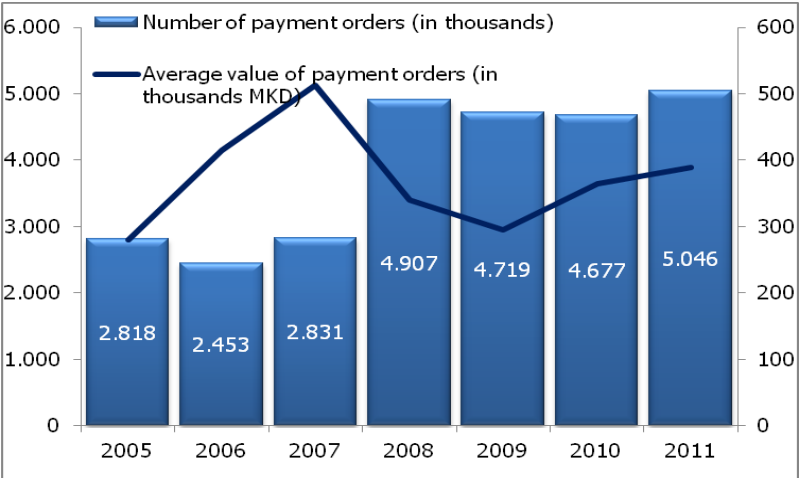
- Internet sales with payment cards supported by security services Master Card Secure Code and Verified by Visa, working with contactless cards, paying bills with credit cards over the Internet and ATM terminals, payments by installments using POS terminals;
- Payments through new payment channels or payments via mobile phones through fixed telephony, payment through ATM terminals and payments other than sales through POS terminals;
- Money transfer in real time, transfer from account to account and transfer from card to card.

V. INDICATORS FOR THE FUNCTIONING OF THE PAYMENT SYSTEMS IN MACEDONIA

Indicators for the payment operations through MIPS



Source: National Bank of the Republic of Macedonia



Source: National Bank of the Republic of Macedonia

Concentration index in MIPS for 2011

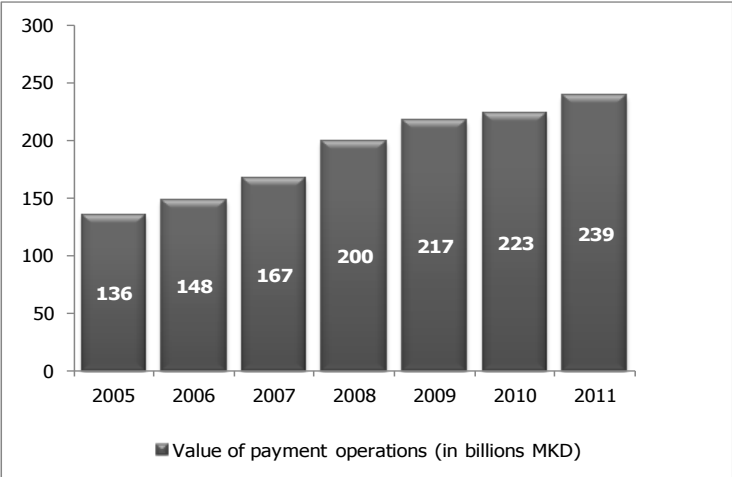
	Payment transaction number	Payment transaction value (in billions MKD)
5 banks*	1.145.403	829
Share (in %)	23	42
Total	5.045.886	1.965

*banks accounting for the largest shares in terms of payment transaction number and value

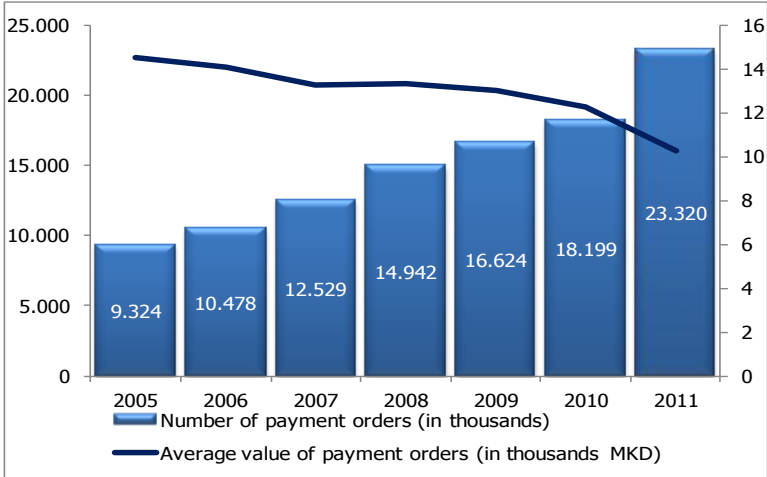
Source: National Bank of the Republic of Macedonia

V. INDICATORS FOR THE FUNCTIONING OF THE PAYMENT SYSTEMS IN MACEDONIA

Indicators for the payment operations through KIBS



Source: National Bank of the Republic of Macedonia



Source: National Bank of the Republic of Macedonia

Concentration index in KIBS for 2011

	Payment transaction number	Payment transaction value (in billions MKD)
5 banks*	17.418.464	177
Share (in %)	75	74
Total	23.320.177	239

*banks accounting for the largest shares in terms of payment transaction number and value

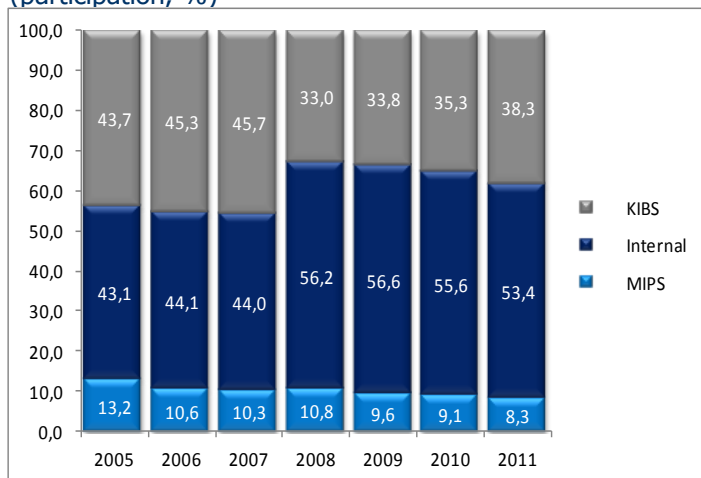
Source: National Bank of the Republic of Macedonia



VI. ANALYSES OF THE STATISTICAL DATA FROM THE PAYMENT SYSTEMS AREA

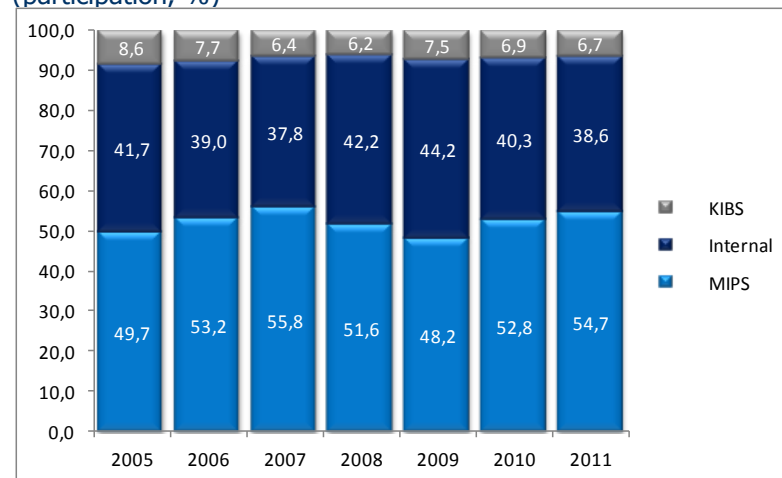
Number and value of transactions processed through payment systems

Number of transactions
(participation, %)



Source: National Bank of the Republic of Macedonia

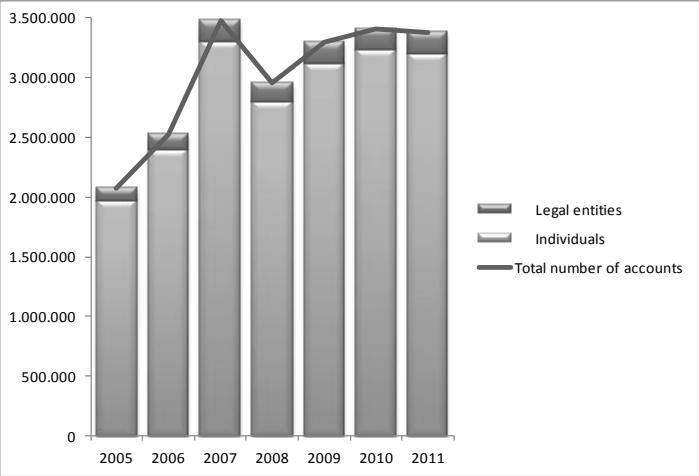
Transaction value
(participation, %)



Source: National Bank of the Republic of Macedonia

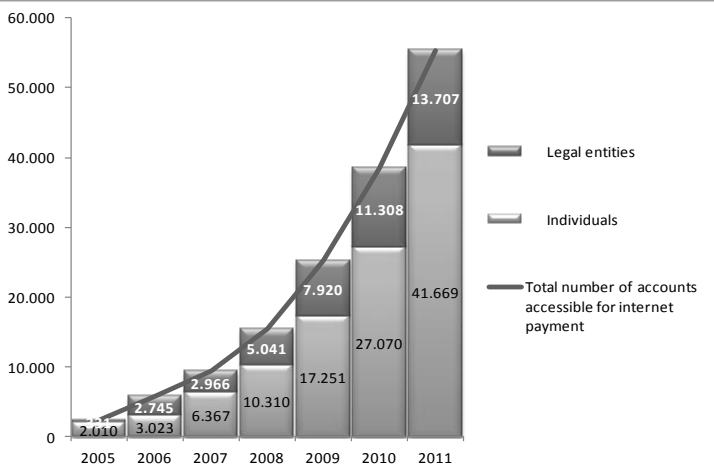
VI. ANALYSES OF THE STATISTICAL DATA FROM THE PAYMENT SYSTEMS AREA

Number of accounts



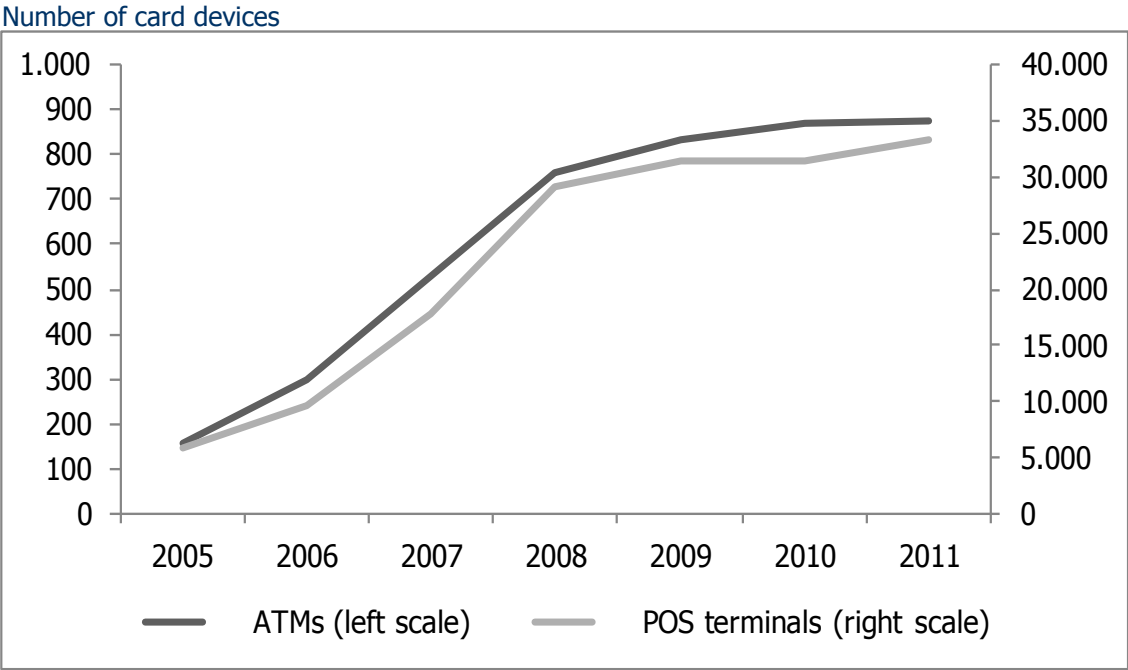
Source: National Bank of the Republic of Macedonia

Number of accounts for internet payment



Source: National Bank of the Republic of Macedonia

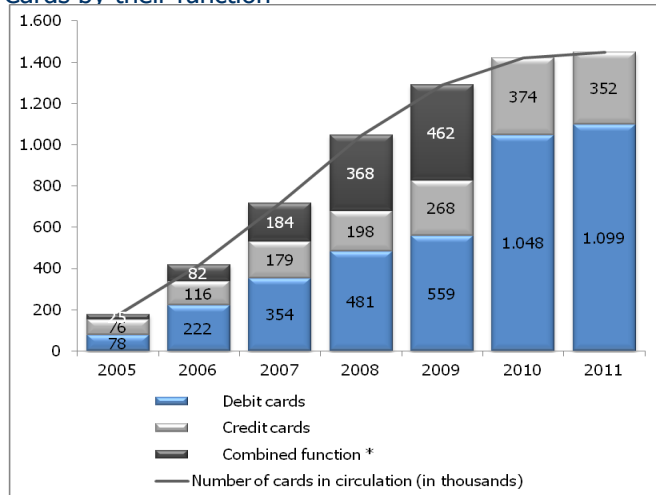
VI. ANALYSES OF THE STATISTICAL DATA FROM THE PAYMENT SYSTEMS AREA



Source: National Bank of the Republic of Macedonia

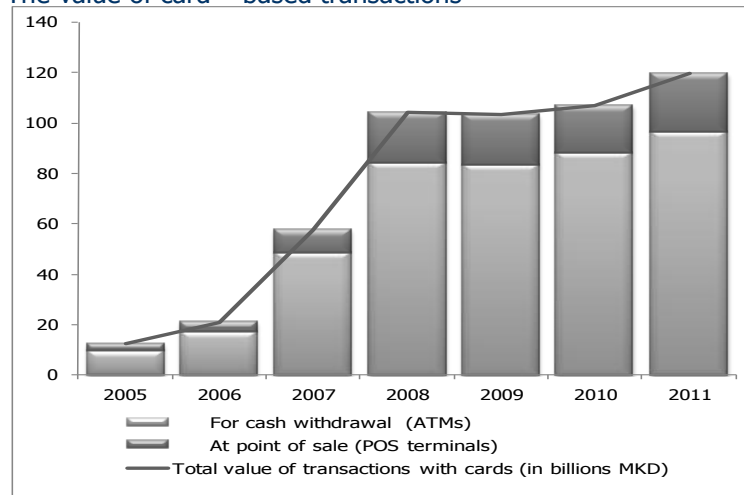
VI. ANALYSES OF THE STATISTICAL DATA FROM THE PAYMENT SYSTEMS AREA

Cards by their function



Source: National Bank of the Republic of Macedonia

The value of card – based transactions




Source: National Bank of the Republic of Macedonia

VII.OVERSIGHT ROLE OF THE NBRM IN THE PAYMENT SYSTEMS

➤ The nature of oversight function (object, tasks, standards)

Assesment of CASIS and KIBS compliance with the basic principles

Basic principles no.	Short description of the basic principle	2011 CASYS	2010 KIBS	2011 KIBS
1	Legal basis			
2	Understanding of financial risks			
3	Managment of financial risks			
4	Prompt final settlement			
5	Settlement in multilateral netting systems			
6	Settlement assets			
7	Security and operational reliability			
8	Efficiency			
9	Access criteria			
10	Governance			

Scale for assessment of the system's harmonization:

	Observed
	Broadly observed
	Partly observed
	Not-observed
	Not applicable



THANK YOU FOR YOUR ATTENTION!

Toni Mircheski, Msc-Head of the Payment Systems Oversight Unit

Anita Hegjkezi, Phd-Analyst

Payment Systems Department

National bank of the Republic of Macedonia

mirceskit@nbrm.mk

hegjkezia@nbrm.mk