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INFORMATION RELEASE

Smooth transition to faster payment turnover

In the third quarter of 2015, the use of electronic payment methods continued to increase. As regards the payment infrastructure required for conducting electronic payments, contactless payment cards and POS terminals equipped with a feature enabling contactless payment continued to be the fastest growing areas. The slight decline in the number of Internet acceptance points had no significant impact on the volume of card-not-present transactions. In respect of frauds related to payment cards, the upward trends characterising earlier periods continued; however, the ratio of frauds to total domestic payment turnover remained relatively low, indicating the safety of payment systems. From September 2015, interbank transactions are cleared in ten cycles daily in the GIRO Interbank Clearing System (ICS), instead of the previous five cycles, thereby speeding up transfers significantly.

In the third quarter of 2015, the number of payment accounts managed by financial service providers, at 10.4 million, was practically unchanged relative to the previous quarter. At the same time, the number of payment cards, at 8.9 million, rose by nearly 1 per cent. The number of contactless payment cards continued to rise significantly, by nearly 8 per cent relative to the previous quarter. As a result, these cards, at 4.5 million, account for more than one-half of total payment cards in Hungary. The number of physical acceptance points continued to rise slightly, exceeding 80,000. The number of POS terminals operating at acceptance points was broadly unchanged at 99,000. By contrast, the number of terminals equipped with a feature enabling contactless payment rose by 8 per cent relative to the previous period. Consequently, some 60 per cent of POS terminals enable contactless payment. The number of Internet acceptance points declined slightly: consumers were able to pay with their bank cards in nearly 7,400 Internet shops in the third quarter.

The number and value of domestic purchase transactions completed with payment cards issued in Hungary rose by more than 20 per cent in the third quarter of 2015 relative to a year earlier. The 103 million transactions represented a total turnover of over HUF 725 billion. This meant that the significant increase in domestic purchase transactions completed with payment cards issued in Hungary, at more than 15 per cent quarterly since 2014, continued. Contactless payments accounted for more than 31 per cent of payments conducted on POS terminals, which was equal to nearly 17 per cent of the total value. Both the number and value of contactless payments increased by more than 250 per cent relative to the third quarter of 2014. The volume of card-not-present purchases, completed mainly on the Internet, continued to increase. The number of such transactions rose by more than one-fourth and their value by nearly one-third compared with the third

quarter of 2014; however, their ratio to total payment card turnover continued to be low. As seen in previous quarters, the average value of cash withdrawals using domestic payment cards, at more than HUF 64,000, increased, mainly reflecting a nearly 7 per cent increase in the total value of cash withdrawals completed with payment cards.

At 16.8 million, the number of direct debits used mainly in utility and other regular payments by households was broadly unchanged in the third quarter of 2015 relative to a year earlier. However, their total value rose by 13 per cent to nearly HUF 180 billion. The number (53.8 million) and value (HUF 125.6 trillion) of forint transfers conducted by customers of financial service providers both rose, by 2.9 per cent and 4.9 per cent, respectively, relative to the same period of 2014. The number and value of foreign currency transfers were practically unchanged.

The value of frauds related to domestically issued payment cards increased by HUF 169 million in the second quarter of 2015 relative to a year earlier; however, the number of frauds, at 5,570, continued to be very low compared with total card payment turnover. Two-thirds of frauds were related to purchases on the Internet as well as to mail and telephone orders. Damage caused this way amounted to HUF 114 million. The ratio of frauds was the highest in cross-border payment transactions. In the domestic card acceptance network, the value of damage caused by 626 frauds committed during the period was HUF 33 million. The ratio of frauds to total turnover continued to be low.

VIBER (the real-time gross settlement system) turnover fell by 3 per cent in the third quarter of 2015 relative to the previous quarter and by 7 per cent relative to a year earlier. This mainly reflected declines in customer payments, settlements of the cash leg of securities transactions and in two-week deposits. The number of transactions was broadly unchanged.

At system level, no significant change took place in the liquidity of VIBER participants, as it continued to be abundant. Potential liquidity rose slightly, by 11 per cent, mainly reflecting an increase in the portfolio of additionally pledgeable securities. At aggregate level, maximum utilisation of intraday credit line (MICL) was unchanged (8-12 per cent), continuing to be low. Ample payment liquidity is well illustrated by the fact that the lower and upper liquidity bounds were not breached, as seen in the previous period. Since 3 August 2015, VIBER opens one hour earlier. As an effect of this, 10 per cent of total turnover is completed some 40 minutes earlier on average, and a similar advance took place in transaction numbers. At more than 60 per cent, the ratio of government securities pledged by banks to the MNB to the total amount of securities pledged continued to be high.

From 7 September 2015, interbank transactions are cleared in ten cycles daily in the GIRO Interbank Clearing System (ICS), instead of the previous five cycles. Parallel with the higher frequency of cycles, the time length of the first and last cycles also changed. As a result, the time available for conducting payments within a day also increased. Small-value transactions completed mainly by households dominate mornings, while larger-value transactions completed by companies dominate afternoons. In accordance with the MNB's expectation,

turnover of the individual cycles fell significantly and became more balanced. Higher cycle frequency had the smallest impact on the first cycle, in which transfers by households initiated at the beginning of the day after the end of the previous business day and at weekends are completed. Overall, the number and value of transactions in the ICS rose by 4 per cent and 7 per cent, respectively, in the third quarter 2015, when some 70 million transactions in a value of nearly HUF 22 trillion were cleared.

At system level, the number and value of transactions rolled over between cycles in intraday clearing of the ICS continued to be negligible, with higher-value rollovers occurring only in the month September, which was probably due to the adjustment process related to the higher frequency of cycles rather than to actual liquidity shortage.

In the third quarter of 2015, the value of spot capital market turnover guaranteed by KELER KSZF fell, while turnover in the derivatives market rose slightly, in line with the increase in stock exchange turnover. The number of open positions basically rose by 19 per cent at the end of the third quarter compared with June 2015.

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Detailed tables: [Payment table set](#)

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