



Annual Report 2008

CROATIAN NATIONAL BANK



4

Payment Operations

4.1 Interbank Payment Systems

In 2008, interbank payment transactions were cleared through the Croatian Large Value Payment System (CLVPS) and the National Clearing System (NCS) according to the rules on settlement in bank accounts in interbank payment systems.

In 2008, interbank payment systems operated without any major deviations from the payment execution schedule and there were no serious situations that could in any way compromise the operational safety of interbank payment systems as the basic infrastructure of domestic payment operations. The accessibility of the CLVPS to payment system participants was as high as 99.45%, and minor difficulties in its use were due to technical and technological reasons or problems with the SWIFT telecommunication network.

Statistical indicators on domestic interbank payment operations point to an upward trend in the number and value of payment transactions carried out through the NCS and the CLVPS in 2008 relative to 2007.

Croatian Large Value Payment System

A total of 275,844 payment transactions were settled through the CLVPS in 2008, with the average transaction value standing at HRK 11.9m. The number of payment transactions settled through the CLVPS increased by 10.5% from 2007 whereas the value of the transactions decreased by 12.8%. The largest number and value of payment transactions were recorded in October.

Table 4.1 CLVPS – Payment Transactions Executed in 2008

Month	CLVPS	
	Transaction number	Transaction value (in million HRK)
January	22,126	291,731
February	20,965	244,407
March	20,214	228,772
April	22,152	243,668
May	21,910	226,250
June	22,323	239,686
July	24,413	285,638
August	19,687	244,728
September	23,508	251,688
October	27,583	379,331
November	23,619	346,252
December	27,344	308,555
Total	275,844	3,290,706

Source: CNB.

Table 4.2 CLVPS – Overview of Payment Transactions Executed

	2007	2008
Transaction number	249,541	275,844
Transaction value (in million HRK)	3,775,688	3,290,706
Transaction average value (in million HRK)	15	12

Source: CNB.

Table 4.3 CLVPS – Concentration Index

	Transaction number	Transaction value (in million HRK)
5 banks ^a	164,562	1,688,494
Share (in %)	59,66	51,31
Total	275,844	3,290,706

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

Source: CNB.

As regards the structure of the exchanged payment messages, as much as 61.6% of total messages were payment messages mainly used by bank clients (MT103). Payment messages used by banks (MT202) and direct transfers accounted for 32.1% and 6.4% of the total respectively. Direct transfers are payment messages used by the central bank to carry out its legal obligations and manage payment systems, as well as to execute payments ordered by banks encountering communication difficulties.

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 127.8m payment transactions were executed through the NCS in 2008, with an average value of HRK 6,319. The number and value of payment transactions executed through the NCS rose by 4.4% and 1.3% respectively from 2007. The largest value of transactions (51%) was cleared in the third clearing cycle. In relation to the total number of transactions executed through the NCS, the same number of payment transactions (36%) was cleared in the prescribed duration of the second and third clearing cycles. The largest number and value of payment transactions executed through the NCS were recorded in July.

Table 4.4 NCS – Payment Transactions Executed in 2008

Month	NCS	
	Transaction number	Transaction value (in million HRK)
January	9,827,199	61,213
February	9,762,186	60,506
March	10,291,496	62,242
April	11,048,691	70,711
May	10,684,103	64,376
June	10,870,721	68,077
July	11,794,965	79,259
August	9,693,960	61,860
September	11,040,815	68,813
October	11,180,776	75,572
November	9,956,726	57,989
December	11,630,749	76,835
Total	127,782,387	807,453

Source: FINA.

Table 4.5 NCS – Overview of Payment Transactions Executed

	2007	2008
Transaction number (in million)	122.43	127.78
Transaction value (in million HRK)	797,195	807,453
Transaction average value (in HRK)	6,511	6,319

Source: FINA.

Table 4.6 NCS – Total Value and Number of Payment Transactions by Clearing Cycles in 2008

	I clearing cycle	II clearing cycle	III clearing cycle	Total
Transaction number	35,184,371	46,540,715	46,057,301	127,782,387
Share (in %)	28	36	36	100
Transaction value (in million HRK)	148,025	246,875	412,553	807,453
Share (in %)	18	31	51	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

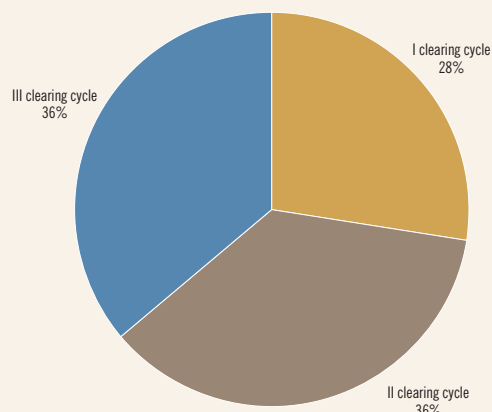
Source: FINA.

Table 4.7 NCS – Concentration Index

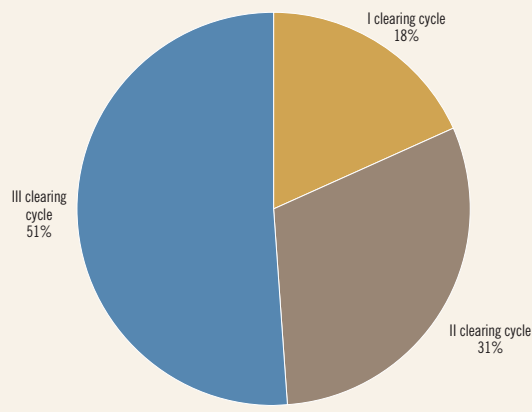
	Transaction number	Transaction value (in million HRK)
5 banks ^a	91,150,812	498,564
Share (%)	71.33	61.75
Total	127,782,387	807,453

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

Source: FINA.

4.1 NCS – Number of Payment Transactions by Clearing Cycles in 2008

Source: FINA.

4.2 NCS – Value of Payment Transactions by Clearing Cycles in 2008

Source: FINA.

The concentration index shows that five banks account for 71.33% of the total number and 61.75% of the total value of payment transactions executed through the NCS.

4.2 Interbank/Interinstitutional Cooperation in the Area of Payment Operations

At a meeting of the National Payment System Committee (NPSC), the members (the Croatian National Bank, Ministry of Finance and Croatian Bank Association) were presented with a new regulation in the area of payment operations, the Act on Settlement Finality in Payment and Financial Instruments Settlement Systems. The members of the NPSC were also introduced to the draft of the Act on Payment Services, which is planned to be adopted by the end of the second quarter 2009. Also discussed at this meeting were some issues related to the adoption and implementation of the Personal Identification Number Act, since the PIN will also be used in payment operations. The members of the NPSC were also presented with a CNB document entitled “Guidelines to Banks and Other Professional Cash Handlers”, whose aim is to ensure that the reissuing of banknotes (the recycling of the banknotes which are received from circulation and not only via cash centres) is carried out on condition that such banknotes are checked for fitness and authenticity. This ensures a uniform processing of currency and counterfeiting protection in all users.

The Council of NCS Participants, consisting of representatives of the CNB, banks and FINA, held one annual theme session. The session featured a review of the NCS operation in 2008. FINA representatives held a presentation on the operation and reengineering of the NCS and informed the participants on the successfully completed project and transfer to the new NCS information application system.

4.3 Reports on Payment Statistics

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

Table 4.8 Number of Transaction Accounts

as at 31 December 2008

Business entities' accounts	413,513
Business entities' regular operating accounts	381,145
Business entities' sub-accounts	32,368
Citizens' accounts	5,109,742
Giro accounts	953,421
Current accounts	4,035,838
Other citizens' accounts ^a	120,483
Total	5,523,255

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

Source: CNB.

Business entities and citizens had 5,523,255 accounts opened with banks. Out of the total number of business entities' accounts opened with banks, as much as 92.2% were accounts for regular operations, whereas only 7.8% were business entities' sub-accounts.

Citizens had 5,109,742 accounts opened with banks, which made up 92.5% of the total number of accounts opened with banks. Of this, 78.98% were current accounts, 18.66% giro accounts and 2.36% "other citizens' accounts".

Table 4.9 Number of Bank Operating Units, ATMs and POS (EFTPOS) Terminals

as at 31 December 2008

	Total
1. Operating units	1,252
2. ATMs	3,342
2.1. ATMs owned by banks	2,761
2.2. ATMs owned by other legal persons	581
3. POS (EFTPOS) terminals	79,994
3.1. POS (EFTPOS) owned by banks	53,331
3.2. POS (EFTPOS) owned by other legal persons	26,663

Source: CNB.

As at 31 December 2008, there were 1,252 bank operating units in the Republic of Croatia. Of the total number of ATMs in the country, 82.6% were owned by banks and the remaining 17.4% by other legal entities. Of the total of 79,994 POS (EFTPOS) terminals, 66.7% were owned by banks and the rest was owned by other legal entities.

Table 4.10 shows available technical and technological services enabling bank clients to use additional methods of payment against their transaction accounts with banks.

As at 31 December 2008, there were 8,463,984 valid payment cards in circulation in the Republic of Croatia. Of this total, 94.9% were general payment cards (issued to the names of citizens) and 5.1% were business cards (issued to the names of business entities). As regards payment card types, debit cards accounted for the largest share in the total number of cards, 74.40%.

Table 4.10 Number of Users by Type of Service

as at 31 December 2008

Citizens		
Internet		559,711
Telebanking		0
Mobile phones		209,358
Fixed line phones		239,858
Direct debit transfers		391,973
Permanent transfer order		1,015,750
POS (EFTPOS)		3,652,936
Other		25,577
Business entities		
Internet		150,668
Telebanking		6,413
Mobile phones		8,647
Fixed line phones		11,575
Direct debit transfers		4,616
Permanent transfer order		6,548
POS (EFTPOS)		193,368
Other		58,053

Source: CNB.

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 (in%)	Total transactions	
			Number	Value (in HRK)
Credit card	192,727	2.3	3,019,382	1,148,441
Revolving card	743,355	8.8	29,917,684	7,953,340
Deferred debit cards	559,137	6.6	29,567,562	12,358,325
Charge card	574,679	6.8	29,557,737	10,198,315
Debit card	6,297,301	74.4	161,927,393	81,190,527
Prepaid card	93,060	1.1	76,442	34,181
Other	3,725	0.0	34,986	14,364
Total	8,463,984	100.0	254,101,186	112,897,493

^a As at 31 December 2008.

Source: CNB.

Table 4.12 Payment Cards by Function

as at 31 December 2008

Function	General		Business	
	Number of payment cards by function	Share of individual cards in total number of payment cards (in %)	Number of payment cards by function	Share of individual cards in total number of payment cards (in %)
Total number of payment cards in circulation				
Point-of-sale payments	8,016,117	99.81	432,706	100.00
Cash withdrawal	7,903,732	98.41	432,138	99.87
Checking guarantee	4,365,295	54.35	20,800	4.81
E-money	0	0.00	0	0.00
Chip	5,782,185	72.00	308,037	71.19
Co-branding	77,756	0.97	3,000	0.69
Affinity	47,710	0.59	0	0.00
International (accepted worldwide)	7,960,524	99.12	293,300	67.78
Other	70,310	0.88	184	0.04

Note: Payment cards may have more than one function.

Source: CNB.

As at 31 December 2008, there were 8,031,278 general payment cards in circulation in the RC. Of the total number of payment cards in circulation, 99.81% enabled point-of-sale payments for goods or services. Likewise, 98.41% of all the payment cards enabled cash withdrawals and almost all (99.12%) were accepted internationally.

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

All (100%) of 432,706 business payment cards in circulation in the Republic of Croatia enabled payments, and almost all (99.87%) enabled cash withdrawals. Internationally accepted were 67.78% of all business payment cards.

4.4 Alignment of Domestic Payment System Regulations with the *Acquis Communautaire*

The alignment of Croatian legislation with the *acquis communautaire* also involved the adoption of the Act on Settlement Finality in Payment and Financial Instruments Settlement Systems,¹ by which national legislation became aligned with the provisions of Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems. The Act came into force on 1 January 2009, except for some provisions which are to come into force on the day of Croatia's accession to the European Union.

The Act governs settlement finality of transfer orders in settlement systems, the consequences of insolvency proceedings against a system participant, the rights and obligations arising from or related to the participation of participants in the system, and the rights of collateral recipients in the event of insolvency proceedings against a collateral provider. The Act also defines systems participants and the obligations of competent bodies of the RC related to keeping a record of the system and notifying the European Commission.

The Act was drafted in cooperation with the Croatian Financial Service Supervisory Agency and the Central Depository Agency, since, in addition to settlement finality in payment systems, it also governs settlement finality in financial instrument settlement systems.

¹ OG 117/2008.