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Payment Operations

4.1 Interbank Payment Systems

In 2007, the clearing of interbank payment transactions through the Croatian Large Value Payment System (CLVPS) and the National Clearing System (NCS) was carried out in line with the rules on settlement in bank accounts in interbank payment systems.

The interbank payment systems operated without any major deviations from the payment execution schedule. Deviations from the payment execution schedule totalled 410 minutes, and were most frequently caused by an increased number of orders in the payment systems due to known and expected events in the financial system (public offerings of shares of certain companies).

Last year saw no serious situations that could in any way compromise the operational stability and safety of the interbank systems as the basic payment transaction infrastructure in the country. The accessibility of the CLVPS to payment system participants was as high as 99.34%, whereas minor difficulties in the use of this payment system were due to technical and technological reasons or problems with the SWIFT telecommunication network.

Statistical indicators of domestic interbank payment operations point to an upward trend in the number and value of payment transactions executed through both interbank payment systems in 2007 as compared with 2006.

Croatian Large Value Payment System

A total of 249,541 payment transactions were settled through the CLVPS in 2007, with the average transaction value standing at HRK 15.1m. Relative to 2006, the number of payment transactions settled through the CLVPS rose by 45.85%, whereas the value of transactions increased by 69.71%. The largest number and value of payment transactions were recorded in October.

Concerning the structure of exchanged payment messages, as much as 56.16% of total messages were payment messages mainly used by bank clients (MT103). Payment messages used by banks (MT202) and direct transfers accounted for 36.55% and 7.29% of the total, respectively. Direct transfers are payment messages used by the central bank for carrying out its legal obligations and managing the payment systems, as well as for executing payments ordered by banks in the cases when they are faced with program or communication difficulties.

Table 4.1 CLVPS – Payment Transactions Executed in 2007

Month	CLVPS	
	Transaction number	Transaction value (in million HRK)
January	15,603	205,825
February	16,027	205,855
March	17,573	225,558
April	18,846	262,054
May	21,036	308,672
June	19,501	291,703
July	23,559	339,786
August	21,519	321,339
September	21,874	360,683
October	26,401	522,716
November	24,747	368,104
December	22,855	363,394
Total	249,541	3,775,688

Source: CNB.

Table 4.2 CLVPS – Overview of Payment Transactions Executed

	2006	2007
Transaction number	171,092	249,541
Transaction value (in million HRK)	2,224,741	3,775,688
Transaction average value (in million HRK)	13.00	15.13

Source: CNB.

Table 4.3 CLVPS – Concentration Index

	Transaction number	Transaction value (in million HRK)
5 banks ^a	140,683	1,908,009
Share	56.38%	50.53%
Total	249,541	3,775,688

^a Banks accounting for the largest shares in terms of transaction number and value.

Source: CNB.

The concentration index shows that five banks accounted for over 50% of the total number and value of payment transactions settled through the CLVPS.

National Clearing System

A total of 122.4m payment transactions were executed through the NCS in 2007, their average value standing at HRK 6,511. Compared with 2006, the number and value of payment transactions executed through the NCS rose by 6.4% and 4.3% respectively. The largest number of payment transactions (40%) and the largest transaction value (50%) were cleared in the III clearing cycle. The largest number and value of payment transactions cleared through the NCS were recorded in October.

Table 4.4 NCS – Payment Transactions Executed in 2007

Month	NCS	
	Transaction number	Transaction value (in million HRK)
January	9,283,936	60,584
February	8,716,941	57,072
March	10,103,190	63,856
April	9,920,070	63,168
May	10,646,029	67,170
June	9,929,740	61,019
July	11,191,193	71,076
August	10,060,441	68,045
September	9,862,237	68,920
October	11,421,193	75,427
November	10,445,181	66,888
December	10,852,324	73,969
Total	122,432,475	797,195

Source: Fina.

Table 4.5 NCS – Overview of Payment Transactions Executed

	2006	2007
Transaction number (in million)	115.05	122.43
Transaction value (in million HRK)	764,591	797,195
Transaction average value (in HRK)	6,646	6,511

Source: Fina.

Table 4.6 NCS – Total Value and Number of Payment Transactions by Clearing Cycles in 2007

	I clearing cycle	II clearing cycle	III clearing cycle	Total
Transaction number	29,991,329	44,196,131	48,245,015	122,432,475
Share	24	36	40	100
Transaction value (in million HRK)	144,974	251,517	400,704	797,195
Share	18	32	50	100

Note: I clearing cycle – from 18.15 T-1 to 8.30 TO

II clearing cycle – from 8.30 TO to 12.30 TO

III clearing cycle – from 12.30 TO to 18.15 TO

Source: Fina.

Table 4.7 NCS – Concentration Index

	Transaction number	Transaction value (in million HRK)
5 banks ^a	86,828,044	485,671
Share	70.92%	60.92%
Total	122,432,475	797,195

^a Banks accounting for the largest shares in terms of transaction number and value.

Source: Fina.

The concentration index shows that five banks accounted for 70.92% of the total number and 60.92% of the total value of payment transactions executed through the NCS.

4.2 Interbank/Interinstitutional Cooperation in the Area of Payment Operations

In 2007, each member of the National Payment System Committee (NPSC) appointed an additional representative on the Committee responsible for foreign exchange operations. Specifically, besides domestic payment operations, the future scope of activity of the NPSC will also include international payment transactions. With a view to harmonising the domestic payment system with that of the EU, the CNB and banks agreed on exchanging information relating to the future organisation of a single internal market and the creation of a Single Euro Payments Area (SEPA).

The Council of NCS Participants, consisting of representatives of the CNB, banks and Fina, held one annual theme session in 2007. This session included a presentation of the Council's work and the NCS operation in 2007, preparatory activities for a redesign of and improvements in the current NCS applications, a presentation of functionality upgrades and a projection of the dynamics relating to a migration to a new system. The session also involved a presentation and confirmation of testing dates, the period of parallel operation of the old and new NCSs and the cycle clearing repetition dates. It was envisaged that the new NCS would be put into productive operation in April or May 2008, depending primarily on the results of certification currently in process in all banks participating in the NCS.

4.3 Reports on Payment Statistics

In line with the Decision on the obligation to submit the report on payment statistics, the CNB received payment statistics from entities subject to the reporting obligation (all banks and card issuers) within the prescribed deadlines, processed them and made them publicly available.

Table 4.8 Number of Transaction Accounts as at 31 December 2007

Business entities' accounts	418,521
Business entities' regular operating accounts	388,105
Business entities' sub-accounts	30,416
Citizens' accounts	4,791,240
Giro accounts	880,019
Current accounts	3,803,343
Other citizens' accounts ^a	107,878
Total	5,209,761

^a Specific purpose citizens' accounts and accounts of non-residents – natural persons resident abroad.
Source: CNB.

Business entities and citizens had a total of 5,209,761 accounts opened with banks. As much as 92.7% of the total number of business entities' accounts opened with banks were accounts for regular operations, whereas only 7.3% were business entities' sub-accounts.

Citizens had 4,791,240 accounts opened with banks, which made up 92% of the total number of accounts opened with banks. Of this, 79.38% were current accounts, 18.37% giro accounts and 2.25% "other citizens' accounts".

Table 4.9 Number of Bank Operating Units, ATMs and POS (EFTPOS) Terminals as at 31 December 2007

	Total
1. Operating units	1,191
2. ATMs	2,995
2.1. ATMs owned by banks	2,457
2.2. ATMs owned by other legal persons	538
3. POS (EFTPOS) terminals	70,988
3.1. POS (EFTPOS) owned by banks	49,121
3.2. POS (EFTPOS) owned by other legal persons	21,867

Source: CNB.

As at 31 December 2007, there were 1191 bank operating units in the Republic of Croatia.

Of the total number of ATMs in the country, 82% were owned by banks and the remaining 18% by other legal entities.

Of the total of 70,988 POS (EFTPOS) terminals, 69% were owned by banks and the rest was owned by other legal entities.

Table 4.10 Number of Users by Type of Service as at 31 December 2007

Citizens		
Internet	424,298	
Telebanking	0	
Mobile phones	122,514	
Fixed line phones	279,073	
Direct debit transfers	348,181	
Permanent transfer order	818,532	
POS (EFTPOS)	3,599,346	
Other	20,176	
Business entities		
Internet	130,111	
Telebanking	6,854	
Mobile phones	1,389	
Fixed line phones	12,483	
Direct debit transfers	3,975	
Permanent transfer order	3,468	
POS (EFTPOS)	176,863	
Other	55,258	

Source: CNB.

Table 4.10 shows the available technical and technological services through which banks enable their clients to use additional methods of payment against their transaction accounts with banks.

Table 4.11 Issued Payment Cards and Payment Transactions According to Card Types

Type	Valid general and business payment cards			
	Number of payment cards in circulation ^a	Share	Total transactions ^b	
			Number	Value (in HRK)
Credit card	164,315	2.04%	1,626,750	738,957,660
Revolving card	500,217	6.22%	5,119,260	1,796,238,098
Deferred debit cards	526,820	6.55%	15,602,697	6,519,115,521
Charge card	745,835	9.27%	21,399,598	7,156,466,768
Debit card	6,060,150	75.35%	73,492,200	36,735,446,224
Prepaid card	45,616	0.57%	33,118	11,342,311
Total	8,042,953	100%	117,273,623	52,957,566,582

^a As at 31 December 2007.

^b In the second half of 2007.

Source: CNB.

As at 31 December 2007, there were 8,042,953 valid payment cards in circulation in the Republic of Croatia. Of this total, 95% were general payment cards (issued to the names of citizens) and 5% were business cards (issued to the names of business entities). As regards the payment card types, debit cards accounted for the largest share in the total number of cards, 75.35%. In the second half of 2007, debit card transactions participated with 62.67% in the total number of transactions, their value accounting for 69.37% of the total value of payment transactions.

Table 4.12 Payment Cards by Function as at 31 December 2007

Function	General		Business	
	Number of payment cards by function	Share of individual cards in total number of payment cards	Number of payment cards by function	Share of individual cards in total number of payment cards
Total number of payment cards in circulation				
Point-of-sale payments	7,632,284	99.89	402,578	100.00
Cash withdrawal	7,523,121	98.47	402,062	99.87
Checking guarantee	4,240,553	55.50	31,439	7.81
E-money	0	0	0	0
Chip	5,376,858	70.37	288,922	71.77
Co-branding	65,401	0.86	2,441	0.61
Affinity	48,843	0.64	0	0.00
International (accepted worldwide)	7,566,119	99.03	267,575	66.47
Other	72,683	0.95	202	0.05

Note: Payment cards may have more than one function.

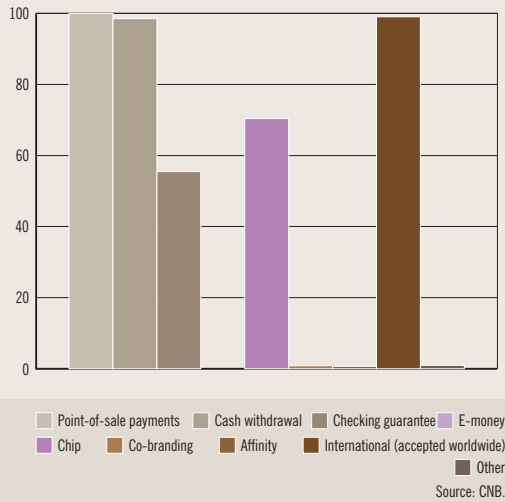
Source: CNB.

At the end of 2007, there were 7,640,375 general payment cards in circulation in the Republic of Croatia. Of the total number of payment cards in circulation, 99.89% enabled point-of-sale payments for goods or services. Likewise, 98.47% of all the payment cards enabled cash withdrawals and almost all (99.03%) were accepted internationally.

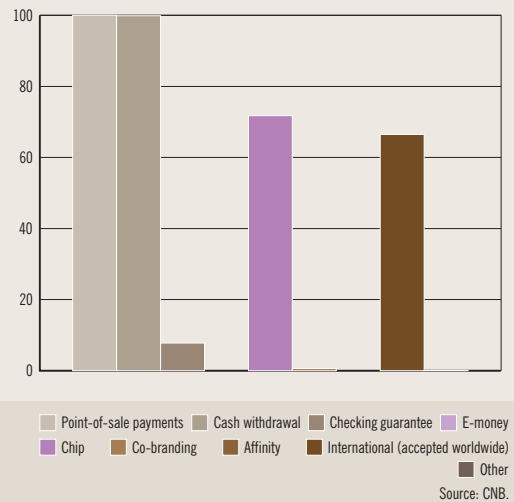
There were no registered payment cards in the Republic of Croatia with the function of e-money.

All (100%) of 402,578 business payment cards in circulation in the Republic of Croatia enabled payments, and almost all (98%) enabled cash withdrawals. Internationally accepted were 66.47% of all business payment cards.

4.1 General Payment Card Functions



4.2 Business Payment Card Functions



Harmonisation of Domestic Payment System Regulations with the *Acquis Communautaire*

The Directive 2007/64/EC of the European Parliament and of the Council on payment services in the internal market that entered into force on 25 December 2007 provides a legal basis for the establishment of a single market for payment services within the EU. The deadline for the harmonisation of the legislations of EU Member States with the provisions of this Directive is 1 November 2009.

The harmonisation with this Directive is exceptionally important, as it includes a very broad scope of payment services and regulates in detail payment service providers, payment services, the transparency of conditions and information requirements regarding payment services, rights and obligations of service providers, establishment, operation and supervision of payment institutions, etc. The adoption of these provisions will contribute to the simplicity, success and safety of payments within the EU.

A harmonised legal framework based on the said Directive will provide the necessary legal basis for the creation of the Single Euro Payments Area which will only include payments in euro, whereas the scope of the Payment Services Directive will include payments in the currency of any EU Member State.

In order to harmonise the Croatian legislation with the EU *acquis communautaire*, particularly with the said Directive, a project task force has been established at the CNB, preparing a draft payment services act.

A new Act on Settlement Finality in Payment and Financial Instruments Settlement Systems is also being prepared, by which the solutions of the Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in systemically important systems will be introduced into the Croatian legal system. A final draft of the Act is planned for May 2008. The Act will regulate participants in the payment systems, the authorities competent for these systems in the Republic of Croatia, effects of insolvency proceedings against a participant in a system, rights and obligations arising from, or in connection with the participation of a participant in a system, submitting notifications to EU Member States and receiving such notifications from the competent authorities of other EU Member States, etc.