

The twenty-fourth meeting of the National Payment System Committee, 18 May 2015

### **National SEPA scheme for credit transfers in kuna approved**

The National Payment System Committee (hereinafter: "Committee") held its twenty-fourth meeting on 18 May 2015, chaired by Vicegovernor of the Croatian National Bank (CNB) Neven Barbaroša. Committee members were informed about changes in membership: Danka Mihaljević, Ivana Ravlić Ivanović and Gordana Marić were appointed new Committee members on behalf of the Ministry of Finance (MoF); the Croatian Chamber of Economy (CCE) appointed Dražen Mršić as its representative, and Damir Blažeković will represent the CNB at the Committee in the future.

At the meeting, Committee members approved the national SEPA scheme for credit transfers in kuna (HRK SCT), which was prepared by the working bodies of the Croatian SEPA Coordination Committee (CSCC). The scheme was harmonised with the SEPA payment scheme of the European Payments Council, so that all national specific characteristics were accepted that would facilitate migration to the SEPA payment scheme for the national system participants at the time of the introduction of the euro as the official currency of the Republic of Croatia.

Also, Committee members adopted the decision to set up the National Scheme Management Board (NSMB) having in mind the need to adequately manage this scheme and two SEPA schemes for direct debit, which are under preparation – the core and business to business (B2B). The Board's tasks will include the entry into agreement on access to the schemes, keeping records on scheme participants, regulation of interrelations among participants and ensuring the adherence to the rules of the schemes. The NSMB will be established at the Croatian Banking Association (CBA), but membership in the NSMB and equal participation in all rights and obligations arising from the membership will be guaranteed to all scheme participants, regardless of whether they are CBA members or not.

In discussing current issues related to the issuing of no contact cards, it was emphasised that banks and electronic money institutions have so far issued over a million of such cards, although certain omissions have been recorded (for instance, cards have been issued to clients that have not even requested them). With regard to user inquiries and complaints, the CNB points out that no contact cards bring important changes and functionalities that issuers must include into the general terms and conditions (e.g. authorisation, risks that such technology brings and security, payment limits for such cards). End users must be informed about the amendments to the framework agreement, including general terms and conditions, as determined by the Payment System Act (e.g. two months in advance). In addition, this product requires a higher level of protection from liability in the case of execution of unauthorised payment transactions with regard to its specific characteristics and payment limits determined by the issuers themselves. Also, the CNB is of the view that banks should offer an alternative solution to those consumers who do not wish to use the no contact technology in the case of debit cards connected with current accounts, which are the basic financial product.

The CNB emphasises that so far the central bank has not received any complaints from users for unauthorised, incorrectly executed or fraudulent payment transactions executed using a no contact payment card. Card operations in the Republic of Croatia are predominantly based on the EMV technology (Europay MasterCard Visa standard), which provides a high level of security in contact and no contact payments. Previous European experiences with no contact cards show that the risk connected with no contact payment is very small, when compared with the "traditional" methods of misuse, such as theft and card counterfeiting.

In conclusion, it was highlighted that the CNB fully supports the development of new technologies in payment operations, and emphasises the necessity to determine all potential risks that should be explained to payment service users in a clear and comprehensive manner, together with a clear division of responsibility for all consequences of the use of such services.