



## Press release

### STATEMENT BY THE FINANCIAL STABILITY BOARD ON PAYMENT SYSTEMS

**The Financial Stability Board of the Magyar Nemzeti Bank has discussed and approved the *Report on Payment Systems 2014*. In the Board's view the Hungarian financial infrastructures overseen executed real economic and financial transactions efficiently and with high level of operational reliability in 2013, thereby increasing financial stability. Payment service providers passed the transaction tax on to customers practically in full; however, increase in costs has so far not had a significant impact on the structure of payments. Monitoring the pricing of payment services will be a key priority in the future, as changes in this area may influence the use of electronic payment methods and, consequently, the efficiency of domestic payments over the longer term. The MNB expects market participants to increase the transparency of the pricing of payment services.**

Following the introduction of the financial transaction tax, the costs of payment services increased sharply in 2013, which was only partly offset by free cash withdrawals from February 2014. Following the decision by the MNB in March 2014, the fee burden on customers may continue to decline with the reimbursement of fees raised in an unlawful way. The expected rapid adjustment to the changed cost structures in payment habits has not taken place. The slow increase in the use of electronic payment methods continued in 2013, with the number of card payments rising by 15.4 per cent and that of cash withdrawals falling by 5 per cent. However, despite the fact that a large part of the adult population has a bank account and a high proportion of regular income are transferred to accounts, there is still significant room for further development based on the main indicators for the efficiency of domestic payments. Last year, only 13 per cent of retail purchases and 24 per cent of utilities and other services charges were paid electronically. By comparison, the European Union average is three times the Hungarian value in both cases. As the payment card acceptance network expands and new ways of using mobile devices are introduced, electronic payments are likely to become increasingly available in the future; however, implementing new developments will require widespread and strong cooperation across market participants.

Risks in the overseen payment and securities clearing and settlement infrastructures did not increase last year, the available liquidity continued to be abundant, both at system level and at individual participant level. Following the launch of intraday clearing, the process of adjustment to the new system in liquidity management was completed by the middle of 2013. As a result of adjustment by banks, the Funding for Growth Scheme did not lead to an increase in clearing and settlement risk in VIBER. Due to the conversion of the MNB two-week bill into a deposit facility,

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by 1 August 2014 banks will have to ensure that they continue to have adequate liquidity in the payment system to execute their payments. According to the Bank's calculations, participants will have to provide additional collateral instead of MNB bills in a value of some HUF 500 billion in order to continue to settle their payment transactions. The change in the market structure of the banking sector may influence the operation of payment systems and the market of payment services in several ways. Based on the possible scenarios, however, even the withdrawal of a large bank would not lead to a significant increase in risks in the payment systems.

The acquisition of GIRO Zrt by the MNB, the operator of the Interbank Clearing System, will create an opportunity for customers to make use of the payment services provided by it at lower costs than previously. In addition, the MNB, as the owner of the Hungarian payment clearing house, may contribute more efficiently to the implementation of domestic payment system developments. Currently, credit transfers are credited within two hours on average on the beneficiary's account, which is significantly shorter than the four-hour limit stipulated by law. However, further accelerating the execution of domestic payment transactions may improve the efficiency of the payment system. The introduction of real time credit transfer which operates also at night and over weekends, for example, could make it possible to use electronic payment methods in many cases when there is no real alternative of the use of cash at present.

Following the MNB's decision at the beginning of the year, the preparations and negotiations have started regarding to the introduction of the forint into the CLS system. The introduction could eliminate foreign exchange settlement risk borne by domestic credit institutions in forint-foreign exchange transactions. In order to ensure that the forint can join successfully the CLS, the MNB works closely with the market participants and professional organisations involved.

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**Financial Stability Board**

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