



## INFORMATION RELEASE

15 December 2016

### Contactless payments account for more than half of total card payments

***In the third quarter of 2016, the number of payment cards issued in Hungary exceeded 9 million. The number of POS terminals allowing contactless payments rose significantly, by nearly 9 per cent. Owing to this, among other factors, the new, contactless technology accounted for more than half of total domestic purchase transactions conducted with payment cards. Liquidity available for payments was broadly unchanged, continuing to be abundant in the third quarter of 2016.***

In the third quarter of 2016, the number of payment accounts was broadly unchanged: of the 10.4 million accounts, 9.5 million were used by private individuals; and the number of electronic accounts accessible via the Internet or target software accounted for 79 per cent. The number of consumer accounts, used primarily for payment purposes, exceeded 6.6 million, accounting for 71 per cent of total forint accounts. The number of domestic payment cards rose slightly and exceeded the 9 million mark. Of these, 7.6 million (or 85 per cent) were deposit cards and 1.4 million were credit cards. The number of contactless payment cards continued to rise and, as a result, more than 60 per cent of domestic cards were available for contactless payments. The number of virtual payment cards, enabling their holders to make safe payments on the Internet, was around 690,000 at the end of the quarter, reflecting the moderate pace of increase characterising previous periods. At over 85,000, the number of physical acceptance points was largely unchanged relative to the second quarter; however, the number of POS terminals operating at acceptance points rose by 3 per cent to nearly 108,000. The number of POS terminals allowing contactless payments rose significantly, by nearly 9 per cent. As a result, around three-quarters of terminals allow contactless payments to be made.

Strong growth in purchase transactions conducted with domestic payment cards continued. The more than 127 million transactions conducted in the domestic acceptance network with cards issued in Hungary, representing a total value of HUF 869 billion, rose by 23 per cent in their value and by nearly 20 per cent in their number relative to the third quarter of 2015. Within purchases, the ratio of contactless payments continued to rise: their number doubled (67.8 million) and the total value of purchases increased by 250 per cent (HUF 323 billion). By contrast, both the number and value of traditional transactions conducted at physical acceptance points fell, by one-quarter (nearly 51 million transactions) and 11 per cent (HUF 458 billion), relative to the same period of 2015. As a result, payments using the convenient and fast contactless payment technology accounted for 53 per cent and 37 per cent, respectively, of the number and value of total purchase transactions, including purchases using Internet, postal and phone card purchases. The average value of contactless payment transactions continues to be

significantly below that of traditional payment transactions (HUF 4,769 and HUF 9,034), i.e. with the diffusion of the new technology, an increasing number of mainly cash-based, small-value transactions were replaced. Internet purchases continued to grow strongly (by nearly 37 per cent in number and by nearly 41 per cent in value); however, the nearly 7.5 million transactions, at a total value of HUF 81 billion, accounted for only 6 per cent and 9 per cent, respectively, of total payment transactions. The value of cash withdrawals using payment cards rose slightly, by over 2 per cent, relative to the third quarter of 2015, with their total amount remaining unchanged and their average value exceeding HUF 65,000.

The number of individual credit transfers exceeded 55 million, reflecting a 2 per cent increase relative to the same period of the previous year, with their value rising by more than 12 per cent to HUF 141 trillion. The number and value of direct debits, used primarily to pay for utilities and other regular services, rose by 3 per cent (17.3 million) and 2 per cent (HUF 183 billion), respectively, relative to the same period of the previous year.

In the second quarter of 2016, the number of frauds on the issuer side was 9,100, and the total value of losses caused by frauds was HUF 321 million. The ratio of frauds to total purchases continued to be very low: less than 0.01 per cent in terms of their number and 0.03 per cent in terms of their value. Fraud continued to be related mainly to card-not-present transactions: 72 per cent of frauds and more than 70 per cent of loss caused are related to such transactions. In terms of the direction of transactions, cross-border transactions were affected most, with the ratio of frauds related to international payment turnover being nearly 80 per cent in terms of their number and some 91 per cent in terms of total loss caused. Due to the strong legal protection of cardholders, financial service providers charged only less than 8 per cent of total fraud-related loss (HUF 272 million) written off on the issuer side to cardholders during the quarter. On the acquirer side, the number of frauds was over 1,000. The total value of loss caused was HUF 48 million.

In terms of VIBER (the real-time gross settlement system) turnover, the trends of previous quarters continued in the third quarter of 2016. Turnover continued to fall significantly, by some 15 per cent, relative to the same period of the previous year, while the number of transactions rose slightly, by 6 per cent. As a result, the number and value of VIBER transactions were 386,000 and HUF 260,000 billion, respectively, in the review period. The drop in the value of turnover was mainly accounted for by the decline in the number of interbank transactions<sup>1</sup> and the phasing-out of the MNB's two-week credit facility. The reduction in tenders for three-month deposits, the MNB's main policy instrument, in August was also perceptible: turnover related to three-month deposits fell by some 37 per cent in VIBER from July to September. As a result, turnover in three-month deposit fell from HUF 691 billion in July to around HUF 437 billion in September.

At system level, the liquidity of VIBER participants continued to be adequate. Liquidity available for payments was practically unchanged relative to the second quarter. Within the third quarter, liquidity fell slightly, by 8 per cent, from August to September, mainly reflecting the decline in closing account balances. Liquidity available for payments is adequate, which is well illustrated by the fact that the lower and upper liquidity bounds were not

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<sup>1</sup> Transfers between direct VIBER participants, where both the sender and receiver of funds are credit institutions.

breached, as seen in the previous period. VIBER participants do not have to use significant amounts of their credit lines to conduct their payment turnover; at aggregate level, maximum utilisation of the intraday credit line (MICL) was practically unchanged (its level continued to be 6-10 per cent). One of the determining elements of banks' payment-related liquidity management is intraday timing of VIBER transactions. No change occurred here compared with the previous quarter. The composition of the securities portfolio pledged for the MNB was broadly unchanged, with government securities continuing to represent a very high share of 70 per cent.

In the third quarter of 2016, the number and value of transactions in the ICS (Interbank Clearing System) rose by 2 per cent and 6 per cent, respectively, relative to the same period of the previous year. Around 72 million transactions, representing a value of nearly HUF 23,000 billion, were cleared. In the third quarter of 2016 as a whole, intraday rollovers took place in intraday settlement in ICS only in September, with their number and value continuing to be negligible. This phenomenon affected three ICS members altogether.

In the third quarter of 2016, turnover in both the spot and derivative capital markets guaranteed by KELER KSZF (CCP in Hungary) fell relative to the previous quarter. However, the value of open positions increased by some 7 per cent in the derivative market relative to June 2016.

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Detailed tables: [Payment table set](#)

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