



NATIONAL BANK OF THE REPUBLIC OF MACEDONIA

REPORT

on the conducted Questionnaire for the payment system in the country in July 2004

The Payment System Department conducted a Questionnaire on the participants in the MIPS for the purpose of transparency in its operating, as well as for obtaining their estimates, comments and suggestions. Namely, 21 out of the total 25 surveyed participants answered the questionnaires submitted by the National Bank of the Republic of Macedonia.

The questionnaire contained the following questions:

I. Questions about the functioning of the MACEDONIAN INTERBANK PAYMENT SYSTEM - MIPS

1. Are you satisfied with the payment services provided by the MIPS (payment in real time, balance on the account in real time, etc.)?

1. not satisfied
2. partially not satisfied
3. so and so
4. partially satisfied
5. satisfied

Supplementary comment: _____

2. Are you satisfied with the assistance in using the MIPS that is provided on the telephone number (02) 310-82-82?

1. not satisfied
2. partially not satisfied
3. so and so
4. partially satisfied
5. satisfied

Supplementary comment: _____

3. Please describe any problem you have experienced with some of our employees serving the MIPS, if any.

(additional explanation can be given in the attachment to the questionnaire);

4. Are you satisfied with the new 2.3 version of the operating rules in the MIPS system, regarding their description, clarity and transparency?

1. not satisfied
2. partially satisfied
3. so and so
4. partially satisfied
5. satisfied

Supplementary comment: _____

5. Do you prefer replacing the Frame Relay message transfer to the MIPS with the IP VPN?

1. not important - we use SWIFT
2. no need of such an action until Frame Relay exists
3. no, until the end of this year, but it should be initiated in 2005
4. yes, it must be initiated until the end of this year
5. yes, it should be initiated immediately

Supplementary comment: _____

6. Do you think that the information on the issues related to the MIPS should be obtained by:

1. receiving information only by post, e-mail, etc.
2. holding meetings, as needed
3. holding regular meetings with the participants on a quarterly basis
4. holding regular meetings with the participants on a monthly basis
5. other type

Propose other type or give supplementary comment: _____

II. General questions about the payment system in the country

1. Do you find the NBRM's assistance in training the banks in the payment operations necessary?

1. no, we are sufficiently trained
2. no, we are self-trained
3. we are self-trained, although a seminary organized by the NBRM is also required
4. yes, the NBRM should organize seminars
5. other type

Propose other type or give a supplementary comment:_____

2. Do you visit the payment systems' link on the web site of the National Bank of the Republic of Macedonia?

1. never (skip **3**)
2. rarely
3. several times a month
4. several times a week
5. on a daily basis

Supplementary comment:_____

3. Are you satisfied with the contents on the web site of the National Bank of the Republic of Macedonia in the part pertaining to the payment systems?

1. not satisfied
2. partially not satisfied
3. so and so
4. partially satisfied
5. satisfied

Supplementary comment:_____

4. Are you satisfied with the type of data in the monthly statistical reports on the payment operations in the Republic of Macedonia published on the web site of the National Bank of the Republic of Macedonia in the part pertaining to the payment operations?

1. not satisfied
2. partially not satisfied
3. so and so
4. partially satisfied
5. satisfied

Supplementary comment:_____

5. Are you satisfied with the regulations referring to the payment system in the country?

1. not satisfied
2. partially not satisfied
3. so and so
4. partially satisfied
5. satisfied

Supplementary comment:_____

6. Are there any issues you consider missing?
What do you think about those issues?

The following results derive from the analysis based on questions in the questionnaire:

I. Questions about the functioning of the MACEDONIAN INTERBANK PAYMENT SYSTEM - MIPS

The question **no. 1:** "Are you satisfied with the payment services provided by the MIPS (payment in real time, balance on the account in real time, etc.)" was answered as follows: 20 entities selected option no. 5, one entity selected option no. 4, according to which the average equals **4.95**, i.e. "satisfied".

The question **no. 2:** "Are you satisfied with the assistance in using the MIPS that is provided on the telephone number (02) 310-82-82" was answered as follows: 21 institutions selected option no. 5, according to which the average equals **5.00**, i.e. "satisfied".

The question **no. 3:** "Please describe any problem you have experienced with some of our employees serving the MIPS, if any" was answered as follows: **none of the institutions experienced any problem with any of the employees in the MIPS**, with one institution giving the following commentary: "We have never had any problems. All of the employees in the MIPS are solicitous and kind".

The question **no. 4:** "Are you satisfied with the new 2.3 version of the operating rules in the MIPS system, regarding their description, clarity and transparency" was answered as follows: 19 institutions selected option no. 5, while two institutions selected option no. 4, according to which the average equals **4.90**, i.e. "satisfied".

The question **no. 5:** "Do you prefer replacing the Frame Relay message transfer to the MIPS with the IP VPN?" offering five different options such as:

1. not important - we use SWIFT
2. no need of such an action until Frame Relay exists
3. no, until the end of this year, but it should be initiated in 2005
4. yes, it must be initiated until the end of this year
5. yes, it should be initiated immediately

was answered as follows: three institutions selected option no. 1, five institutions selected no. 2, eight selected no. 3, two selected no. 4, two selected no. 5, and one institution did not answer this question.. According to this, the closest answer would be **"no, until the end of this year, but it should be initiated in 2005**.

If weighting the answers of the participants according to the level of utilization of the MIPS system, (on the basis of the number of sent transactions in the MIPS system in 2003, the participants with a share of 45% in all transaction of the MIPS answered that the replacement of Frame Relay with IP VNP should be initiated in 2005, 28% of the participants consider that there is no need of undertaking such an action until Frame Relay exists, 14% of the participant find that this process should be initiated until the end of this year, 12% answered that this process should be initiated immediately, and 1% answered that it is not important since they are using SWIFT.

Also according to this analysis, the closest answer would be the same, i.e. **"no, until the end of the year, but it should be initiated in 2005"**.

The following comments were also given:

- The migration to IP VNP should certainly be completed before the maintenance and the support by MT is put in question;
- Option 5 is acceptable if the prizes of VNP are lower than those of Fame Relay (with the participant selecting option 2);
- Since we are satisfied with the Frame Relay lines so far, we find that the transfer to IP VNP should be based on the advantages of that connection, and it should not be forced with urgent deadlines (with the participant selecting option 4);
- Frame Relay is not developing any more and its utilisation can cease sooner than expected.

*The National Bank of the Republic of Macedonia observes all the aspects of the manner of transferring the messages, although at the moment, there are no indications from the Macedonian Telecommunications that they will stop maintaining and supporting the Frame Relay lines. The change in the manner of transferring the messages, as well as other changes made so far, will be executed by the NBRM timely and **transparently**.*

The question **no. 6: "Do you think that the information on the issues related to the MIPS should be obtained by"**, offering five different options:

1. receiving information only by post, e-mail, etc.
2. holding meetings, as needed
3. holding regular meetings with the participants on a quarterly basis
4. holding regular meetings with the participants on a monthly basis
6. other type

was answered as follows: six institutions selected option no. 1, eleven institutions selected option no. 2, eight selected option no. 3, and one institution selected option no. 4. Also, five institutions selected two options, which are taken into consideration in the analysis, i.e. most of the institutions consider that **"the meetings should be held as needed"**.

One of the participants gave the following commentary, as well:

- however, the receipt of information by post, e-mail, etc. should continue.

The National Bank of the Republic of Macedonia has also been informing the Participants on the issues relating to the MIPS so far through meetings, as needed, as well as in writing and by e-mail. Also, the Participants were being sent the links to the information published on the web site of the National Bank of the Republic of Macedonia. Such a practice shall continue in future, as well. The Participants' suggestion for easier access to the web site of the NBRM regarding the payment system (link to the payment systems published on the front page) was also implemented.

The practice of holding meetings by purpose with the participants shall continue.

The initiatives of the Participants in the MIPS for resolving coordinating issues related to the MIPS, will be observed.

II. General questions about the payment system in the country

The question **no. 1: " Do you find the NBRM's assistance in training the banks in the payment operations necessary"**, offering the following options:

1. no, we are sufficiently trained
2. no, we are self-trained
3. we are self-trained, although a seminary organized by the NBRM is also required
4. yes, the NBRM should organize seminars
5. other type

was answered as follows: one institution selected the first option, nine selected the third option, eight selected the fourth option, two selected the fifth option, while one institution did not answer the question. One out of those institutions selecting the fifth option suggested the following: "there is a need of meetings for resolving the operational issues emerging during the operating, which are differently regulated by the regulations".

According to this, the most selected option would be: **"we are self-trained, although a seminary organized by the NBRM is also required"**, with the most of the remaining participants answering: **"yes, the NBRM should organize seminars"**.

The following commentaries were also given:

- These seminars would enable banks to exchange their opinions and views, and would unify the manner of using and implementing the manuals for operating.
- Experiences, changes in the payment systems in other European countries can also be presented on these seminars.
- I find that the training provided by the NBRM would refer only to one segment related to the payment system, from the aspect of the competence and the activities of the NBRM. The commercial interests of the banks are wider, and their training should be performed through their association, or otherwise, with the part referring to the NBRM representing only one segment of the education.

The National Bank of the Republic of Macedonia, as a central bank, pays a lot of attention to the safety and the efficiency of the payment system, being also an initiator of the reforms in the payment system. The efficient functioning of the payment system enables safe and timely completion of the financial transactions, thus contributing significantly to the performances of the national economy. Having in mind that the payment system is one of the important components of the financial and the economic infrastructure, it can be assumed that the possible irregularities in its operating can be easily broadened, thus creating instability in the whole financial system. The payment system exposes its participants to risks and it can be a channel for the transmission of tremors from one part of the financial system to another. The efficient and the stable functioning of the payment system of the NBRM (as well as the ECB,

the Federal Reserve System) is enabled through the following functions:

- *operational function;*
- *oversight function;*
- *regulatory function; and*
- *development function.*

According to this, the NBRM treats all the aspects.

Such a seminary does not thwart the possibility for initiating other seminars. On the contrary, it could only lead to better results having in mind its experience.

The question **no. 2: "Do you visit the payment systems' link on the web site of the National Bank of the Republic of Macedonia?"** offering the following options:

1. never (skip 3)
2. rarely
3. several times a month
4. several times a week
5. on a daily basis

was answered as follows: seven institutions selected option no. 2, seven selected option no. 3, five selected option no 4, two selected option no. 5, with the average equaling **3.10**, i.e. - "several times a month".

The question **no. 3: "Are you satisfied with the contents on the web site of the National Bank of the Republic of Macedonia in the part pertaining to the payment systems?"** was answered as follows: sixteen institutions selected option no. 5, four institutions selected option no. 4, while one institution selected option no. 3, with the average thus equaling **4.71**, i.e. - "satisfied".

The question **no. 4: "Are you satisfied with the type of data in the monthly statistical reports on the payment operations in the Republic of Macedonia published on the web site of the National Bank of the Republic of Macedonia in the part pertaining to the payment operations?"** was answered as follows: seventeen institutions selected option no. 5, four selected option no. 4, with the average being equal to **4.81**, i.e. "satisfied".

The following commentaries were also given:

- The submission of a data analysis based on such orders and in a manner suitable to the data that the banks shall start submitting from September 1, 2004, would be useful.
- These statistical reports can be improved by a cooperation with the State Statistical Office on more precise determining of the objectives, methods, sources, the manner of processing and presenting the data, and they would become part of the statistical researches in the interest of the Republic of Macedonia.

The data that the entities responsible for conducting payment operations are going to submit, will be analyzed and published in aggregate form as it is prescribed in the Decision on the submission and the distribution of data for the payment operations ("Official Gazette of RM" no. 30/04).

Referring to the improvement of the statistical reports, the NBRM is guided by the best international practices and the European experience from that area. The aforementioned Decision was motivated by the type and the contents of the statistical reports presented in the BIS's Red Book of Payment Systems, as well as the ECB's Blue Book of Payment Systems.

The question **no. 5: "Are you satisfied with the regulations referring to the payment system in the country?"** was answered as follows: six institutions selected option 5, twelve institutions selected option no. 4, one selected option no. 3 and one institution selected option no. 2, while one institution did not answer this question. Thus, the average equals **4.15**, i.e. -"partially satisfied with the regulations".

The following comments were also given:

- There is no payment instrument which will enable banks a certain collection of claims.
- The crossed check can also be realized by blocking the gyro-accounts, i.e. it can replace the standing order completely.
- New form of bills of exchange should be issued and the regulations related to the collection of the bill should be further explained.
- The regulations are concise and liberal, but they create room for more precise determining of certain issues. This especially refers to the payments executed outside the payment system, primarily payments from and to natural persons and payments originating from the larger issuers of accounts.

The type, the form and the contents of the payment instruments are prescribed by the Ministry of Finance. All initiatives, suggestions that are going to be submitted to the NBRM officially, will be estimated and decided upon them by the NBRM. If the issues are within the regulatory power of the NBRM, the NBRM will act adequately to its own estimates.

The final question in the Questionnaire: **"Are there any issues you consider missing? What do you think about those issues?"** was supplemented by the following commentary:

- I find important the issue of the role of the Government institutions, which should be directed towards the oversight and the regulatory area, and that the support to the private sector for operational and commercial adequacies is also needed, thus representing an adequate preparation of the intentions (which can be realized sooner than expected) for integration in the European structures and associations.

I also think that this Questionnaire should include the issues pertaining to the Tariff of the MIPS, so the banks could express their view.

Regarding the previous commentary, we would like to stress that it is based on

incorrect statement. Namely, if the experiences not only for the European, but also for the Euroatlantic aspirations of the Republic of Macedonia are taken into consideration, then, it can not be said that the central bank has only oversight and regulatory role. For example, the European Central Bank has also a development and operational role as an operator of TARGET (RTGS - Real time gross settlement), similar to the Federal Reserve System of the USA, which is an operator of Fedwire (RTGS - Real time gross settlement), as well as to many other central banks worldwide. Accordingly, the NBRM's functions in the payment system are the following

- operational function;*
- oversight function;*
- regulatory function, and*
- development function.*

However, the operational function is one of the main functions of the NBRM aimed at achieving an efficient payment system in the country.

Regarding the second part of the commentary on the issue pertaining to the Tariff, the NBRM shall take into consideration the suggestions in the future Questionnaire.

Skopje, August 23, 2004