

BANK FOR INTERNATIONAL SETTLEMENTS

**PAYMENT SYSTEMS
IN LEBANON**

**Prepared by the Banque du Liban and the
Committee on Payment and Settlement Systems of the
central banks of the Group of Ten countries**

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FOREWORD

The Committee on Payment and Settlement Systems (the CPSS) of the central banks of the Group of Ten (G-10) countries periodically publishes - under the aegis of the Bank for International Settlements - a reference work on payment systems in the G-10 countries known as the "Red Book", the latest edition of which was issued in December 1993. The CPSS has also invited central banks in a number of countries where important developments in payment systems are under way to publish - in collaboration with its Secretariat at the Bank for International Settlements - separate "Red Book" studies for their countries. This is the first edition of the "Red Book" for Lebanon.

Central banks have an interest in improving the efficiency, stability and security of payment systems. The ultimate aims are to enhance the stability of the financial system, lower transaction costs in the economy, promote the efficient use of financial resources, improve financial market liquidity and make monetary policy more effective.

Central banks in many countries have been influential in improving public understanding of payment and settlement arrangements in their countries and public awareness of the various policy issues connected with such arrangements. Payment systems include not only retail money transfer systems used by businesses and consumers for commercial purposes but also large-value interbank funds transfer systems that underpin the money and credit markets of market-oriented economies. In addition, major settlement systems include so-called exchange-for-value systems that are increasingly used for the settlement of securities transactions.

Public interest in issues relating to the economic efficiency and financial risks of all types of payment and settlement systems has continued to increase in recent years. We hope that this "Red Book" country study will contribute to the general understanding of payment and settlement arrangements in Lebanon, both domestically and internationally.

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INTRODUCTION

After 17 years of political and economic instability, the Lebanese economy started to recover gradually. The difficulties encountered by Lebanon hindered the evolution of its payment systems and the country had to overcome a host of technical obstacles. The reactivation of the economy was conditioned by the development of the banking sector and the financial markets and their success in providing the funds needed for the reconstruction and the rehabilitation of the infrastructure. Thus, to facilitate the provision of finance and help Beirut regain its status as a regional financial centre, it was essential to develop the payment systems and update existing laws and regulations. Two commissions were created for this purpose: the Commission for Developing and Modernising Financial and Banking Laws and the Commission for Banking Technology responsible for modernising and automating payments and settlements. Both commissions resulted from the cooperation between the Banque du Liban (BDL, Central Bank of Lebanon), the banking sector and other private and public bodies.

The currency of Lebanon is the Lebanese pound. Lebanon operates a flexible exchange rate system but the monetary authorities may intervene to maintain orderly conditions in the market. The currency is affected by the fluctuations of the US dollar vis-à-vis other currencies.

On 1st July 1993, Lebanon accepted the obligations of Article VIII, Sections 2, 3 and 4 of the IMF Articles of Agreement. Section 2 refers to the “avoidance of restrictions on current account transactions”, Section 3 to the “avoidance of discriminatory currency practices” and Section 4 to the “convertibility of foreign held balances”. It is worth noting, however, that Lebanon’s exchange system has been characterised by (1): a free exchange rate system, with no restrictions on purchases or sales of foreign currencies (the Lebanese currency is fully convertible and can be exchanged freely with any other currency, with the exception of the new Israeli shekel); (2) free movement of capital, with no restrictions on flows into or out of the Lebanese markets; and (3) a multicurrency system in which foreign currencies circulate in the market, which is accessible to all (as a result cheques are officially cleared at the BDL not only in Lebanese pounds, but also in five major foreign currencies: the US dollar, the Deutsche mark, the French franc, the Italian lira and the pound sterling).

At the same time, the Lebanese banking sector has enjoyed the benefits of a favourable legal and regulatory environment, particularly with respect to banking secrecy, tax exemptions, offshore banking, special deposit accounts, measures to combat money laundering and fiduciary operations.

(i) The *Banking Secrecy Law* (see Annex 1) enacted on 3rd September 1956 subjects all banks operating in Lebanon, i.e. Lebanese banks and branches of foreign banks established in Lebanon, to professional secrecy. All bank managers and employees engaged in banking activities are bound to banking secrecy concerning their customers’ names and assets and may not make any disclosure to any party whatsoever (individuals or public, administrative, military or judicial authorities). The names of customers, except for those with debtor accounts, may under no circumstances be disclosed. Such information may be released only when the customer or his/her heirs give written authorisation or when a written request is presented by the judicial authorities in cases of bankruptcy or in the event of litigation between the bank and the customer or of illicit accumulation of wealth.

However, in order to ensure the safety of banks’ investments, the Banking Secrecy Law allows banks to exchange information on the debtor accounts of their customers. Information is exchanged through the “Centrale des Risques” established at the BDL. According to Article 147 of the Money and Credit Code and Circular No. 1326 of 7th March 1995, banks and financial institutions are required to give the BDL a report on the situation of each of their customers benefiting from credits in Lebanese pounds and in foreign currencies exceeding LBP 10,000 or its equivalent in foreign currencies. A bank or a financial institution wishing to grant a credit to a customer must consult with the “Centrale des Risques” about the customer’s credit situation (total lines of credit extended to him by all other banks or financial institutions). Any such information will be treated in absolute confidence by the BDL and by the requesting bank or financial institution.

(ii) With respect to *income tax exemption*, Legislative Decree No. 144 of 12th June 1959 amended by Article 16 of Law No. 282 of 30th December 1993 and by Article 12 of Decree No. 5451 of 26th July 1994 offer exemptions on:

- all interest and other earnings from all types of account opened at banks operating in Lebanon;
- earnings on shares of joint stock companies¹ and all types of dividend distributed out of profits already taxed;
- income from Lebanese Treasury bills.

(iii) On 5th February 1977, Decree No. 29 established a *free banking zone* (see Annex 2) by granting the Lebanese Government the right to exempt non-residents' deposits and liabilities in foreign currency from:

- income tax on interest earned;
- the required reserves imposed by the Banque du Liban under Article 76 of the Money and Credit Code;
- the deposit guarantee premium imposed on banks' deposits by the National Deposit Guarantee Institution.

(iv) The Law of December 1961 allows the opening of *joint accounts at banks* subject to the Banking Secrecy Law. These accounts may be opened in the name of more than one person and used by any of them. Should any of the account holders die, his or her partner may assume ownership of the account without informing his or her heirs.

If one of the account holders is declared bankrupt, the account is considered to be owned by the bankrupt party unless proven otherwise. The bank cannot settle the various accounts of any joint account holder without written approval from all the other holders. The lifting of banking secrecy from the account is invalid unless waived by all the holders. In the event of litigation between the different holders of the account, the bank shall freeze the account from the day of notification until the dispute is settled by the courts.

(v) The Due Diligence Convention (see Annex 3) sets out standards and procedures to *combat potential money laundering* while complying with the requirements of the Banking Secrecy Law. The said Convention was concluded between the Association of Banks in Lebanon (see Section 1.5.1) and its Member Banks. It specifies the procedures to be followed by banks to prevent money laundering. It also covers all the penalties that banks will face if they contravene its provisions. As mentioned in its preamble, the Convention aims at:

- safeguarding the domestic and external reputation of the Lebanese banking system;
- combating the laundering of funds through the banking system;
- ensuring compliance with the Banking Secrecy Law.

All banks which are party to this Convention and all their branches in Lebanon are committed to carrying out its provisions. This Convention does not, however, apply to banks' branches, offices or affiliated banks outside Lebanon, which are governed by the local laws, regulations and agreements in force.

(vi) One of the most important measures that the monetary authorities took in respect of modernising and regulating Lebanese financial markets was the preparation of a draft law concerning fiduciary operations which was promulgated by the Lebanese Parliament on 6th June 1996. Further to this Law, No. 520, the BDL issued Circular No. 1475 of 24th October 1996. The Law allows banks and financial institutions to carry out off-balance-sheet operations, enabling them to attract new funds

¹ A joint stock company is a company whose capital is divided into freely marketable shares. Each shareholder is held liable for the company's debts only up to his capital contribution.

and carry out fiduciary operations with trustees and beneficiaries. Fiduciary operations are conducted through a contract whereby a natural person or a legal entity referred to as “the constituent” grants a person, called “the trustee”, the right, for a limited period, to manage and to dispose of rights or negotiable assets called “the fiduciary estate”. Banks and financial institutions wishing to engage in fiduciary operations should, among other things, sign the above-mentioned Due Diligence Convention and also set up an independent unit specialised in carrying out such operations. Banks are also required to ensure transparency and creditworthiness with respect to these operations, which have to be conducted under qualified management.

1. INSTITUTIONAL ASPECTS

1.1 General legal aspects

The legal framework consists primarily of the Money and Credit Code and the Commercial Code. The Money and Credit Code is the legal framework that governs the activities of the BDL and of the financial and banking system. The Code was promulgated on 1st August 1963 by Decree No. 13513. The Code is divided into six chapters covering: (1) money; (2) the central bank; (3) banking regulations; (4) sanctions; (5) transitory provisions; and (6) miscellaneous and final provisions.

Under the various provisions of this Code, the BDL started operations in 1964. With the creation of the central bank, the authority to issue the national currency was transferred from the Banque de Syrie et du Liban to the BDL. In 1967, pursuant to Law 28/67, a Higher Banking Committee was established at the BDL, which was empowered, among other things, to take over unsound banks. The Committee performs the function of a banking court with authority to impose penalties stipulated in the Money and Credit Code on banks, financial institutions and brokerage institutions that violate the provisions of their by-laws, those of the Money and Credit Code or the rules and regulations set by the central bank. The Higher Banking Committee is composed of the Governor of the BDL as Chairman; one of the Deputy Governors selected by the Central Council of the BDL; the General Director of the Ministry of Finance; a judge having at least ten years’ experience (appointed by decree after approval by the Higher Judicial Council); a member of the Banking Control Commission proposed by the Association of Banks in Lebanon; and the Chairman of the National Deposit Guarantee Institution (NDGI).

The Commercial Code, promulgated in April 1943, is the legal framework for commercial activities in general. It includes the fundamental principles that govern the use of bills of exchange and cheques.

1.2 The role of financial intermediaries

The Central Council of the BDL sets policies on money supply, credit, discount and interest rates on lending. It is composed of the Governor of the BDL as Chairman, the four Deputy Governors of the BDL, the Director General of the Ministry of Finance and the Director General of the Ministry of Economy and Trade. The Central Council discusses and decides on all internal matters regarding the BDL and sets rules related to the banking and financial sectors. It decides, according to public interests, whether to approve or reject the granting of a licence for establishing a commercial or specialised bank, financial or brokerage institution, money dealer, mutual fund, or representative office of a foreign bank. If the application for a licence is approved, banks, financial institutions, brokerage institutions and money dealers are registered on the appropriate “List” published yearly by the BDL in the Official Gazette, through a request submitted by the Chairman of the Board of Directors or any of his representatives. All banks, financial institutions, brokerage institutions and money dealers, when registered with the BDL, must adhere to the rules and regulations issued by the BDL and the Banking Control Commission (BCC), as discussed in Section 1.4. The BDL and the

Higher Banking Committee have the authority to remove a bank, financial institution, brokerage institution or money dealer from the list if, inter alia, it is no longer in a position to pursue its activities.

1.2.1 Banks and financial institutions

The Lebanese banking and financial sectors comprised, as at December 1997: 72 commercial banks with over 600 branches, including 15 foreign banks with 72 branches; eight medium and long-term banks, known also as specialised banks; and 20 so-called financial institutions.

Commercial banks

Chapter 3 of the Money and Credit Code, “Banking Regulations”, sets the rules for the establishment and activities of a commercial bank. The main objective of a commercial bank is to accept deposits and grant credits and its main functions are to provide banking services for depositors (cash registry service, portfolio management, provision of safe deposit boxes, payment of due invoices, settlement of foreign exchange operations, etc.) in addition to the extension of credit, mostly of a short-term nature, against collateral and guarantees. Commercial banks are not allowed to engage in financial intermediation on the floor of the Beirut Stock Exchange, as specified in Circular No. 1364 of 7th September 1995.

Medium and long-term banks

Legislative Decree No. 50 of 15th July 1983, amended by Circular No. 1402 dated 8th February 1996, defines and regulates the activities of medium and long-term banks, referred to as “specialised banks”. The main economic function of such banks is to carry out medium and long-term investment activities that cannot be undertaken by regular commercial banks, either because of legal provisions or because of the short-term nature of their resources, which does not enable them to invest in the medium or long term. Circular No. 1364 of 7th September 1995, in accordance with Legislative Decree No. 50, allows medium and long-term banks to engage in financial intermediation on the floor of the Beirut Stock Exchange and to provide all financial services that are permitted by the Beirut Stock Exchange Law and Regulations.

Financial institutions

Circular No. 2 of 1st September 1995 regulates the conditions governing the establishment and activities of financial institutions. The main function of a financial institution is to carry out credit operations (discount, commercial or documentary credit, overdraft, credit against real or personal guarantees, provision of guarantees, etc.) with its shareholders’ capital equity or with funds acquired from banks and other financial institutions, or by issuing bonds in accordance with the rules specified by the BDL. The financial institution is allowed to engage in financial intermediation on the floor of the Beirut Stock Exchange and can also, on a secondary basis, carry out:

- financial intermediation through the purchase and sale of financial instruments and rights, either for its own account or on behalf of its customers;
- portfolio management;
- financial consultancy;
- underwriting of securities;
- real estate management;
- fiduciary operations.

1.2.2 Money dealers

Law No. 42/87 dated 21st November 1987 regulates money dealers in Lebanon. Money dealers must apply to the BDL for a licence. The Central Council of the BDL decides whether to approve or reject applications and, consequently, to register the company on its "List of Money Dealers". The number of money dealers registered with the BDL was 285 as at December 1997. Although these companies primarily serve retail customers, they may serve wholesale customers or deal on their own as well. Most money dealers operate as single branches (very few run a branch network). Circular No. 8 of 4th November 1995 stipulates that money dealers' operations are restricted to foreign exchange operations and precious metal trading. Money dealers fall into two categories:

- companies with a minimum capital of LBP 100 million that are allowed to carry out foreign exchange transactions only;
- companies with a minimum capital of LBP 250 million that are allowed to carry out foreign exchange transactions (cash, transfers, travellers' cheques) and to deal in precious metals.

Money dealers are only allowed to carry out operations specified by their by-laws, in conformity with laws and regulations. In addition:

- they are not allowed to borrow money from external sources in order to set up their business;
- they are not allowed to have businesses other than their own;
- they must have a well-organised, independent and appropriate office from which to carry out their business;
- they must present quarterly and yearly financial statements to the BDL.

1.2.3 Brokerage institutions

Brokerage institutions and activities are regulated by Circular No. 1445 of 28th June 1996 and Circular No. 1497 of 28th January 1997. Brokerage institutions are licensed by and registered with the BDL on the "List of Brokerage Institutions"; they operate under the central bank's supervision. As in the case of banks, financial institutions and money dealers, the Central Council of the BDL decides whether to grant or reject the licence requests. Brokerage activities are restricted to:

- brokerage institutions that are established in Lebanon as joint stock companies and whose main activity is brokerage;
- branches of foreign brokerage institutions whose main activity in Lebanon is financial intermediation;
- banks and financial institutions that are registered with the BDL.

Brokerage institutions are not allowed to receive deposits or carry out any activity other than brokerage. They may carry out the following operations either for their own account or on behalf of their customers, maintaining a clear separation between their own and their customers' accounts:

- operations in marketable financial instruments or securities (spot, forward, futures, options, swaps, derivatives), shares of all types, government and public bonds, financial and commercial paper, certificates of deposit, currencies, precious metals and commodities;
- portfolio management.

1.3 The role of the Banque du Liban

Before the First World War, Lebanon and Syria were part of the Ottoman Empire and the Turkish pound was the legal tender. Following the downfall of the Ottoman Empire in September 1918, the Turkish pound was replaced by a sterling-based Egyptian currency (issued by a private British institution) as legal tender in the states under the joint French and British mandate. Upon taking Lebanon and Syria under its separate mandate, the French Government sought to replace the Egyptian currency and granted a commercial bank - the Banque de Syrie, a French affiliate of the Ottoman Bank - the authority to issue a currency for states under its new mandate, namely the new Syrian currency.

As the political status of Lebanon evolved, the Banque de Syrie, which was to act as the official bank for Lebanon and Syria, was renamed the Banque de Syrie et du Liban (BSL). The BSL was granted the sole right to issue a French franc based Lebanese-Syrian currency in Lebanon and Syria for 15 years starting in January 1924. In 1937, two years before the expiry of the 15-year period, the BSL was extended for another 25 years to issue in Lebanon a Lebanese currency separate from the Syrian currency, both of which could be used interchangeably in either state. Although the currency was Lebanese in name, it remained a disguised French franc until 1941, when it was linked to the pound sterling after the defeat of France and the invasion of Lebanon by the allied forces. Following its independence in 1943, Lebanon concluded a monetary agreement with France in 1948 separating its national currency from the unstable French franc. Lebanon sought the lebanisation of the BSL. A council known as the Council of Money and Credit was formed to draw up the Money and Credit Code and the by-laws of Lebanon's future central bank, the Banque du Liban (BDL).

The BDL was established by the Money and Credit Code promulgated on 1st August 1963 by Decree No. 13513. It started to operate effectively on 1st April 1964 and had the exclusive right to issue the national currency thereafter. The BDL is a legal public entity enjoying financial and administrative autonomy (Article 13 of the Money and Credit Code) and is not subject to the administrative and management rules and controls applicable to the public sector. The role of the BDL as set out by the Money and Credit Code consists in:

- issuing notes and coin;
- safeguarding the national currency;
- providing banking and settlement services;
- monitoring and safeguarding the soundness of the banking system;
- developing the money and financial markets;
- maintaining economic stability.

To fulfil its major functions, the BDL cooperates with the Government in order to ensure exchange rate stability, control liquidity, impose credit restrictions and issue banking regulations. Cooperation with the Government implies coordinating fiscal and monetary policy measures to ensure consistency between the BDL's objectives and those of the Government; in addition, it offers advice on how to promote economic growth. Maintaining exchange rate stability entails the use of any measures the BDL deems appropriate, mainly intervention in the foreign exchange market. Liquidity is controlled through changes in discount rates, credit facilities to banks and financial institutions, intervention in the foreign exchange market, open market operations, and imposition of legal reserve requirements on banks' assets and/or liabilities and penalties when a shortfall occurs. The BDL can also control the volume of credit and the general credit situation by imposing a credit ceiling, directing credits towards specific purposes and specific sectors, and setting the terms and regulations governing credits in general.

The BDL assumes all its responsibilities as entrusted by the Code and acts accordingly. The Code authorises the BDL to make recommendations and take measures to ensure the promotion of a sound banking and financial sector by enhancing the capital base of banks and their structure. Among other responsibilities, the Bank effects the final settlement of balances for the clearing system

and acts as the banker of the Government by clearing government receipts and disbursements. Any action taken by the BDL that gives rise to an accounting operation with the banking system is at the same time the completion of a payment and an act of monetary policy. Such operations include open market operations, repurchase transactions, swaps and traditional interbank operations.

1.4 The role of the Banking Control Commission

In 1967, Law No. 28/67 established the Banking Control Commission (BCC) as an administratively independent body within the BDL. The Commission works closely with the Governor of the BDL to ensure the safety and soundness of the banking and financial sectors, namely banks, financial institutions, money dealers and brokerage firms.

Under its by-laws, the BCC is entrusted with:

- controlling and supervising banking and financial sector operations (e.g. banks' solvency and liquidity ratios);
- ensuring that banks and financial sectors comply with laws and regulations.

Moreover, banks, financial institutions, money dealers and brokerage institutions are given advice and are always urged to take effective measures to improve their financial situation and management capabilities.

1.5 The role of other private and public sector bodies

Other main public and private bodies are the Association of Banks in Lebanon and the National Deposit Guarantee Institution, followed by insurance companies and international credit card organisations.

1.5.1 Association of Banks in Lebanon

The Association of Banks in Lebanon is a professional association that was created in 1959. It plays an important role in promoting cooperation amongst banks. Its functions derive from its position as the representative body of the whole banking system. The Association aims at developing and upgrading the level of operations at Lebanese banks and at branches of foreign banks by coordinating their activities and promoting mutual understanding. The Association:

- assists its members in implementing the regulations and conditions laid down by the BDL regarding their activities;
- collects and makes available the economic data, publications and statistics necessary for research;
- provides a centre for banking research, in addition to regular training for its members' staff and management in order to broaden their knowledge and improve their productivity;
- sponsors international banking seminars for foreign and local bank managers and employees.

As to membership, every bank registered with the BDL has the right to become an acting member of the Association upon written request. Any foreign bank branch or representative office, established under Lebanese law, may join the Association as an associate member, also upon written request.

1.5.2 The National Deposit Guarantee Institution (NDGI)

The NDGI was established by Law No. 28/67 of 9th May 1967 as a cooperative joint stock company, with banks and the Government each holding half of the capital. The main objective of the NDGI is to protect smaller depositors at failed banks up to the guarantee ceiling prescribed by Law 28/67 as amended. For compensation, a depositor's accounts are consolidated and guaranteed, at present, up to a ceiling of LBP 5 million for the aggregate. The guarantee is paid per depositor and per bank (the bank and its branches are considered as one institution) and not for each account taken individually. Joint accounts, as well as heirs' accounts, are treated as one account and one beneficiary. Law 28/67 denies the privilege of guaranteed accounts to the bank's President, Board of Directors, auditors and their spouses and relatives.

The guarantee covers residents' and non-residents' deposit accounts in all currencies,² except for foreign currency deposits held at branches abroad as prescribed by Law No. 110 of 7th November 1991. The guaranteed amount is LBP 5 million for LBP and foreign currency deposits consolidated in one account.

The annual premium is paid on deposit accounts excluding shareholders' capital equity, payment orders, interbank operations and reconciliation of banks' accounts. Under Decree No. 29 of 1st April 1975, which established a free banking zone, banks do not pay a premium on non-residents' deposit accounts in foreign currencies held at banks' head offices in Lebanon. Since 1996, and with the return of financial stability to the Lebanese banking sector, the premium paid has been reduced from 0.15% to 0.05%.

2. SUMMARY INFORMATION ON PAYMENT MEDIA USED BY NON-BANKS

2.1 Cash payments

Cash payments in LBP and USD are the most common and frequent means used for everyday small-value transactions. Lebanon is a multicurrency system, with the US dollar being frequently used in daily transactions.

2.1.1 Payments in Lebanese pounds

The legal tender is the Lebanese pound. There are 14 denominations of banknotes issued by the BDL: the LBP 1, 5, 10, 25, 50 and 100 denominations were issued in 1964, LBP 250 in 1978, LBP 500 and 1,000 in 1988, LBP 10,000 in 1993, and 5,000, 20,000, 50,000 and 100,000 in 1994. Coins of LBP 100, 250, and 500 denominations were introduced in late 1995, and the LBP 50 coin came out in August 1997. As at December 1997, banknotes in circulation outside the BDL (in the hands of the public and in banks' vaults) amounted to about LBP 1,311 billion, with the LBP 100,000 banknote denomination representing 59.89% of the total value in circulation. The share of currency in circulation in M1 remained more or less constant between 62 and 67% throughout the years 1992-97 (see also Table 2), reflecting individuals' preference for holding idle cash balances outside the banking sector to protect against unexpected circumstances.

Owing to uncertainties associated with the high political instability in 1992, individuals shifted out of Lebanese pound denominated assets to foreign currencies to protect the purchasing power of their money holdings. In 1993, currency in circulation decreased by 10.4% (from LBP 797 billion to LBP 715 billion) reflecting the continued shift from holdings of LBP to foreign currency deposits (which are included in M3). Currency in circulation subsequently increased throughout the period 1994-97, but at a decreasing rate.

² Coverage for deposits in foreign currencies was introduced at the end of 1991 and was meant to last until the end of 1998.

2.1.2 Payments in US dollars

The political instability of the war years greatly affected the Lebanese economy. Consequently, the Lebanese pound depreciated dramatically vis-à-vis the US dollar and became highly volatile. The volatility of the Lebanese pound and the high level of uncertainty led to a shift in depositors' preference from the Lebanese pound to the US dollar. A significant portion of economic transactions were effected in US dollars (Section 2.2.2) and the economy became highly dollarised, as reflected by the high ratio of deposits in foreign currencies to total deposits and of credits in foreign currencies to total credits (see Table A). The dollarisation rate of deposits reached 74% at the end of 1990, fell to 68% in 1991 and then increased to 82% in mid-1992, attaining a record high of 87% in the third quarter of 1992 owing to the severe political and economic disturbances that year. At the end of 1992-93, with the return of economic and political stability, the dollarisation rate decreased to 70%. During 1994, 1995, 1996 and 1997 it reached 61%, 62%, 56% and 64% respectively. It is worth noting that the final issue of banknotes with large denominations, in 1994, was considered an important step in encouraging the use of the national currency as part of the de-dollarisation process.

Table A
Dollarisation of deposits and credits
 (in percentages)

	1990	1991	1992	1993	1994	1995	1996	1997
Share of USD deposits in total bank deposits	74	68	69	70	61	62	56	64
Share of USD credits in total bank credits	83	83	91	89	87	88	87	87

Cash withdrawals in LBP and USD can be made by means of cheques or at ATMs, as explained below.

2.2 Non-cash payments

2.2.1 Sight deposits

Firms and individuals use sight deposits with banks to make non-cash payments. Sight deposits in LBP represented 37% of M1 as at December 1997. These deposit accounts bear interest (2.67% for chequing accounts in LBP and 2.48% for those in USD as at December 1997). There are two other types of deposit, namely savings at call and term deposits.

2.2.2 Cheques

Cheques are the most important medium used for non-cash payments on account of their low processing cost and simplicity of use. The legal framework for payments with cheques and travellers' cheques is provided by the Commercial Code promulgated in 1943 and by the agreement between the bank and the customer. The provision of banking and settlement services is assigned to the BDL by the Money and Credit Code. Under Circular No. 1288 of 6th November 1994, all banks operating in Lebanon are bound to participate in the Clearing Houses established at the BDL's head office and at most of its branches, and the cost of operating the Clearing Houses is met by the participating banks. Cheques are cleared in Lebanese pounds and five foreign currencies: the US dollar, the Deutsche mark, the French franc, the Italian lira and the pound sterling. Clearing services for foreign currency payments were introduced in January 1994 at the BDL, having previously been

provided by correspondent banks abroad, then by the Banque Libano-Française in 1988, followed by a Lebanese financial institution, the Société Financière du Liban (SFL), in 1989. (Cheque clearing services are described in more detail in Section 3.)

Cheques in Lebanese pounds and US dollars

The volume of LBP cheques cleared constituted approximately 30% of the total volume of cheques cleared for 1995, 1996 and 1997 (see Tables 12 and 13 and Table B). The value of LBP cheques cleared was about 25% of the total value of cheques cleared for the same period, which reflects the high dollarisation of the economy. The number of USD cheques cleared registered an upward trend between 1992 and 1997, while the average value per cheque dropped during that period (from LBP 5.7 million per cheque in 1992 to LBP 4.23 million in 1997). This reflects the fact that more cheques were being drawn for smaller transactions. On the other hand, the average value per cheque in LBP increased between 1992 and 1997 (from LBP 1.3 million to LBP 3.15 million per cheque), indicating the increased confidence in the national currency.

Table B

Share of LBP and USD cheques in total cheques cleared

	LBP cheques			USD cheques		
	as % of total volume	as % of total value	average value of LBP cheque (in LBP millions)	as % of total volume	as % of total value	average value of USD cheque (in LBP millions)
1992	59	25	1.30	41	75	5.69
1993	46	21	1.72	54	79	5.40
1994	38	24	2.48	62	76	4.65
1995	31	24	3.05	69	76	4.33
1996	31	25	3.07	69	75	4.13
1997	30	25	3.15	70	75	4.23

Cheques in US dollars and other foreign currencies

As mentioned above, deposits in foreign currencies expanded significantly between 1992 and 1997 (from LBP 7,476 billion to LBP 19,855 billion, or a rise of 168%). This increase explains why there was an urgent need to ensure an effective US dollar clearing service. In 1994 the BDL launched such a service, previously provided by the private banking sector. Out of the total value and volume of cheques cleared in foreign currencies, USD cheques account for almost 100% (see Table C), which reflects the importance of the US currency in economic and financial transactions in Lebanon.

As a further step towards modernising the payment system in Lebanon, the BDL set up a Commission for Banking Technology in collaboration with the Association of Banks in Lebanon. Its main achievements have been the standardisation of cheques in Lebanon in order to lower their processing costs, the adoption of standards for cheques including the Magnetic Ink Character Recognition (MICR) code lines and the introduction of S.W.I.F.T. technology for domestic and international transfers. The Commission is also working on modernising and automating the Clearing Houses at the BDL.

Table C
Volume and value of foreign currency cheques cleared
(in USD millions)

	DEM	FRF	ITL	GBP	USD	Total	Share of non-USD cheques
1992							
Volume	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	2,181,966	<i>n.a.</i>
Value	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	7,247	<i>n.a.</i>
1993							
Volume	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	3,484,828	<i>n.a.</i>
Value	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	10,799	<i>n.a.</i>
1994							
Volume	14,300	14,327	3,667	4,638	4,742,627	4,779,559	0.8%
Value	61	65	18	34	13,141	13,319	1.3%
1995							
Volume	17,025	15,310	4,505	4,547	6,309,054	6,350,441	0.7%
Value	80	83	24	39	16,842	17,068	1.3%
1996							
Volume	18,177	14,648	3,503	3,588	6,856,553	6,896,469	0.6%
Value	83	102	22	35	18,023	18,265	1.3%
1997							
Volume	21,229	15,370	4,260	3,714	7,564,303	7,608,876	0.6%
Value	93	102	27	39	20,783	21,043	1.2%

In line with its responsibility for ensuring the soundness of the banking system, the central bank sought to reduce the number of dishonoured cheques by issuing Circular No. 1381 of 25th November 1995 regarding the establishment of a “Centrale des Chèques Impayés” (CCI) administered by the BDL. The CCI centralises all information relating to cheque payment incidents. A bank must consult the CCI before issuing a new customer with his first cheque book. The Circular requires banks to ask their customers to honour an unfunded cheque within 15 of its presentation. If the customer does not reply or settle within the specified period, the bank on which the cheque is drawn is bound to request that the customer be listed by the CCI at the BDL.

2.2.3 Bills of exchange

The popularity of this instrument as a settlement medium, particularly between companies, is due to the widespread use of suppliers’ credit in Lebanon (e.g. for the purchase of cars, furniture or home appliances). No statistical data are available on the number of bills of exchange issued in Lebanon.

2.2.4 Credit transfers

Customers can give their banks standing orders for regular payments to specific payees. The order can be executed by telephone, fax, telex or following written instruction. Payments are executed on the date specified by the customer. Currently no statistical data are available on the number of credit transfers in Lebanon.

2.2.5 Direct debit

This instrument is used for recurring payments. It simplifies the collection of regular payments (electricity, telephone, subscription and tax bills). The direct debit is made out by the creditor (payee) and presented to his bank for collection from the debtor's (payer's) bank. The payment operation is initiated by the payee, who is responsible for submitting his claim on time after prior agreement with the payer. Currently no statistical data are available on the number of direct debits in Lebanon.

2.2.6 Payments by cards

There are two main types of payment card used in Lebanon, international and local cards, both of which can be issued by banks and non-banks. Although the majority of cards used in Lebanon may provide three services simultaneously, i.e. cash, debit and credit services, most of these services depend on the contract concluded between the bank, the financial institution or any other company and the cardholder. Cards are issued either by banks or by credit card companies directly. Large retailers and other businesses also issue plastic cards but with restricted use.

Administrative costs and annual fees are charged by most card issuers. Annual fees vary according to the services provided (international or national payments, immediate or deferred debit, or cash withdrawals only). The number of international and local cards issued totalled 97,862 in December 1997 compared with 68,518 in December 1996. The value of transactions carried out with these cards amounted to USD 285 million in 1997 against USD 163 million in 1996. The number of points of sale at merchants signing up with card issuers and acquirers totalled 14,375 in December 1997 compared with 11,325 in December 1996.

These figures indicate that the use of cards in Lebanon is still limited and card issuers are very selective in choosing their cardholders and signing up merchants. This is due to the lack of effective marketing for the card product and the public's low awareness of the importance of holding less cash. In addition to these two factors, Lebanon is still recovering from war and the use of cards needs a well-designed network and settlement system that operates within specified laws and regulations. A draft law aimed at reducing default and operational risks associated with the use of non-cash electronic payments is currently under review.

Credit cards

Credit cards are used as a means of payment and as a form of credit; they are used with a personal identification number (PIN) to identify the cardholder's entitlement to services. The services offered by different card-issuing institutions differ. In the case of a bank credit card, the cardholder must hold a deposit account with the card-issuing bank or any other bank participating in the same network. However, the cardholder may apply for membership through a non-participating bank, which would underwrite the cardholder or offer direct debit facilities. Some companies provide selected employees with a credit card that can be used to pay for company expenses, the credit card amount being settled by the company.

Debit cards

Debit cards enable cardholders to make payments which are debited to their bank accounts, whereas a customer's credit card account is separate from his bank account, which may well be with another bank.

Retailer cards

Companies may issue their own cards, but these are valid only at their own particular outlets such as petrol stations or big stores.

2.2.7 ATMs

The first ATM was installed in 1994; since then, the number of ATMs has grown owing to increasing competition in offering new services to customers at convenient times and locations. Circular No. 1282 of 16th September 1994 prohibits banks from installing ATMs anywhere other than at their head office and branches. Services provided through these machines are effected in the national currency and in US dollars. This differs from the practice in most countries. There were 183 machines as at December 1997, more than 50% of them located in Beirut. The ATMs permit customers who have an access card (a credit or debit card) and a PIN to withdraw cash either from their accounts or against a line of credit. They are located either in-lobby, and hence available only during business hours, or in outside walls at branches, and are thus in service around the clock (subject to note availability).

The ATMs work in two ways:

- offline: under this system, the ATM deals independently and directly with the information readable on the plastic card and executes the cardholder's order without being connected to the accounting department of the bank. Therefore, to avoid the risk of insufficient funds in the cardholder's account, a predetermined amount from his account is blocked. The offline system is a very simple device that speeds up the payment process. It allows cash withdrawal and status verification for information stored on the card;
- online: the system is directly connected to the bank's network and communication system. The verification of the PIN and other details is carried out centrally by the network operator and accounting department. The online system reduces credit card fraud.

3. INTERBANK EXCHANGE AND SETTLEMENT CIRCUITS

3.1 General overview

Cheque clearing is executed via one system, the BDL Clearing Houses established at the BDL's head office and some of its branches. In addition to Beirut, clearing is carried out at five of the nine branches of the BDL, namely in Jounieh, Tripoli, Zahlé, Saida and Tyr, and for both the national (Lebanese pound) and foreign currencies (US dollar, Deutsche mark, French franc, Italian lira and pound sterling). Under Circular No. 1288 of 6th November 1994, all banks operating in Lebanon and on which cheques are drawn are obliged to participate in the Clearing Houses established at the BDL.

With the rapid devaluation of the Lebanese pound against the US dollar during the years of economic and political instability, the public shifted its holdings to US dollars. The dollarisation of deposits described above meant that individuals found it very helpful to use cheques denominated in US dollars in their daily transactions. This fact alerted the banking sector to the urgent need for US dollar cheque clearing services in Lebanon. Clearing services were first provided by the Banque Libano-Française in 1988, and then by a Lebanese financial institution called the Société Financière du Liban (SFL) in 1989. Prior to 1988-89, cheque clearing in foreign currencies was provided by correspondent banks abroad.

The increased volume and value of cheques written in US dollars compared with those written in Lebanese pounds, in addition to the success of the clearing process undertaken by the Banque Libano-Française and the SFL, encouraged the BDL to provide clearing services in the US

dollar and other foreign currencies. The BDL issued Circular No. 1193 of 17th September 1993 asking banks and financial institutions and anyone eligible to hold accounts with the BDL under Lebanese law to open deposit accounts in foreign currencies with it. This measure was followed by the issuance of Circular No. 1202 of 21st October 1993 and Circular No. 1215 dated 23rd December 1993, which established the BDL's clearing service for cheques issued in foreign currencies starting in January 1994.

3.2 Clearing Houses

All banks on which cheques are drawn (foreign and domestic banks and the BDL itself) are obliged to participate in the Clearing Houses established by the Money and Credit Code and must hold an account with the BDL. The costs of operating the Clearing Houses are variable and are covered by the participating banks. The cheques collected are cleared and settled in the following manner:

- (a) at bank level
 - at the end of every working day, each bank tallies all the cheques presented and drawn on other banks;
 - the cheques are passed through the reader/sorter and currency codes and amounts are recorded (post-marking);
 - cheques are classified and sorted by currency and by drawee bank;
 - the bank prepares a checklist for each other bank specifying the value and number of cheques drawn on that bank, with the corresponding cheques attached to it;
 - another checklist is prepared with four items: the value of cheques to be collected during the clearing session as credit, that of cheques to be paid as debit, the net credit/debit position and the value of returned cheques;
 - all the information describing the cheques to be collected from each bank is copied onto a diskette and printed out in the form of a statement;
- (b) first and preliminary session
 - the next day banks' representatives meet at one of the Clearing Houses;
 - the staff of the Clearing House take the diskettes with the attached statement from the representatives, read and copy the information, and book the transactions to the respective banks;
 - during this session, the representatives exchange the checklists they have prepared the day before showing the value of the cheques drawn on each of their banks;
 - after receiving the afore-mentioned checklist, every representative calculates the value of the cheques drawn on his bank and checks them against that list;
 - the staff of the Clearing House hand over a statement for every bank showing its debit position, credit position and net debit/credit position;
 - every transaction is checked by the representatives to ascertain whether or not it confirms the value calculated in the checklists and to make adjustments for any mistakes;
 - members' net balances are entered daily into the accounts administered by the BDL;
 - each representative presents the cheques drawn on his bank to his bank for confirmation before funds are withdrawn from customers' accounts. If a cheque is dishonoured for any reason, it will be returned to the sending bank the next day during the second and final session;

(c) second and final session

- during this session, only returned cheques are exchanged between banks' representatives following the same procedure as in the first session;
- the account of the sending bank will be debited and that of the bank which refused the cheque will be credited with the amount of the cheque. The BDL records only the net debit/credit position for each bank, and obligations are settled via the accounts opened at the BDL.

Table D

Timetable for banks' representatives at the Clearing Houses

Monday-Thursday	11:00	11:45	12:30	13:30	14:00
Friday-Saturday	09:30	10:15	11:00	12:00	12:30
LBP	<ul style="list-style-type: none"> - Doors open at BCH - Arrival of banks' representatives - Delivery of diskettes and printed statements - Exchange of cheques 	<ul style="list-style-type: none"> - Deadline for delivery of diskettes and printed statements - Cheque settlement 	<ul style="list-style-type: none"> - Deadline for settlements - End of session - Receipt of final printed statements - Departure of representatives 		
USD	<ul style="list-style-type: none"> - Arrival of representatives - Delivery of diskettes and printed statements 		<ul style="list-style-type: none"> - Deadline for delivery of diskettes and printed statements - Exchange of cheques - Cheque settlement 	<ul style="list-style-type: none"> - Deadline for settlements - End of session - Receipt of final printed statements - Departure of representatives 	
European currencies	<ul style="list-style-type: none"> - Arrival of representatives - Delivery of diskettes and printed statements 	<ul style="list-style-type: none"> - Deadline for delivery of diskettes and printed statements 		<ul style="list-style-type: none"> - Exchange of cheques - Cheque settlement 	<ul style="list-style-type: none"> - Deadline for settlements - End of session - Receipt of final printed statements - Departure of representatives - Doors close at BCH

3.3 Execution of interbank payments with funds held at the BDL

3.3.1 Interbank exchange and settlement circuits

Payment instructions for local and cross-border credit transfers, in the domestic and in foreign currencies, are mostly transmitted through S.W.I.F.T. The official request for extension of the S.W.I.F.T. service to Lebanon was made in January 1993 and approval was given by the S.W.I.F.T. Executive in April 1993. By the end of 1993, 23 banks operating in Lebanon had become members, and thus shareholders. The BDL also completed the membership application procedure as well as all

contractual agreements with S.W.I.F.T. before the end of 1993, and the first live message from the BDL over the S.W.I.F.T. network was sent on 6th June 1994.

In December 1994, a Remote Access Point (RAP) was installed on the BDL's premises. The purpose was to establish an international telecommunication link between the RAP and a S.W.I.F.T. Access Point (SAP) at Dunstable in the United Kingdom. By February 1995, the BDL had become the first bank in Lebanon to be connected to the RAP. Many other Lebanese banks soon followed suit. Through the link banks can benefit from lower message transmission charges, since the international lines are replaced by national ones, and from local service support provided by the BDL staff. The service support is charged yearly to users connected to the S.W.I.F.T. network.

The BDL issued Circular No. 1480 of 9th November 1996 to organise credit transfers for account holders at the BDL. Transfers can be made by banks and financial institutions from their accounts held with the BDL to their foreign currency accounts held abroad or to any other account held with the BDL in the same currency. Banks and financial institutions participating in the S.W.I.F.T. system send orders using S.W.I.F.T. message standards. Banks and financial institutions not participating in the S.W.I.F.T. system send a written request using the same S.W.I.F.T. message format.

Total message traffic (outgoing and incoming) has been continuously increasing: 304,650 messages in 1994; 910,290 in 1995; 1,259,042 in 1996; and 1,968,327 in 1997. 1997 saw the growth trend experienced over the previous three years continued, with an increase of over 500% being registered from 1994 to 1997. Customer funds transfers and cheques (Category I) constituted about 45% of total messages sent in 1994 and 1995, 37% in 1996 and 34% in 1997. Financial institutions' transfers including banks' funds transfers (Category II) made up 19% in 1994, 21% in 1995 and 1996, and 29% in 1997.

3.3.2 Settlement procedures

Transfers cannot be made value date before the day of presentation of the transfer request. Final beneficiaries should not be mentioned when transfers are made via accounts held with the BDL. Cross-border transfers should be only for banks' own accounts. Saturday is a business day for transactions in LBP and foreign currencies passing through the Current Operations Department at the BDL.

Transfer requests in Lebanese pounds and in foreign currencies for accounts held with the BDL are executed through the Current Accounts Department at the BDL. Requests for same-day value should be received before 16:30 on the value date, except on Fridays and Saturdays, when the request should be sent before 11:00. In the event of failure to meet the deadlines on the value date, the request is cancelled immediately (unless the request is meant to be executed on the following day). The transfer order is executed as long as it is in the same currency and there are sufficient funds on the participant's account.

Transfer requests in US dollars between accounts held with the BDL and abroad are executed through the Exchange and Foreign Operations Department at the BDL. Requests should be sent before 16:30 on the value date except on Fridays, when the order should be sent before 11:00. As to transfers in other foreign currencies, orders should be sent 24 hours in advance. In the event of failure to meet the conditions on the value date, the request is postponed and executed on the following business day. In cases where the BDL is the beneficiary and a transaction failure occurs (because of insufficient funds or a value date mistake), the BDL's account will be credited and the order will be executed. However, the defaulting party will have to pay interest equal to USD LIBOR plus 2% and a penalty of USD 500. In addition, depending on the seriousness of the case, further measures can be taken where necessary against defaulting parties under the Law of Penalties.

4. SPECIAL USE OF INTERBANK TRANSFER SYSTEMS FOR INTERNATIONAL AND DOMESTIC FINANCIAL TRANSACTIONS

4.1 Exchange and settlement systems for international transactions

4.1.1 Large-value cross-border payment orders

As mentioned in the introduction, Lebanon has accepted the obligations of Article VIII, Sections 2, 3 and 4 of the IMF Articles of Agreement, where it is stipulated that “no member shall, without the approval of the Fund, impose restrictions on the making of payments and transfers for current international transactions”. There are no restrictions on international payments or on the import or export of the national currency and foreign currencies, with the exception of the new Israeli shekel. Under Circular No. 1421 of 4th April 1996, banks and financial institutions are prohibited from receiving deposits, extending credits or opening accounts in Lebanese pounds with non-resident banks, financial institutions and money dealers. Domestic institutions are also prohibited from holding such accounts with non-resident banks, financial institutions and money dealers. However, this restriction does not apply to guarantees issued by non-resident banks and financial institutions as collateral to loans in Lebanese pounds provided that such loans are for commercial or investment activities in Lebanon. Neither does the restriction apply to cheques in LBP collected for the account of non-resident banks, financial institutions and money dealers, provided that the latter transfer the value of the cheques to a foreign currency account.

Lebanese banks have traditionally had an active presence abroad, especially during the war, when Lebanese banks found it necessary to start offshore operations and/or open branches abroad to manage capital outflows (as at December 1997, there were five branches abroad and seven offshore banking units). Similarly, a number of foreign banks have established subsidiaries and branches in Lebanon, particularly since 1994, when economic and political stability returned. As at December 1997, there were 15 foreign banks in Lebanon with 48 branches. International transfers are effected primarily through correspondent banking relationships. The principal means by which large-value payments are transmitted internationally is S.W.I.F.T., and, in the case of banks with a foreign presence, through their proprietary networks.

4.1.2 Retail transactions

Retail cross-border transactions are effected in all currencies using cards, travellers' cheques and credit transfers. International payments using credit or debit cards are cleared via the respective card-issuing companies or banks. Credit transfer orders are executed between correspondent banks using the S.W.I.F.T. network.

4.2 Exchange and settlement systems for securities transactions

4.2.1 The debt market

The Lebanese debt market comprises: (1) Lebanese Treasury bills in LBP; (2) Lebanese Treasury bonds in foreign currencies; and (3) euronotes, other notes, convertible bonds, domestic CDs and euro-CDs issued by the private sector. The size of these individual markets is shown in Table E.

Table E

Value of public and private sector debt instruments outstanding

	31st December 1995	31st December 1996	31st December 1997
Public sector			
Lebanese Treasury bills	12,815.0	17,053.6	19,379.7
(in LBP billions)			
Lebanese Treasury bonds	700.0	800.0	1,044.5
(in USD millions)			
Private sector	89.5	702.8	1,468.4
(in USD millions)			
Of which:			
Euronotes	-	295.0	295.0
Subordinated notes	-	5.0	155.0
Senior/junior notes	-	35.3	126.8
Convertible bonds	-	20.0	20.0
Euro-CDs	-	200.0	675.0
Domestic CDs	89.5	147.5	196.6

The following discusses only Lebanese Treasury bills denominated in LBP. These are short-term negotiable instruments (three-month, six-month, one-year and two-year maturities), auctioned on a weekly basis by the BDL. The Ministry of Finance is the borrower on behalf of the Government and the BDL acts as the agent. The borrowing programme was first launched in 1949 with the Banque de Syrie et du Liban and then continued with the BDL from 1967. Lebanese Treasury bills have always been an important macroeconomic tool for controlling the money supply and absorbing excess liquidity. They are considered risk-free assets and are given a zero risk weight in the calculation of capital adequacy ratios.

The three-month bills started to be traded by auction in May 1993 followed by the six-month bills in June 1993, the one-year bills in September 1993 and the two-year bills in November 1994. The minimum bid is LBP 10,000. Bids are quoted as a discount yield for the three-month, six-month and one-year bills and as a semi-annual coupon for the two-year bills.

The Lebanese Treasury bill market is open to domestic and foreign investors. There are no withholding taxes on interest. All Treasury bill categories are offered to so-called competitive and non-competitive bidders with no restrictions on trading or transfer of ownership. Competitive bidders are resident licensed banks and financial institutions, and public sector entities. They bid for bills within a predetermined ceiling, specifying what quantities they are willing to buy and at what rates. Non-competitive bidders include individual investors and non-resident institutions, which can buy and sell without any limit through their agents at the weighted average rate of the competitive issue. The BDL issues an auction form (covering the number of bills, offer category, auction date, value date face value and ceiling) for subscription to competitive bidders every Friday and those bidders submit their bids in sealed envelopes by 11:00 on the Saturday for the three and six-month bills and by 11:00 on the following Monday for the one and two-year bills. The results of the auction are announced at 13:00 together with the weighted average bid rate, the discount and yield rate, the highest accepted bid price and the percentage of bids taken.

Settlement is effected on the Thursday following the date of the subscription (i.e. T+5 for the three and six-month bills, and T+3 for the one and two-year bills) by a transfer from the relevant parties' current account held at the BDL. A voucher describing the subscribed amount is generated and sent to banks or institutions. Custody of Treasury bills is with the BDL and transfer of ownership is

carried out by book entry. A statement of account and a portfolio report are prepared monthly for all subscribers. Treasury bills are redeemed on Thursdays.

In addition to the previously described primary market, a secondary market exists for Treasury bill trading. Secondary market activity is limited, owing to the buy-and-hold strategy of local banks and to the frequency of the auctions. Settlement is agreed between counterparties and may be T+1, but it is common practice to settle on the Thursday following the trade. All holdings resulting from trading in the primary or secondary market are registered in dematerialised form on a segregated basis with the BDL in the name of the ultimate holder and in a nominee account of the local intermediary.

For legal reserve requirement (LRR) purposes, commercial banks must allocate 13% of their LBP deposits in cash with the BDL, of which 3% can be invested in special Treasury bills with a fixed interest rate of 6%. Auction forms for subscription in special Treasury bills are issued on Wednesdays, and settlement is on Thursdays. Banks were previously obliged to invest an additional 40% of their LBP deposits in Treasury bills, but that legal requirement was lifted in 1997 to free funds for bank lending. It should be noted that banks' deposits in US dollars constituted 64% of their total deposits at the end of December 1997 compared with 62% at the end of December 1996. This reflects the high dollarisation of deposits mentioned above.

4.2.2 The money market

Banks and financial institutions are the main participants in the money market. The money market includes repurchase agreements (repos), so-called maturity swaps and CDs. Such short-term instruments help banks to manage their liquidity position and provide the BDL with market-based instruments for monetary control.

Repos consist in the sale of Treasury bills by banks and financial institutions, with an agreement to repurchase at a specified future date. The maturity for repo transactions is 14 days subject to renewal. Buyers seek liquid, short-term investments while sellers obtain use of cash. Funds obtained are secured through the pledging of some of the seller's own investment securities as collateral.

Maturity swaps were first conducted by the BDL in 1993, when it started to purchase short-term bills from banks and financial institutions at attractive discount rates and then sold them back to banks and financial institutions at the same purchase value but for a longer maturity. Maturity swaps are announced by the BDL when needed. They allow banks to restructure the maturity of their portfolios.

CDs were launched in 1994 by the BDL. The first issue had a maturity of 45 days. In June 1995 60-day CDs were introduced. CDs issued by the BDL are denominated in LBP and their rates are set on Tuesdays. Application forms for subscription by banks and financial institutions are issued on Wednesdays, responses are received on Thursdays and settlement is effected on Fridays through BDL cash accounts and book-entry transfers. CDs are also issued by commercial banks and are currently denominated in US dollars, Deutsche marks and sterling with maturities ranging from three months to ten years, bearing fixed or floating interest rates.

4.2.3 The equity market

The Lebanese equity market comprises the Beirut Secondary Market (BSM) and the Beirut Stock Exchange (BSE). The BSM was established in 1993 under an agreement between the BDL, commercial banks and financial institutions relating to the listing of shares of the Lebanese Real Estate Company, Solidere. Based on the agreement, a handbook describing the rules for listing and trading on the BSM was issued. The main objective of Solidere is the reconstruction of Beirut city centre. Solidere shares were the only ones traded on the BSM from June 1994 until end-September 1996, when the listing was transferred to the BSE.

The BSE was originally established just after the First World War, with the start of the French mandate, in accordance with Ruling No. 509 of 3rd July 1920. In the early years, stock exchange operations were restricted to gold and currency transactions. These operations flourished with the establishment of mixed Lebanese-French joint stock companies in the 1930s, most of which operated public utilities (such as electricity, water, tramways and the harbour) and were simultaneously listed on the Paris and Beirut Stock Exchanges. Trading on the BSE prospered during the 1950s and 1960s. However, with the outbreak of war in 1975, trading slowed down. In 1983 the Stock Exchange Commission decided to suspend trading as economic activity was seriously disrupted.

On 22nd September 1995, the BSE was officially reopened and on 22nd January 1996 it resumed operations after a 13-year shutdown and more than a year of preparation and updating. The BSE comprises three markets: an official market for blue-chip companies with minimum capital of USD 3 million; a junior market for new companies with minimum capital of USD 1 million seeking to finance rapid growth and new projects; and a high-risk unlisted securities/over-the-counter market. Only medium and long-term banks, financial institutions and brokers licensed by the BDL are allowed to deal on the BSE. On the first trading day three companies previously listed on the BSE were quoted. More companies joined the BSE in due course, including a number of Lebanese banks wishing to list their shares. As at December 1997, the number of companies listed on the BSE was eight.

Circular No. 1448 of 4th July 1996 allows Lebanese banks registered with the BDL to list up to 30% of their shares on the BSE without prior approval by the BDL, but with prior notification. These shares may be owned by non-Lebanese. The Circular was issued in accordance with Law 521 of 6th June 1996 on the trading of Lebanese banks' shares on the BSE and the issuing of bonds by banks and financial institutions. The trading mechanism is computerised, and based on a price-fixing procedure which takes place once a day for all the stocks except for those of Solidere, which are priced twice daily. The trading margin is set by using the previous day's fixing price. Clearing and settlement operations are effected in book-entry form for banks' shares with a time-limit of T+3. Financial instruments are cleared and operated by Midclear (see below). The BDL, as the major shareholder in Midclear and a member of its board, monitors the company's activities and acts as its cash settlement bank.

A major development for the BSE was the signing on 25th September 1996 of a regional trading agreement with the Egyptian and Kuwaiti Stock Exchanges. This agreement, which took effect on 1st January 1997, aims at establishing a common framework for investment and trading among the stock markets of Beirut, Kuwait and Egypt by simplifying trading requirements and listing procedures for stocks in the different countries. In addition, it covers trading, clearing and settlement arrangements between the various parties in the countries involved in a way that preserves the rights of all. It also ensures the exchange of information and the publication of financial statements by listed companies.

The agreement aims to:

- encourage trading in financial instruments;
- remove obstacles to investment in financial instruments between local markets;
- develop trading, clearing and settlement procedures;
- promote the exchange of information;
- ensure publication of financial statements by listed companies;
- grant investors full mobility of their investments, allowing easier and more secure trading.

Before placing an order on the BSE, it is necessary to open a securities account with a brokerage house. The market operates strictly on a cash basis. When orders are given and no price is set, the order is executed "at market" or at the price fixed on the day. Brokerage houses communicate the orders to the exchange before 11:00 on the trading day. All orders are centralised and prices are determined on a fixing basis using the BSE's automated trading system. Only one price is quoted per session and all trades are executed at this price. The session is reopened after the fixing in order to balance the market. Brokerage houses may undertake direct transactions with each other outside the

BSE but all these trades must be reported to the exchange. A final list of executed orders is printed out. A list of direct transactions executed outside the BSE is also printed out together with details of payment and delivery conditions for every brokerage house. The BSE notifies the brokerage house once the order is executed, and the brokerage in turn relays this information to its customer. The operations conducted during the trading session are then communicated to Midclear, and the BDL informs Midclear of its members' cash balances. Midclear then settles the transactions and the following day delivers the account statements to the brokerage house.

4.2.4 Midclear

Midclear - the Custodian and Clearing Centre of Financial Instruments for Lebanon and the Middle East - is an independent clearing house company; the majority of its shares are held by the BDL. It was established in June 1994 as a Lebanese joint stock company governed by the provisions of the Commercial Code and other regulations in force in Lebanon. Each shareholder is held liable for the company's debts only up to its capital contribution (shareholders of a joint stock company may be anonymous).

Midclear provides the following services for holders of securities accounts: custody, clearing, settlement, and circulation and management of negotiable assets and financial instruments, i.e. shares, debt securities, units in collective investment schemes, warrants, certificates representing debt securities, warrants or options to subscribe or purchase securities, and other securities of any description that are quoted or likely to be quoted on a regulated financial market. These services are available to Lebanese and non-Lebanese issuers, including supranational bodies. They are also provided in US dollars and will soon be extended to other currencies as well. All financial instruments that are quoted on an official exchange or approved by the board of directors of Midclear will be accepted in the system. The main functions of Midclear include:

- safekeeping of securities for participants;
- immobilisation of physical securities;
- book-entry clearing and settlement of transactions in a real-time, secure and cost-effective environment;
- accurate, timely and cost-effective collection, distribution and accounting of dividend and interest payments;
- maintenance of shareholder registers.

The services offered comprise:

- provision of assistance to issuers and lead managers in preparing new issues for clearing;
- allocation of securities codes, admission to Midclear books and custody of issues;
- closing in compliance with international regulations, and coordination of closing procedures with national and international central depositories to allow placement on the international markets directly from Lebanon;
- centralised administration of custody of whole issues in book-entry form, for greater safety and reliability;
- clearing and settlement of secondary domestic and international market transactions on a delivery-versus-payment (DVP) basis;
- payment of coupons or redemptions as these fall due, with or without a record date, following fast and efficient distribution of proceeds;
- registration of global certificates for global bonds and shares.

(a) Clearing and settlement services

Midclear operates according to the recommendations of the Group of Thirty (see Annex 4). All movements transmitted to Midclear for settlement purposes are considered irrevocable. Midclear will not settle trades partially. Whatever the market developments are, trades between Midclear participants are settled on a DVP basis, i.e. in keeping with international standards. DVP instructions received from regulated financial markets are settled three working days after the trade date, i.e. T+3. The settlement of a DVP instruction necessitates the simultaneous exchange of cash and securities. All Midclear members are requested to verify their cash and securities holdings before carrying out their transactions. In the event of a shortfall in cash or securities, the transaction is first suspended and then checked for possible re-entry or final rejection at the end of the retrieval period. Transfers of securities not requiring cash entries are settled according to the type (deposit, withdrawal, transfer, entries by Midclear) no later than 30 calendar days after the request date.

All cash settlements are carried out in the books of the BDL, which acts as clearing bank. Each member entitled to open an account at the BDL is requested to open, for each currency used, a separate sub-account designated for the settlement of cash transfers related to securities transactions only. The balances of these accounts are transmitted daily by the BDL to Midclear and the system will verify whether balances are sufficient to settle the trades after the netting of cash movements has taken place. Netting means that one net amount is booked to the cash account of the broker, representing the net result of its trades carried out on a single day. Midclear then transmits the net cash positions to the BDL, which makes the necessary final entries in the cash settlement accounts. When a member does not wish or is not in a position to open an account at the BDL, it can designate another member to settle transactions on its behalf.

Midclear has an account at the BDL to clear trades of affiliates not eligible to have their own accounts. In this connection Midclear's tasks include:

- supervising trade settlements in line with instructions;
- providing same-day information on securities received and/or delivered;
- providing same-day information on refused receipts and deliveries;
- providing information about open positions on a regular basis;
- supervising interest/dividend payments as well as the transfer of rights related to trade settlements.

Journal entries for the deposit, withdrawal and transfer of stocks are for same-day value, and trades executed on the exchange are recorded three working days after the trade date.

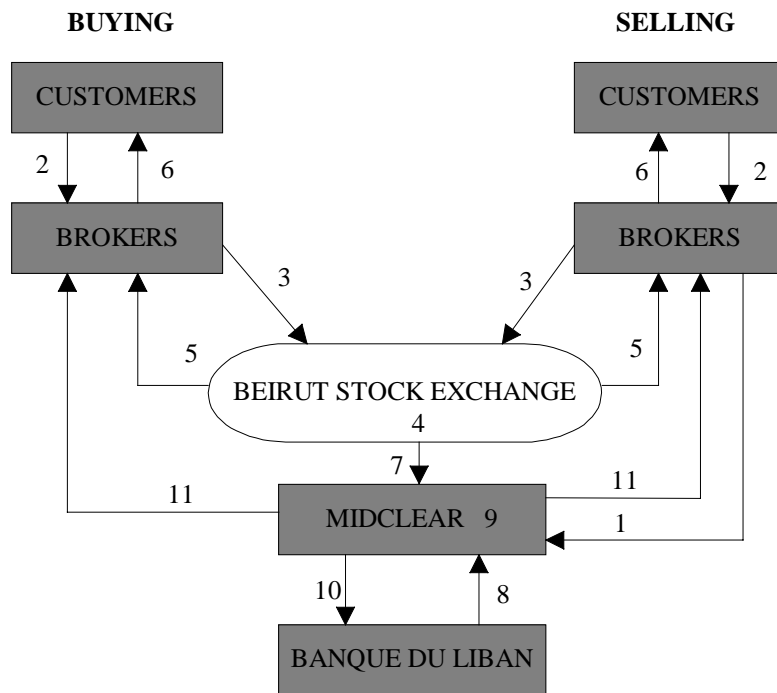
(b) Communication services

All information is transmitted back and forth between Midclear and its members electronically. Midclear is a member of S.W.I.F.T. and all confirmations and instructions to be received from and sent to foreign investors are therefore transmitted using the proper S.W.I.F.T. message types and formats.

Through its links with various clearing organisations in other countries and with international clearing organisations, Midclear ensures the smooth transfer of securities outside Lebanon. Those organisations include Cedel (Luxembourg-Cedcom 2000), Euroclear (Brussels), Sicovam (Paris), Kuwait Clearing House and MISR for Clearing, Settlement and Depository (Cairo).

Chart 1

Sequence of operations in Midclear



1. Deposit of physical securities at Midclear before settlement:
 - for registered securities, delivery no later than 09:00 on T+2;
 - for bearer securities, delivery up to 14:00 on T+3.
2. The customer communicates its buying or selling order to a broker, which acts as account holder or trader.
3. Brokers communicate orders to the BSE before 11:00 on the trading day (day T). No prior matching of orders is allowed; each customer order is individually transmitted to the market.
4. On day T the BSE matches all orders in the system to determine a fixing price for each security (fixed-price mechanism).
5. When the order is executed, an execution statement is sent to the broker.
6. The broker relays the execution statement to its customer. Transfer of ownership occurs on the trading day.
7. The results of the trading session are communicated to Midclear.
8. The BDL transmits the cash balances of the brokers to Midclear on a daily basis.
9. Transactions to be settled are validated against cash and securities balances on the settlement date.
10. The BDL records irrevocable debit or credit entries transmitted by Midclear after the settlement process.
11. The following day, Midclear provides account statements to its members.

5. The role of the BDL in interbank settlement systems

5.1 General responsibilities

The BDL's objectives are to safeguard the national currency, pursue monetary stability, ensure the safety and soundness of the banking system, and develop the financial markets in order to promote domestic economic activity.

In accordance with its policy of maintaining a sound financial system, the BDL puts emphasis on the payment and settlement systems. In particular, with regard to those systems for which final settlement is made across BDL accounts, the introduction or modification of rules requires the approval of, or consultation with, the BDL.

5.2 Provision of settlement (and credit) facilities

The BDL plays an important role in the payment system through the provision of a wide range of interbank payment services. Its function in the settlement of interbank payments is covered in Section 3.

Banks meet their reserve requirements by holding excess reserves or voluntary clearing balances; they also maintain a book-entry securities account with the BDL through which Treasury bill transactions are settled.

Regarding payments through the Current Account Department of the BDL, each bank must ensure that its account's balance is sufficient to allow its transfer orders to be executed. If necessary, banks may borrow from and lend to each other in order to acquire funds to cover daily transactions.

In principle, all banks listed with the BDL are eligible for credit facilities granted by the BDL. The conditions for credit facilities are determined by monetary policy considerations.

Fees charged by the BDL for clearing and settlement services are variable and are paid by the respective participating members. The cost of S.W.I.F.T. access is fixed and paid annually by banks participating in and connected to the RAP installed at the BDL.

5.3 Monetary policy and the payment system

Every action by the BDL that gives rise to an accounting operation with the banking system - open market operations, repos, swaps and traditional interbank operations - represents at the same time the completion of a payment and an act of monetary policy. Market participants and the BDL have strengthened the payment system and reduced payment system risks by:

- introducing new financial instruments;
- amending or introducing legislation as necessary;
- increasing the operational efficiency of financial markets;
- promoting the dematerialisation of traded instruments.

5.4 Main policies and projects being implemented

Adopting a modern payment system in conformity with international standards requires reviewing and amending existing laws relating directly or indirectly to payment media. In this regard, the BDL, through the Commission for Developing and Modernising Financial and Banking Laws, is preparing a series of draft laws aimed at:

- amending the Money and Credit Code with a view to granting greater authority to the BDL for supervising and regulating payment media;
- amending the Commercial Code and promulgating new legislation covering all types of transfer, including electronic transfers, regulating bank-certified cheques and studying the possibility of creating a settlement system for interbank payment orders;
- introducing laws on card payments and other electronic payment media;
- establishing a paperless trading system at Midclear;
- establishing a real-time gross settlement system (RTGS). The system would enable banks to transfer and settle large-value payments in real time (continuously) and through electronic book entries.

Annex 1
Banking Secrecy Law
Law of 3rd September 1956

Article 1: All banks operating in Lebanon, i.e. Lebanese banks established as joint stock companies and branches of foreign banks established in Lebanon, are subject to professional secrecy and must be licensed by the Minister of Finance.

The provisions of this Law do not apply to the Bank for Agricultural, Industrial and Real Estate Credits.

Article 2: All managers and employees of banks referred to in Article 1 who are cognisant of their banks' activities are bound to banking secrecy concerning their customers' names and assets; no disclosure may be made to any party, whether an individual or a public, administrative, military or judicial authority. Such information may be released only when:

- written authorisation is given by the customer or his/her heirs;
- a written request is presented by the judicial authorities in cases of bankruptcy, or in the event of litigation between the bank and the customer.

Article 3: Any bank referred to in Article 1 is allowed to open numbered deposit accounts, the identity of whose holders is known only to the bank's director or his deputy.

The identity of the account holder may be revealed only when:

- written authorisation is given by the customer or his/her heirs;
- a written request is presented by the judicial authorities in cases of bankruptcy or in the event of litigation between the bank and the customer or of illicit accumulation of wealth.

Banks may also, under the same conditions, provide numbered safes.

Article 4: Funds and assets deposited at the banks referred to in Article 1 may only be sequestrated with written authorisation from the holders of the accounts concerned.

Article 5: Any contract may include a prior arrangement regarding the above-mentioned type of authorisation which may only be revoked with the agreement of all parties.

Article 6: Under the provisions of banking secrecy, the banks referred to in Article 1 may exchange information relating to the debtor accounts of their customers.

Article 7: The banks referred to in Article 1 may not invoke professional secrecy if presented with a request by the judicial authorities in cases where account holders are being prosecuted for illicit accumulation of wealth under the provisions of Legislative Decree No. 38 of 18th February 1953 and the provisions of Law No. 14 of April 1954.

Article 8: Violation of this Law is punishable with a term of imprisonment of between three months and one year. The same penalty shall apply when such a criminal offence is initiated. Public prosecution proceedings are not instituted unless requested by the injured party.

Article 9: Any legislative text not in conformity with the provisions of this Law or with its content shall be replaced.

Article 10: This Law shall enter into force two months after its publication in the Official Gazette.

Annex 2

Free banking zone

Decree No. 29 of 5th February 1977

Based on Decree No. 9976 of 1st April 1975, which grants the Lebanese Government the right to exempt non-residents' deposits and other liabilities in foreign currency, held with banks' head offices, from particular taxes and obligations.

Article 1: Non-residents' deposits and other liabilities in foreign currency, held with banks' head offices, are exempted from:

- taxes on interest earned as prescribed by Legislative Decree No. 144 of 12th June 1959;
- the Reserve Requirement as prescribed by paragraph D of Article 76 of the Money and Credit Code;
- the deposit guarantee premium imposed by the National Deposit Guarantee Institution as prescribed by Article 15 of Law 28/67 of 9th May 1967 as amended.

Article 2: This Article defines the concept of "residency" and classifies accounts and transactions accordingly. However, the Laws and Decrees defining the concept of "residency" (Decree No. 126 of 17th May 1974 and Law No. 29 of 5th February 1977) were replaced by Circular No. 1433 of 17th May 1996.

Annex 3

Due Diligence Convention on the Commitment by Banks to Combat the Laundering of Drugs Money

This agreement was concluded between the Association of Banks in Lebanon (“the Association”) and Member Banks (“the Banks”). The agreement comprises the following six sections:

- Section I** Preamble and scope of the Convention
- Section II** Procedure for verifying the contracting party’s identity and determining that of the beneficial owner - Consequences
- Section III** Specific operations to be monitored
- Section IV** Staff awareness and training
- Section V** Control activities - Control committee - Penalties
- Section VI** Entry into force

Annex 4

Group of Thirty clearance and settlement recommendations

1. By 1990 all comparisons of trades between direct market participants (that is, brokers, broker/dealers and other members) should be accomplished T+1.
2. By 1992 indirect market participants (such as institutional investors or counterparties that are not broker/dealers) should be members of a trade comparison system that achieves positive affirmation of trade details.
3. Each country should have in place by 1992 an effective and fully developed central securities depository, organised and managed to encourage the broadest possible industry participation (directly and indirectly).
4. Each country should study its market volumes and participation to determine whether a trade netting system would be beneficial in terms of reducing risk and promoting efficiency. Where a netting system is appropriate, it should be implemented by 1992.
5. Delivery versus payment (DVP) should be employed as the method for settling all securities transactions. A DVP system should be in place by 1992.
6. Payments associated with the settlement of securities transactions and the servicing of securities portfolios should be made consistent across all instruments and markets by adopting the same-day funds conventions.
7. A “rolling settling” system should be adopted by all markets. Final settlement should occur on T+3 by 1992. As an interim target final settlement should occur on T+5 by 1990 except where it hinders the achievement of T+3 by 1992.
8. Securities lending and borrowing should be encouraged as a method of expediting the settlement of securities transactions. Existing regulatory and taxation barriers that inhibit the practice of lending securities should be removed by 1990.
9. Each country should adopt the standard for securities messages developed by the International Organisation of Standardisation (ISO Standard 7775). In particular, countries should adopt ISIN Standard 6166, at least for cross-border transactions. These standards should be universally applied by 1992.

STATISTICAL TABLES

Table 1
Basic statistical data

	1993	1994	1995	1996	1997
Population					
<i>year-end</i>	3,855,000	3,932,100	4,006,810	4,100,000	4,182,000
Nominal GDP* (USD millions)	7,535	9,135	11,142	12,989	15,016
GDP per capita* (USD)	1,955	2,323	2,781	3,168	3,591
Exchange rate (domestic currency vis-à-vis USD):					
<i>year-end</i>	1,711.00	1,647.00	1,596.00	1,552.00	1,527.00
<i>average</i>	1,741.38	1,679.74	1,620.94	1,570.94	1,539.23

* Unofficial estimates.

Table 2
Settlement media used by non-banks
(at year-end, in millions of Lebanese pounds)

	1993	1994	1995	1996	1997
Notes and coin	714,698	938,763	1,046,200	1,160,705	1,210,045
Sight deposits in LBP	428,710	498,086	514,411	592,679	719,323
M1	1,143,408	1,436,849	1,560,611	1,753,384	1,929,368
Other deposits in LBP	4,165,389	7,149,807	8,102,599	12,248,330	12,600,489
M2	5,308,797	8,586,656	9,663,210	14,001,714	14,529,857
Deposits in foreign currencies ...	10,358,217	11,005,868	13,097,212	14,796,391	19,855,263
Certificate of deposits in foreign currencies	11,450	58,798	122,914	116,992	184,456
Bonds* .....	.	.	.	325,920	327,874
M3	15,678,464	19,651,322	22,883,336	29,241,017	34,897,450
Treasury bills held by the public	1,110,000	1,897,900	3,349,400	4,466,500	5,878,000
M4	16,788,464	21,549,222	26,232,736	33,707,517	40,775,450

* Bonds were included in M3 and M4 starting July 1996.

Table 3
Settlement media used by banks
(at year-end, in millions of Lebanese pounds)

	1993	1994	1995	1996	1997
Reserve balances held at BDL ¹	661,352	1,041,581	1,243,941	1,675,664	1,675,664
Transferable deposits at other institutions ²	132,206	1,128,855	1,056,351	1,211,232	1,252,079
<i>Memorandum items:</i>					
Required reserves (LBP)	952,474	1,075,246	1,173,860	1,715,271	1,810,695
Institutions' borrowing from BDL ³	11,095	70,675	169,247	82,258	97,575

¹ Sight deposits (LBP and foreign currencies). ² Commercial banks' sight deposits at non-resident commercial banks, at medium and long-term banks, at financial institutions; for foreign banks includes sight deposits at headquarters, branches or parent companies abroad (LBP and foreign currencies). ³ Commercial banks (LBP and foreign currencies).

Table 4
Banknotes and coin
(at year-end, in millions of Lebanese pounds)

	1993	1994	1995	1996	1997
Total banknotes and coin issued ¹	1,312,075	1,717,352	2,353,728	2,961,039	3,299,393
Denomination of banknotes:					
100,000	0	408,400	777,400	1,082,000	1,311,100
50,000	0	210,000	328,750	479,550	544,150
20,000	0	94,140	282,480	418,820	493,320
10,000	451,010	536,680	464,070	456,880	420,480
5,000	0	34,810	92,690	131,215	141,655
1,000	799,508	407,603	384,516	364,485	352,842
500	37,496	10,324	8,924	7,201	5,683
250	17,446	11,466	10,868	10,157	9,124
100	4,709	2,529	2,482	2,286	2,013
50	1,433	959	1,108	1,062	978
25	173	151	150	150	151
10	155	148	149	149	149
5	116	113	112	112	112
1	29	29	29	29	29
Denomination of coins:					
50	0	0	0	0	402
100	0	0	0	699	1,435
250	0	0	0	1,248	4,998
500	0	0	0	4,996	10,772
Banknotes and coin held by credit institutions ²	48,921	67,170	81,618	96,408	114,806
Total banknotes and coin outside credit institutions ¹	1,263,154	1,650,182	2,272,110	2,864,631	3,184,587

¹ Includes BDL's vault cash. ² Vault cash held by commercial banks.

Table 5
Institutional framework
 (at end-1997)

Categories	Number of institutions	Number of branches	Number of accounts (thousands)	Value of accounts (LBP billions)
Banque du Liban	1	9	.	.
Commercial banks	72	656	1,766	37,695
Financial institutions	20	22	.	.
Medium and long-term banks	8	12	.	.
Licensed money dealers	285	.	.	.
Licensed brokerage institutions	3	.	.	.

Table 6
ATMs

	1993	1994	1995	1996	1997
Number of networks	4	4	4
Number of machines	48	75	183
Volume of transactions	154,665	524,035	746,394
Value of transactions (USD millions)	26	95	149

Table 7

Number of payment cards in circulation

	1993	1994	1995	1996	1997
Cards with a cash function only	.	.	8,369	12,173	19,456
Cards with a debit/credit function*.....	.	.	33,841	56,345	78,406

* The majority of cards with a debit and/or credit function also have a cash function.

Table 8

**Payment instructions handled by selected payment systems:
volume of transactions**

(in thousands)

	1993	1994	1995	1996	1997
Large-value systems:					
<i>BDL (S.W.I.F.T.):*</i>					
<i>Domestic</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>110,406</i>
<i>Cross-border</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>36,912</i>
Clearing Houses	6,483	7,659	9,218	10,038	10,916

* Statistics on domestic and cross-border transfers for payment instructions other than those sent by S.W.I.F.T. are currently not available.

Table 9

**Payment instructions handled by selected payment systems:
value of transactions**
(in millions of Lebanese pounds)

	1993	1994	1995	1996	1997
Large-value systems:					
<i>BDL (S.W.I.F.T.):*</i>					
<i>Domestic</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
<i>Cross-border</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Clearing Houses	23,952,669	29,515,728	36,410,399	38,341,160	42,821,943

* Statistics are currently not available.

Table 10

**Transfer instructions handled by securities settlement systems:
volume of transactions**
(in thousands)

	1993	1994	1995	1996	1997
Beirut Secondary Market*	1,294	1,333	1,397	.
Beirut Stock Exchange (through Midclear)	846	59,107

* Solidere were the only shares traded on the BSM until end-September 1996, when Solidere joined the Beirut Stock Exchange.

Table 11

**Transfer instructions handled by securities settlement systems:
value of transactions**
(in millions of US dollars)

	1993	1994	1995	1996	1997
Beirut Secondary Market (USD millions)*	195	168	155	.
Midclear (USD millions)	66	642

* Solidere were the only shares traded on the BSM until end-September 1996, when Solidere joined the Beirut Stock Exchange.

Table 12

**Indicators of various cashless payment instruments:
volume of transactions**
(in thousands)

Instruments	1993	1994	1995	1996	1997
Cheques issued:					
<i>LBP cheques</i>	2,998	2,880	2,867	3,142	3,307
<i>Foreign currency cheques</i> ...	3,485	4,780	6,350	6,896	7,609
Payment by cards:					
<i>debit/credit</i> .....	.	.	356	564	1,041

Table 13

**Indicators of use of various cashless payment instruments:
value of transactions**
(in millions of Lebanese pounds)

Instruments	1993	1994	1995	1996	1997
Cheques issued:					
<i>LBP cheques</i>	5,147,506	7,143,032	8,744,834	9,648,346	10,431,908
<i>Foreign currency cheques</i> ...	18,805,163	22,372,696	27,665,565	28,692,814	32,390,035
Payment by cards:					
<i>debit/credit</i> .....	.	.	160,101	256,313	438,006

Table 14
Participation in S.W.I.F.T. by domestic institutions

	1993	1994	1995	1996	1997
Members .....	.	24	27	29	34
<i>of which: live</i> .....	.	20	26	27	34
Sub-members .....	.	3	6	7	10
<i>of which: live</i> .....	.	3	5	6	10
Participants .....	.	0	0	0	5
<i>of which: live</i> .....	.	0	0	0	4
Total users .....	.	27	33	36	49
<i>of which: live</i> .....	.	23	31	33	48
<i>Memorandum items:</i>					
Total S.W.I.F.T.:					
<i>members</i>	2,244	2,551	2,845	2,874	3,070
<i>sub-members</i>	1,887	2,097	2,311	2,404	2,621
<i>participants</i>	125	218	315	354	681
<i>users</i>	4,256	4,866	5,471	5,632	6,372

Source: S.W.I.F.T.

Table 15
S.W.I.F.T. message flows to/from domestic users

	1993	1994	1995	1996	1997
Total messages sent	113,053	395,957	576,800	952,618
<i>of which:</i>					
<i>category I</i> ¹	50,808	178,969	211,610	324,683
<i>category II</i> ²	21,940	83,157	121,333	280,369
Total messages received	191,597	514,333	682,242	1,015,709
<i>Memorandum item:</i>					
Global S.W.I.F.T. traffic	457,218,200	518,097,873	603,575,374	687,785,294	812,117,556

¹ Category I: customer (funds) transfers. ² Category II: bank (funds) transfers.

Source: S.W.I.F.T.

COMPARATIVE TABLES

Table 1
Notes and coin in circulation¹

	1992	1993	1994	1995	1996
	USD per inhabitant²				
Lebanon	116	108	145	164	182
Belgium	1,239	1,164	1,229	1,391	1,339
Canada	625	634	635	662	675
France	828	739	807	891	841
Germany	1,534	1,511	1,790	2,025	1,936
Italy	1,023	921	1,032	1,082	1,138
Japan	2,739	3,243	3,736	3,873	3,738
Netherlands	1,343	1,267	1,428	1,540	1,413
Sweden	1,207	1,042	1,120	1,312	1,327
Switzerland	2,748	2,638	2,985	3,394	3,117
United Kingdom	446	455	504	528	606
United States	1,167	1,272	1,385	1,443	1,507
	As percentage of GDP				
Lebanon	7.8	5.5	6.2	5.9	5.8
Belgium	5.9	6.0	5.2	5.3	5.3
Canada	3.3	3.4	3.4	3.4	3.4
France	3.6	3.5	3.4	3.3	3.3
Germany	6.5	6.7	6.8	6.9	7.0
Italy	5.7	5.8	5.9	5.5	5.3
Japan	9.0	9.5	9.7	10.4	10.9
Netherlands	6.5	6.5	6.2	6.0	5.8
Sweden	5.1	5.3	5.0	4.7	4.8
Switzerland	8.0	7.9	7.9	7.7	8.1
United Kingdom	2.9	2.8	2.8	2.8	2.8
United States	4.8	5.0	5.2	5.2	5.3
	As percentage of narrow money³				
Lebanon	66.5	62.5	65.3	67.0	66.2
Belgium	31.5	29.6	27.1	27.2	27.5
Canada	47.1	44.0	44.2	42.8	37.8
France	15.9	15.3	15.1	14.2	14.3
Germany	29.9	29.2	29.6	29.1	26.9
Italy	15.7	15.5	16.0	16.3	16.1
Japan	31.2	31.1	30.7	29.2	29.0
Netherlands	27.4	25.1	25.0	22.1	19.7
Sweden	10.8	10.7	10.7	10.5	9.9
Switzerland	21.6	19.7	19.7	18.0	17.3
United Kingdom	4.5	4.5	4.6	4.6	4.5
United States	28.5	28.5	30.7	32.9	36.3

¹ For explanation of figures see relevant country tables. ² Year-end figures converted at end-of-year exchange rates. ³ Narrow money: M1; except for Sweden (M3) and the United Kingdom (M2).

Table 2
Transferable deposits held by non-banks¹

	1992	1993	1994	1995	1996
	USD per inhabitant²				
Lebanon	58	65	77	80	93
Belgium	2,700	2,764	3,307	3,715	3,533
Canada	2,978	3,056	2,975	3,334	3,768
France	4,381	4,080	4,543	5,381	5,062
Germany	3,591	3,761	4,287	4,953	5,309
Italy	5,286	4,863	5,236	5,399	5,784
Japan ³	7,141	8,160	9,425	11,032	10,620
Netherlands	3,562	3,777	4,275	5,431	5,749
Sweden	10,119	8,850	9,811	11,351	12,216
Switzerland	5,601	5,839	6,799	8,359	8,275
United Kingdom	9,357	9,589	10,493	11,073	12,793
United States	2,910	3,182	3,103	2,921	2,624
	As percentage of GDP				
Lebanon	3.9	3.3	3.3	2.9	2.9
Belgium	12.8	14.0	14.0	14.0	14.0
Canada	15.6	16.2	16.1	17.3	19.1
France	19.3	19.4	19.2	20.1	19.7
Germany	15.3	16.7	16.3	16.8	19.1
Italy	29.4	30.4	29.8	27.6	27.2
Japan ³	25.0	24.6	25.3	25.1	28.3
Netherlands	17.3	19.3	18.6	21.2	23.5
Sweden	43.0	44.6	42.4	40.6	44.3
Switzerland	16.3	17.4	18.0	19.0	21.5
United Kingdom	60.0	60.0	58.6	59.5	59.2
United States	11.9	12.5	11.7	10.6	9.2
	As percentage of narrow money⁴				
Lebanon	33.5	37.5	34.7	33.0	33.8
Belgium	68.5	70.0	72.9	72.8	72.5
Canada	224.3	212.1	207.4	215.5	211.2
France	84.1	84.7	84.9	85.8	85.7
Germany	70.1	72.7	70.8	71.2	73.8
Italy	81.3	81.9	81.4	81.1	81.8
Japan ⁵	91.5	86.5	85.3	82.7	81.6
Netherlands	72.6	74.9	75.0	77.9	80.3
Sweden	90.6	90.6	90.3	90.6	91.1
Switzerland	43.6	43.6	44.9	44.2	45.8
United Kingdom	95.5	95.5	95.4	95.4	95.5
United States	71.1	71.2	68.9	66.6	63.2

¹ For explanation of figures and definition of transferable deposits, see relevant country tables. ² Year-end figures converted at end-of-year exchange rates. ³ End-March figure converted at end-March exchange rate. ⁴ Narrow money: M1; except for Sweden (M3) and the United Kingdom (M2). ⁵ End-March figure.

Table 3
Settlement media used by banks¹
(1996)

	Banks' reserves at central bank (USD billion)²	Banks' reserves at central bank in percentage of narrow money³	Transferable deposits at other banks (USD billion)²	Transferable deposits at other banks in percentage of narrow money²
Lebanon	1.08	95.57	0.78	69.08
Belgium	0.065	0.13	6.23	12.58
Canada	0.3	0.65	.	.
France	1.4	0.40	623.0	180.3
Germany	25.4	4.3	258.0	43.7
Italy	47.2	11.6	55.7	13.7
Japan	29.4	1.8	59.6	3.6
Netherlands	9.199	8.27	1.787	1.6
Sweden	0.22	0.18	10.3	8.7
Switzerland	4.3	3.3	21.1	16.5
United Kingdom	4.1	0.5	389.7	49.5
United States	24.5	2.2	37.8	3.4

¹ For explanation of figures see relevant country tables. ² Year-end figures converted at end-of-year exchange rates. ³ Narrow money: M1; except for Sweden (M3) and the United Kingdom (M2). ⁴ End-March figure converted at end-March exchange rate. ⁵ End-March figure.

Table 4
Institutional framework¹
(1996)

	Number of institutions	Number of inhabitants per institution	Number of branches	Number of inhabitants per branch	Number of accounts per inhabitant
Lebanon	103	39,806	670	6,119	0.40
Belgium	143	71,119	9,321	1,091	1.15
Canada ²	2,497	12,054	13,712	2,195	.
France	547	106,947	46,716	1,252	1.1
Germany	3,509	23,368	66,609 ³	1,231	1.0
Italy	939	61,235	39,091	1,471	0.5
Japan	4,635	27,154	72,378	1,739	.
Netherlands	126	123,230	6,694	2,320	1.3
Sweden	125	70,720	3,734	2,367	.
Switzerland	372	19,108	7,140	996	.
United Kingdom	561	104,813	35,946	1,636	2.3
United States ⁴	23,123	11,482	72,654	3,654	.

¹ For explanation of figures see relevant country tables. ² Deposit-taking institutions only. ³ Including post office branches which are entrusted with the execution of semi-cashless payments for Deutsche Postbank AG. ⁴ Number of branches does not include head offices of any type of institution.

Table 5
Cash dispensers and ATMs¹

	1992	1993	1994	1995	1996
Number of machines per 1,000,000 inhabitants					
Lebanon .....	.	.	.	11.98	18.29
Belgium	109	119	313	360	414
Canada	509	553	576	595	617
France	305	325	356	395	419
Germany	235	308	361	436 ⁵	459
Italy	245	266	326	378	420
Japan	870	935	978	1,013	1,051
Netherlands	261	292	325	358	373
Sweden	254	255	259	267	269
Switzerland	387	439	481	532	585
United Kingdom	324	328	342	358	376
United States	342	367	418	467	524
Number of transactions per inhabitant					
Lebanon .....	.	.	.	0.04	0.13
Belgium	8.8	9.1	13.1	14.3	15.1
Canada	35.7	37.3	40.7	45.9	49.2
France	12.0	13.3	14.2	15.8	18.2
Germany .....	.	.	11.5	13.4 ⁵	15.3
Italy ²	3.6	4.1	4.6	5.3	6.4
Japan	2.9	3.3	3.6	3.8	4.1
Netherlands	17.3	20.5	23.9	27.5	29.4
Sweden	25.1	28.3	30.7	31.8	33.6
Switzerland	7.4	8.3	9.1	10.3	10.9
United Kingdom	20.2	21.3	22.9	25.2	27.2
United States	28.2	29.8	31.8	36.9	40.3
Average value of transactions (USD)³					
Lebanon .....	.	.	.	168.1	181.3
Belgium	113.2	110.3	126.5	138.1	129.5
Canada ⁴	55.4	53.5	51.2	51.0	52.0
France	86.1	77.0	76.5	81.3	77.5
Germany .....	.	.	157.6	196.6 ⁵	179.0
Italy	245.4	196.8	195.3	194.4	203.0
Japan	359.3	395.4	419.8	450.6	383.4
Netherlands	97.8	95.9	97.4	108.4	105.6
Sweden	128.6	101.2	104.7	112.6	104.4
Switzerland	225.1	207.8	217.8	242.1	209.5
United Kingdom	84.6	72.5	74.6	77.3	78.1
United States	66.9	68.2	67.2	67.7	68.0

¹ For explanation of figures see relevant country tables. ² For the years 1992-1995 the figures are estimated and differ from those provided in the statistical annex of the Italian chapter that do not refer to the whole system. ³ Converted at yearly average exchange rates. ⁴ Average value of a cash withdrawal only. ⁵ Increase partly due to new data source.

Table 6
EFTPOS terminals¹

	1992	1993	1994	1995	1996
Number of terminals per 1,000,000 inhabitants					
Lebanon .....	.	.	.	.	.
Belgium	4,034	5,246	6,294	7,174	7,997
Canada	1,031	2,127	4,073	6,394	8,408
France	5,594	7,435	7,574	9,394	9,333
Germany	640	344	767	856	1,402
Italy	1,094	1,350	1,819	2,683	3,758
Japan	264	168	227	200	183
Netherlands	754	1,606	3,094	4,747	6,186
Sweden	1,647	3,054	5,514	6,160	7,579
Switzerland	1,022	1,433	2,379	3,499	4,731
United Kingdom	3,806	4,639	5,993	8,647	9,354
United States	368	601	1,320	2,010	3,297
Number of transactions per inhabitant					
Lebanon .....	.	.	.	.	.
Belgium	12.0	14.2	18.0	20.8	23.9
Canada	1.1	2.5	6.3	13.3	22.5
France	22.7	24.3	26.1	32.3	35.6
Germany	0.35	0.85	1.28	1.83	2.61
Italy ²	0.28	0.39	0.57	0.83	1.3
Japan	0.006	0.005	0.006	0.007	0.004
Netherlands	3.1	4.4	8.2	16.6	23.9
Sweden	5.3	6.5	8.8	10.4	12.6
Switzerland	2.8	4.0	5.7	8.0	10.7
United Kingdom .....	.	.	.	.	.
United States	1.1	1.7	2.4	2.9	4.3
Average value of transactions (USD)³					
Lebanon .....	.	.	.	.	.
Belgium	57.7	63.2	71.2	77.6	72.6
Canada	43.7	38.8	37.2	34.8	32.7
France	62.5	58.0	57.6	63.3	60.0
Germany	43.5	54.2	64.0	95.7	98.2
Italy	161.6	121.5	117.5	116.0	113.6
Japan	97.7	184.9	80.2	.	32.4
Netherlands	46.0	58.6	62.9	59.1	56.4
Sweden	101.0	85.5	80.8	80.7	80.7
Switzerland	51.8	58.8	73.8	96.4	89.6
United Kingdom .....	.	.	.	.	.
United States	27.7	24.0	25.0	29.4	29.7

¹ For explanation of figures see relevant country tables. ² For the years 1992-1995 the figures are estimated and differ from those provided in the statistical annex of the Italian chapter that do not refer to the whole system. ³ Converted at yearly average exchange rates.

Table 7
Number of cards¹
 (1996 per 1,000 inhabitants)

	Cards with a cash function	Cards with a debit/credit function	Cards with cheque guarantee function	Retailers' cards
Lebanon	2.97	13.74	.	.
Belgium	1,041	1,041	429	135
Canada	1,449	552	.	4,153
France	465	436	.	.
Germany .....	.	981	487	60
Italy	266	392	20	.
Japan	2,152	1,864	.	416
Netherlands	1,219	119	38	.
Sweden	711	651	.	.
Switzerland	829	921	576	.
United Kingdom	1,514	1,133	862	262
United States	2,464	2,556	.	2,267

¹ For explanation of figures, see relevant country tables.

Table 8
Relative importance of cashless payment instruments¹
 (percentage of total volume of cashless transactions)

	1992	1993	1994	1995	1996
	Cheques				
Lebanon .....	.	.	.	96.28	94.68
Belgium	18.8	16.0	11.7	10.6	9.4
Canada	62.4	58.7	52.8	46.9	41.0
France	50.6	49.1	47.4	45.6	43.6
Germany	8.8	8.1	7.9	7.0	6.4
Italy ²	40.0	37.2	34.0	32.8	29.7
Japan .....	.	.	.	.	.
Netherlands	12.3	8.2	6.0	4.6	3.2
Sweden ⁵	9.3	.	.	.	.
Switzerland ³	4.4	3.3	2.6	2.0	1.6
United Kingdom ⁴	45.4	43.0	40.2	36.7	33.1
United States	80.5	79.6	78.1	76.5	74.7
	Payment by cards				
Lebanon .....	.	.	.	3.72	5.32
Belgium	15.6	16.5	18.0	19.7	21.4
Canada	28.9	31.1	35.3	40.0	44.8
France	15.0	15.7	16.2	17.6	18.3
Germany	2.1	2.6	3.1	3.6	4.2
Italy ²	3.7	4.1	5.2	6.6	8.7
Japan .....	.	.	.	.	.
Netherlands	2.6	4.2	8.0	15.6	20.4
Sweden ⁵	8.2	9.8	11.6	14.2	14.8
Switzerland	11.8	13.8	16.2	18.4	20.7
United Kingdom	18.8	21.0	23.3	25.9	28.9
United States	16.8	17.5	18.7	20.1	21.6

¹ For explanation of figures see relevant country tables. In some cases the total may not sum to 100% because of other items. ² For the years 1992-1995 the figures are estimated and differ from those provided in the statistical annex of the Italian chapter that do not refer to the whole system. ³ Postal cheques are not included because detailed figures were no longer published by the PTT after 1992. ⁴ Includes Town cheques. ⁵ Statistics on the volume and value of cheque payments are not available from 1993 onwards. The percentage figures for these years therefore do not include cheques.

Table 8 (cont.)

	1992	1993	1994	1995	1996
	Credit transfers				
Lebanon .....	.	.	.	.	.
Belgium	56.9	58.5	60.9	60.2	59.5
Canada	4.4	5.2	6.4	7.4	8.1
France	15.4	15.4	15.7	15.6	15.7
Germany	49.8	45.6	48.7	48.8	49.2
Italy ²	42.1	44.6	46.8	45.9	43.1
Japan .....	.	.	.	.	.
Netherlands	61.3	66.0	63.8	54.9	51.3
Sweden	77.6	84.5	82.3	79.4	78.5
Switzerland	81.3	80.1	78.1	76.3	74.4
United Kingdom ⁶	20.6	20.4	20.1	19.7	19.9
United States	1.8	1.9	2.1	2.3	2.4
	Direct debits				
Lebanon .....	.	.	.	.	.
Belgium	8.8	9.0	9.4	9.5	9.7
Canada	4.3	5.0	5.5	5.8	6.2
France	10.2	10.6	11.2	11.3	11.8
Germany	39.3	43.7	40.3	40.6	40.2
Italy ²	4.1	4.4	4.7	5.4	7.4
Japan .....	.	.	.	.	.
Netherlands	23.9	21.7	22.1	24.9	25.1
Sweden	4.9	5.7	6.1	6.4	6.7
Switzerland ⁷	2.5	2.8	3.1	3.3	3.3
United Kingdom	15.1	15.6	16.5	17.7	18.1
United States	0.9	1.0	1.1	1.1	1.3

⁶ Paper-based and paperless (includes large-value: CHAPS). ⁷ Without PTT. See footnote 3.

Table 9
Relative importance of cashless payment instruments¹
 (percentage of total value of cashless transactions)

	1992	1993	1994	1995	1996
	Cheques				
Lebanon .....	.	.	.	99.56	99.34
Belgium	6.2	5.4	4.6	4.3	3.6
Canada	98.8	98.8	98.7	98.1	97.2
France	6.4	4.6	4.4	4.7	4.8
Germany	2.4	2.3	2.3	2.1	1.8
Italy ²	7.1	5.4	4.5	4.5	3.4
Japan .....	.	.	.	.	.
Netherlands	0.2	0.1	0.1	0.1	0.1
Sweden	10.6	.	.	.	.
Switzerland ³	0.1	0.1	0.1	0.1	0.1
United Kingdom ⁴	11.6	9.4	7.6	5.3	4.2
United States	13.1	12.6	12.2	11.9	11.2
	Payment by cards				
Lebanon .....	.	.	.	0.44	0.67
Belgium	0.2	0.1	0.1	0.2	0.2
Canada	0.3	0.3	0.4	0.5	0.8
France	0.2	0.2	0.2	0.2	0.2
Germany	0.02	0.02	0.02	0.03	0.04
Italy ²	0.04	0.03	0.04	0.05	0.05
Japan .....	.	.	.	.	.
Netherlands	0.0	0.0	0.1	0.2	0.2
Sweden	0.7	0.9	1.0	1.4	1.5
Switzerland ⁵ .....	.	.	.	.	.
United Kingdom	0.2	0.2	0.2	0.2	0.3
United States	0.1	0.1	0.1	0.2	0.2

¹ For explanation of figures see relevant country tables. In some cases the total may not sum to 100% because of other items. ² For the years 1992-1995 the figures are estimated and differ from those provided in the statistical annex of the Italian chapter that do not refer to the whole system. ³ Postal cheques are not included because detailed figures were no longer published by the PTT after 1992. ⁴ Includes Town cheques. ⁵ Below 0.1%.

Table 9 (cont.)

	1992	1993	1994	1995	1996
	Credit transfers				
Lebanon	•	•	•	•	•
Belgium	93.4	94.2	94.7	95.2	95.6
Canada	0.7	0.7	0.7	1.0	1.5
France	91.2	93.4	93.5	93.0	92.7
Germany	95.5	95.7	95.7	95.8	95.7
Italy ²	91.1	93.2	94.2	94.1	95.4
Japan	•	•	•	•	•
Netherlands	98.6	98.8	98.7	98.6	98.5
Sweden	86.3	95.8	96.2	95.7	95.6
Switzerland	99.9	99.9	99.8	99.8	99.8
United Kingdom ⁶	87.1	89.5	91.2	93.4	94.4
United States	85.8	86.4	86.8	87.0	87.7
	Direct debits				
Lebanon	•	•	•	•	•
Belgium	0.2	0.3	0.5	0.3	0.4
Canada	0.2	0.2	0.2	0.3	0.5
France	0.6	0.7	0.8	0.9	1.0
Germany	2.1	2.0	2.0	2.1	2.5
Italy ²	0.2	0.2	0.2	0.2	0.2
Japan	•	•	•	•	•
Netherlands	1.2	1.1	1.1	1.2	1.2
Sweden	2.4	3.3	2.8	2.9	2.9
Switzerland ⁷	•	•	0.1	0.1	0.1
United Kingdom	1.1	1.0	1.0	1.0	1.1
United States	1.0	0.9	0.9	0.9	0.9

⁶ Paper-based and paperless (includes large-value: CHAPS). ⁷ Without PTT. See footnote 3.

Table 10a
Features of selected interbank funds transfer systems¹
 (figures relate to 1996)

	Type ²	Owner/ Manager ³	No. of participants		Processing ⁴	Settlement ⁵	Membership ⁶
				of which direct			
Lebanon							
Clearing Houses	L + R	CB	103	. ⁷	ACH ⁸	N	O
BDL/S.W.I.F.T.	L + R	CB	.	.	M	BN	O
Belgium							
ELLIPS	L	B + CB	122	22	RTT	RTGS	RM
Clearing House	L + R	B + CB	126	60	M	N	O
CEC	R	B + CB	65	.	ACH	N	O
Canada							
IIPS	L	B + AS	63	20	.	. ⁹	RM
France							
SAGITTAIRE	L	CB	57	57	RTT	N	RM
CH Paris ¹⁰	L + R	AS	343	32	M	N	RM
CH Provinces ¹¹	R	CB	. ¹²	. ¹²	M	N	O
SIT	R	CB + B/AS	286	23	RTT	N	RM
CREIC	R	CB	16	16	ACH	N	O
Card payments	R	B/AS	185	11	RTT	N	RM
TBF	L	CB	.	.	RTT	RTGS	O
Germany							
MAOBE	R	CB	5,404	.	ACH	GS	O
DTA	R	CB	5,404	.	ACH	GS	O
EIL-ZV	L	CB	5,404	.	RTT	RTGS	O
Platz. überweisungsverkehr	L + R	CB	5,404	.	M	GS	O
Konvent. Abrechnung	L + R	CB	456	.	M	N	O
EAF/EAF 2	L	CB	65	.	RTT	N	RM
Italy							
Local clearing	L + R	CB	608	258	RTT ¹³	N	O
Retail	R	CB ¹⁴	825	124	ACH	N	O
ME ¹⁵	L	CB	298	298	RTT	N	O
SIPS	L	CB ¹⁴	674	193	RTT	N	O
BISS	L	CB	435	435	RTT	RTGS	O

¹ For additional information see relevant country chapters. ² L = Large-value system, R = Retail system. ³ Owner/Manager: B = Banks, CB = Central Banks, AS = Payment Association. ⁴ Processing method: M = Manual, ACH = Automated Clearing House (off-line), RTT = Real-Time Transmission. ⁵ N = multilateral Netting, RTGS = Real-Time Gross Settlement, GS = other Gross Settlement. ⁶ O = Open membership (any bank can apply) or RM = Restricted Membership (subject to criteria). ⁷ All banks on which cheques are drawn are bound to participate in the CB Clearing Houses. ⁸ Not fully automated. ⁹ Other (see Table 11, Footnote 7). ¹⁰ Clearing House in Paris. ¹¹ Clearing Houses in the provinces. ¹² All institutions on which cheques are drawn or at which bills of exchange are payable are bound by regulations to participate in the local clearing houses, through an agent in certain cases. ¹³ Transactions can also be submitted on floppy disk. ¹⁴ System managed by the Interbank Society for Automation in the name and on behalf of the Banca d'Italia. ¹⁵ Electronic memoranda.

Table 10a (cont.)

	Degree of centralisation ¹⁶	Pricing ¹⁵	Closing time for same-day transactions ¹⁸	Number of transactions (thousands)	Value of transactions (USD billions) ¹⁹	Ratio of transactions value to GDP (at annual rate)
Lebanon						
Clearing Houses	D	V	12.30 ²⁰	10,038	24.7	1.9
BDL/ S.W.I.F.T.	C	V	16.30 ²¹	n.a.	n.a.	n.a.
Belgium						
ELLIPS	C	F	16.45	213	2,266	8.9
Clearing House	D	V	15.00	11,310	8,121.1	31.7
CEC	C	F	15.15	867,927	833	3.3
Canada						
IIPS	D	N	16.30	2,400	11,309	19.0
France						
SAGITTAIRE	C	F	13.00	4,668	21,722	14.48
CH Paris ¹⁰	C	F	15.00	708,295	23,704	15.80
CH Provinces ¹¹	C	N	11.00	2,925,238	1,326	0.88
SIT	D	F	13.30	3,939,996	2,353	1.60
CREIC	C	F	NO	293,012	31	0.02
Card payments	C	F	13.30	2,084,284	125	0.08
TBF	C	F	17.30	.	.	.
Germany						
MAOBE	D	V	NO	77,900	155	0.07
DTA	D	V	NO	2,198,100	2,822	1.24
EIL-ZV	D	V	14.30	7,200	18,487	8.12
Platz. Überweisungsverkehr ²²	D	N	12.00	3,100	2,489	1.09
Konvent. Abrechnung ²³	D	N	12.00	1,000	2,528	1.11
EAF/EAF2	C	F + V	12.30	18,800	98,669	43.32
Italy						
Local clearing	D	V	9.30	225,622	1,878	1.5
Retail	C	F	NO ²⁴	664,097	1,026	0.8
ME ¹⁵	C	V	16.00	1,651	14,971	12.3
SIPS	C	F	14.00	5,326	22,379	18.4
BISS	C	V	17.00	50	90	0.1

¹⁶ Geographical access to the system: C = Centralised (one processing centre only) or D = Decentralised. ¹⁷ Prices charged to participants: F = Full costs (including investments), V = Variable costs, N = No costs. ¹⁸ Closing time for same day transactions (NO = no same-day transactions). ¹⁹ Converted at yearly average exchange rates. ²⁰ For operations in LBP, Mon-Thur; 13.30 for operations in USD and 14.00 for other currencies. Fri-Sat 11.00 for operations in LBP; 12.00 for operations in USD and 12:30 for other currencies. ²¹ Mon-Thur; Fri-Sat 11.00. ²² Decrease due to conversion requirement, resulting in a switch of previously paper-based payments to EIL-ZV and DTA. ²³ Reporting change in 1995: number of delivery envelopes cleared instead of individual payments contained therein. ²⁴ Except for the credit transfers entered before 12.00 which are settled on the same day.

Table 10b
Features of selected interbank funds transfer systems¹
 (figures relate to 1996)

	Type ²	Owner/ Manager ³	No. of participants		Processing ⁴	Settlement ⁵	Membership ⁶
				of which direct			
Japan							
FEYCS	L	B	266 ⁷	266 ⁷	RTT	N	RM
BOJ-NET	L	CB	426 ⁷	426 ⁷	RTT	RTGS ⁸	RM
Netherlands							
Interpay ⁹	R	B	66	66	ACH	N	O
8007-S.W.I.F.T.	L	CB	66	66	ACH + RTT	N	O
FA	L	CB	146	146	RTT	N + RTGS	O
Sweden							
RIX	L	CB	133	26	RTT	RTGS	RM
Bank Giro System	R	B	23	23	ACH	N	O
Switzerland							
SIC	L + R	CB + B	218	218	RTT	RTGS	RM
DTA/LSV	R	B	162	162	ACH	N	RM
United Kingdom							
CHAPS	L	B	423	16	RTGS ¹⁰	N	RM
BACS	R	B	37,000	17	ACH	N	RM
Cheque/credit	R	B	613	13	M	N	RM
United States							
Fedwire	L	CB	9,400	9,400	RTT	RTGS	O
CHIPS	L	B	103	103	RTT	N	RM

¹ For additional information see relevant country chapters. ² L = Large-value system; R = Retail system. ³ Owner/Manager: B = Banks, CB = Central Banks. ⁴ Processing method: M = Manual, ACH = Automated Clearing House (off-line), RTT = Real-Time Transmission. ⁵ N = multilateral Netting, RTGS = Real-Time Gross Settlement, GS = other Gross Settlement. ⁶ O = Open membership (any bank can apply) or RM = Restricted Membership (subject to criteria). ⁷ As of year-end. ⁸ The system has been designed to allow participants to enter funds transfer instructions continuously, in which case settlement takes place on the central bank's books immediately. It is, however, also used to settle on a net basis. ⁹ Formerly BGC-CH. ¹⁰ Changed to an RTGS system on 22nd April 1996.

Table 10b (cont.)

	Degree of centralisation ¹¹	Pricing ¹²	Closing time for same-day transactions ¹³	Number of transactions (thousands)	Value of transactions (USD billions)	Ratio of transactions value to GDP (at annual rate)
Japan						
FEYCS	D	V ¹⁴	13.45	9,403	78,788	17.1
BOJ-NET	D	V ¹⁴	17.00	3,781	357,336	77.7
Netherlands						
Interpay ⁹	D	F	12.45	1,586,100	1,376	3.5
8007-S.W.I.F.T.	C	V	12.45	2,099	8,112	20.7
FA	C	V	15.30	600	5,304	13.5
Sweden						
RIX	C	F	16.30	310	10,146	46.6
Bank Giro System	C	F	NO	264,880	313	1.4
Switzerland						
SIC	C	F	16.15	108,407	28,658	104.6
DTA/LSV	C	F	NO	85,796	221,611	1.2
United Kingdom¹⁵						
CHAPS	D	F	15.45	14,395	45,104	38.9
BACS	C	F	NO	2,476,000	1,954	1.7
Cheque/credit	D	F	NO	2,136,000 ¹⁶	1,960 ¹⁶	1.7 ¹⁶
United States						
Fedwire	C	F	18.30	82,600	249,140	32.9
CHIPS	C	F	16.30	53,500	331,541	43.8

¹¹ Geographical access to the system: C = Centralised (one processing centre only) or D = Decentralised. ¹² Prices charged to participants: F = Full costs (including investments), V = Variable costs, N = No costs. ¹³ Closing time for same-day transactions (NO = no same-day transactions). ¹⁴ Prices are set on the principle that institutions which are to benefit from on-line processing should pay the relevant charges. ¹⁵ Interbank figures only. ¹⁶ Covers England and Wales only.

Table 11
Operating hours of selected large-value interbank funds transfer systems¹
 (as of December 1996)

System	Gross (G) or net (N)	Opening-closing time for same-day value (local time)	Settlement finality (local time)	Cut-off for all third-party payment orders	Cut-off for international correspondents' payment orders	Memo item: Standard money market hours (local time)
Lebanon						
Clearing Houses	N	11.00-12.30 ²	12.30 ³	none	none	(8.30-13.00)
BDL/S.W.I.F.T.	G	8.30-16.30 ⁴	16.30 ⁵	none	none	
Belgium						
ELLIPS	G	6.30-16.45	.	15.00	15.00	(9.00-16.15)
CEC ⁶	N	15.46-15.45 ⁷	15.15	15.00	15.00 ⁸	(9.00-16.15)
Clearing House	N	8.00-15.00	15.00	.	. ⁸	(9.00-16.15 ⁹)
Canada¹⁰						
IIPS	N ¹¹	8.00-16.30	11.00 ¹²	16.30 ¹³	16.30 ¹³	
France						
SAGITTAIRE	N	8.00-13.00 ¹⁴	18.30	.	8.00 ¹⁵	(8.15-17.00)
TBF ¹⁶	G	7.30-18.30	7.30-18.30	17.30	8.00 ¹⁵	
Germany						
Express electronic credit transfer system	G	8.15-15.00	8.15-15.00	(17)	8.00 ¹⁵	
Express (paper-based) local credit transfer system	G	8.00-12.00	8.00-12.00	(17)	8.00 ¹⁵	(9.30-13.00 ¹⁸)
EAF ¹⁹ /EAF2	G + N	8.00-12.30	14.30 ²⁰	(17)	8.00 ¹⁵	
Italy						
BISS	G	8.00-17.00	8.00-17.00	17.00	9.00 ¹⁵	(8.45-16.30 ²¹)
SIPS	N	8.00-14.00	16.30	14.00	9.00 ¹⁵	
ME	N	8.00-16.00	16.30	16.00	9.00 ¹⁵	
Japan						
FEYCS	N	9.00-13.45	15.00	10.30 ¹⁵	10.30 ¹⁵	(9.00-17.00)
BOJ-NET	G ²²	9.00-17.00	9.00-17.00	14.00	n.a.	
Netherlands						
Central Bank FA System	G	8.00-15.30	8.00-15.30	. ²³	. ²³	(9.00-13.00)
8007 S.W.I.F.T.	L	8.00-12.00 ²⁴	13.00	8.00 ¹⁵	8.00 ¹⁵	
Sweden						
RIX	G	8.00-16.30	8.00-16.30	(25)	8.00 ¹⁵	(9.00-16.15)
Switzerland						
SIC	G	18.00-16.15 ²⁶	18.00-16.15 ²⁶	15.00 ²⁶	8.00 ⁸	(9.00-16.00)
United Kingdom						
CHAPS	G ²⁷	8.30-15.45	end of day	none	12.00	(7.30-15.30 ²⁸)
United States¹⁰						
Fedwire	G	8.30-18.30 ²⁹	8.30-18.30	18.00	18.00	(8.30-18.30 ³⁰)
CHIPS	N	7.00-16.30	18.00 ³¹	16.30	16.30	
ECU clearing system						
	N	14.01-14.00 ³²	15.45	none	none	(TOM/NEXT ³³)

Footnotes to Table 11

- ¹ Some systems make no explicit distinction between large-value and retail transactions and may be used to settle interbank transfers relating to a variety of underlying transactions. Some systems may also accept payment orders for a number of value days. Money market hours indicated refer to the time period in which domestic interbank transactions are normally carried out. They therefore do not relate to particular interbank funds transfer systems.
- ² Mon-Thur for operations in LBP; 11.00-13.30 for operations in USD and 11.00-14.00 for operations in other currencies. Fri-Sat 9.30-11.00 for operations in LBP, 9.30-12.00 for operations in USD and 9.30-12.30 for operations in other currencies.
- ³ Mon-Thur for operations in LBP; 13.30 for operations in USD and 14.00 for operations in other currencies. Fri-Sat 11.00 for operations in LBP; 12.00 for operations in USD and 12.30 for operations in other currencies.
- ⁴ Mon-Thur; Fri-Sat 8.30-11.00.
- ⁵ Mon-Thur; Fri-Sat 11.00.
- ⁶ In June 1990 a special "large-value credit transfer application" was introduced in the C.E.C. All net settlements from the C.E.C. take place at the end of the day at the (manual) Clearing House of Belgium.
- ⁷ The C.E.C. transfer system operates round-the-clock, five days a week.
- ⁸ S.W.I.F.T. guideline.
- ⁹ Luxembourg dealers, who are important operators in Belgian francs, are only active in the market before noon; the central bank conducts its daily fine-tuning operations at about 11.00.
- ¹⁰ Eastern time.
- ¹¹ Settlement typically takes place on the basis of bilateral net positions. The net receiving bank in each pair creates a paper document called an inter-member debit voucher and delivers it to the net sending bank as part of the exchanges covered by the Automated Clearing and Settlement System (ACSS) operated by the Canadian Payments Association. Settlement may also take place on a gross basis or on an item-by-item basis, in each case over the ACSS.
- ¹² Net settlement at 11.00 the next day (retroactively).
- ¹³ Local time at the receiving IIPS point, or the beneficiary account point, whichever is earlier.
- ¹⁴ SAGITTAIRE'S exchange day, i.e. the period during which orders are recorded by the Bank of France, begins at 8.00 and ends at 17.30. Orders sent after 17.30 are stored by S.W.I.F.T. and processed at the start of the next exchange day. SAGITTAIRE'S accounting day starts at 13.00 on D - 1 and ends at 13.00 on D (transfers sent after 13.00 on D, regardless of whether they are processed during the same exchange day or at the start of the following exchange day, are only entered in the accounts on D + 1). The net positions of members are drawn up after the close of the accounting day.
- ¹⁵ S.W.I.F.T. guideline; in practice it may be later.
- ¹⁶ The TBF became operational on 27th October 1997.
- ¹⁷ This is subject to arrangements between the correspondent banks.
- ¹⁸ For settlement purposes it can be later.
- ¹⁹ Electronic netting system in Frankfurt for interbank transfers predominantly relating to international DM transactions.
- ²⁰ Planned time for communication of completion (positive message) or non-completion (negative message) of settlement.
- ²¹ The money market may continue to operate beyond the standard hours according to the closing times of the clearing and settlement systems.
- ²² The system has been designed to allow participants to enter funds transfer instructions continuously, in which case settlement takes place on the central bank's books immediately. BOJ-NET, however, is also used to settle on a net basis.
- ²³ Interbank guilder transfers relating to international transactions are sent through the 8007 S.W.I.F.T. system which is operated by the Netherlands Bank; net settlement of these transactions takes place over the Central Bank FA System.
- ²⁴ The 8007 S.W.I.F.T. system is, for a given value day, also open from 15.00 to 17.00 on the previous business day.
- ²⁵ Participants decide among themselves which cut-off times they will use for different types of third-party orders. Large-value payments can be made during any time of the day.

- ²⁶ The system is open for input 24 hours a day. Settlement services are limited by the indicated opening and closing times. A value day starts at 18.00 local time on the previous business day and ends at 16.15 on the value day. Third-party payments may be entered for same-day settlement until 15.00. Between 15.00 (cut-off 1) and 16.00 (cut-off 2) only cover (bank-to-bank) payments are accepted for same-day settlement. From 16.00 to 16.15 transactions are restricted to the processing of lombard credits (collateralised loans from the Swiss National Bank at a penalty rate).
- ²⁷ Changed to an RTGS system on 22nd April 1996.
- ²⁸ For same-day value: there are no standard money market hours but trading typically takes place between about 7.30 and 15.30. The market is most liquid in the morning. The Bank of England intervenes in the market as necessary between 9.45 and 15.30.
- ²⁹ On 8th December 1997, the opening time for Fedwire will be changed to 00.30.
- ³⁰ Trading occurs among dealers for funds on deposit at Federal Reserve Banks (i.e. federal funds) as early as 6.30.
- ³¹ Payments over CHIPS become final on completion of settlement, which normally occurs between 17.00 and 17.30. Rules are designed to ensure that settlement takes place no later than 18.00.
- ³² ECU payment orders can be sent (for up to 28 forward value days) through S.W.I.F.T. 24 hours a day, seven days a week. At 14.00 (GMT + 1) on each value day the netting computer calculates participants' net net positions. Messages arriving after 14.00 are processed automatically for the next value day(s).
- ³³ There is no overnight market for ECU interbank loans. Day-to-day interbank ECU transactions are normally carried out in the Euro-markets on a TOM/NEXT basis.

Table 12
Features of selected securities settlement systems
 (figures relate to 1996)

	Type ¹	Owner/ Manager ²	No. of participants		Settlement of cash leg ³	Delivery ³
				of which direct		
Lebanon						
CB	G	CB	103	.	N	Deferred gross
Midclear	G,E,O	CB	25	.	N	N
Belgium						
NBB Clearing	G,O	CB	209	.	N	N
CIK	E,O	B	160	.	N	N
Canada						
BBS ⁴	G,E,O	B,SE,O	89	89	N	G/N
DCS ⁵	G	B,SE,O	63	63	N	G
France						
SATURNE	G,O	B,CB	322	322	N	G
RELIT	G,E,O	B	449	449	N	G/N
Germany						
DKV	G,E,O	SE	394	394	N/G	G
Italy						
Securities Settlement Procedures:						
Daily Procedure	G,E,O	CB	301	301	N	N
CAT	G	CB	756	756	.6	G
Monte Titoli	E,O	Monte Titoli	437	.	.6	G
Japan						
JGB registration	G	CB	436 ⁷	436 ⁷	G/N	G/N
JGB book-entry	G	CB	371 ⁷	371 ⁷	G/N	G/N
Netherlands						
NECIGEF	G+E+O	B+CB+SE	55	55	G	G
CB Clearing Institute	G+O	CB	85	85	N	N
Sweden						
VPC	G+E+O	B+O	53	53	G/N	G
OM	O	O	43	43	N	N
Switzerland						
SECOM	G,E,O	B	334	334	G	G
United Kingdom						
CGO	G+O	CB/SE	264	264	N	G
CMO	O	CB	59	59	N	G
United States						
Fedwire	G	CB	6,699	6,699	G	G
DTC (NDFS) ⁸	E,O	B,SE,O	581	581	N	G

¹ G = Government securities, E = Equity, O = Other. ² B = Banks, CB = Central Banks, SE = Stock Exchange, O = Other. ³ G = Gross, N = Net. ⁴ The book-based system of The Canadian Depository for Securities Limited (CDS). ⁵ The real-time, on-line debt-clearing service of CDS, which commenced operation during August 1994. ⁶ Deliveries free of payments. ⁷ End-year. ⁸ Next-day funds settlement.

Table 12 (cont.)

	Delivery lag	Central Securities Depository	Cash Settlement Agent	Number of transactions (thousands)	Value of transactions (USD billions) ⁹	Ratio of transactions value to GDP (at annual rate)
Lebanon						
CB	T+5/T+3 ¹⁰	CB	CB	n.a.	n.a.	n.a.
Midclear	T+3	Midclear	CB	846	0.066	0.005
Belgium						
NBB Clearing	T+2/T+3 ¹¹	NBB	NBB	230	2,903.4	11.3
CIK	T+3 ¹²	CIK	NBB	2,093	25.3	0.1
Canada						
BBS ⁴	up to T+3	CDS	B ¹³	}15,000 ¹⁴	}28,888 ¹⁴	}48.5
DCS ⁵	up to T+3	CDS	B ¹⁵			
France						
SATURNE	T	Banque de France	CB	340	9,804	6.6
RELIT	T+3 ¹⁶	SICOVAM	CB	.	11,666	7.78
Germany						
DKV	T+0-40	DKV	CB	20,600	10,316	4.5
Italy						
Securities Settlement Procedures:						
Daily Procedure	T+2/T+3 T+5 ¹⁷	CAT+ Monte Titoli	CB	.	19,367	15.9
CAT	T	CAT	.6	1,004.2	1,170	1.0
Monte Titoli	T	Monte Titoli	.6	.	44	0.04
Japan						
JGB registration	T+3	CB	CB	781.5	19,386	4.2
JGB book-entry	T+3	CB	CB	480.1	23,592	5.1
Netherlands						
NECIGEF	T+3	NECIGEF	KAS-ASS	1,481	.	.
CB Clearing Institute ..	T,T+3	CB	CB	3	59.4	0.19
Sweden						
VPC	T+2, T+3 ¹⁸	VPC	CB	3,678	8,816	40.5
OM	T+3		CB	36,615	2,066	9.5
Switzerland						
SECOM	T+3	SEGA	CB	4,900	890	3.2
United Kingdom						
CGO	T,T+1	CB	CB	960.1	37,931	32.7
CMO	T	CB	CB	268.0	5,439	4.7
United States						
Fedwire	T,T+1	CB	CB	13,100	160,600	21.2
DTC (NDFS) ⁸	T+5	DTC	DTC	135,700	50,200	6.6

⁹ Converted at yearly average exchange rate. ¹⁰ T+5 for three and six-month bill, T+3 for one and two-year bill. ¹¹ T+2 for Treasury bills; T+3 for bonds. ¹² The seller retains the responsibility for delivering securities. ¹³ A single chartered bank. ¹⁴ Figures are for the twelve months ended 31st October 1996. ¹⁵ A single chartered bank, though not the same bank as for the BBS. ¹⁶ When processed by the "SLAB" system (special delivery service by bilateral agreements), the delivery occurs same day. ¹⁷ T+2 for government bills; T+3 for government and corporate bonds; T+5 for equities, warrants and convertible bonds. ¹⁸ Same-day delivery and settlement is also possible under specific conditions.

GLOSSARY

List of terms and abbreviations

Standard Red Book terms

Advisory netting: see position netting.

Assured payment system (APS): an arrangement in an exchange-for-value system under which completion of timely settlement of a payment instruction is supported by an irrevocable and unconditional commitment from a third party (typically a bank, syndicate of banks or clearing house). See exchange-for-value settlement system.

Automated clearing house (ACH): an electronic clearing system in which payment orders are exchanged among financial institutions, primarily via magnetic media or telecommunication networks, and handled by a data-processing centre. See also clearing.

Automated teller machine (ATM): electro-mechanical device that permits authorised users, typically using machine-readable plastic cards, to withdraw cash from their accounts and/or access other services, such as balance enquiries, transfer of funds or acceptance of deposits. ATMs may be operated either on-line with real-time access to an authorisation database or off-line.

Bank draft: in Europe, the term generally refers to a draft drawn by a bank on itself. The draft is purchased by the payer and sent to the payee, who presents it to his bank for payment. That bank presents it to the payer's bank for reimbursement. In the United States, the term generally refers to a draft or cheque drawn by a bank on itself or on funds deposited with another bank. In the case of a cashier's cheque, the bank is both the drawer and drawee. In the case of a teller's cheque, one bank is the drawer and a second bank is the drawee. Bank drafts may be written by a bank for its own purposes or may be purchased by a customer and sent to a payee to discharge an obligation. See draft.

Batch: the transmission or processing of a group of payment orders and/or securities transfer instructions as a set at discrete intervals of time.

Beneficial ownership/interest: the entitlement to receive some or all of the benefits of ownership of a security or other financial instrument (e.g. income, voting rights, power to transfer). Beneficial ownership is usually distinguished from "legal ownership" of a security or financial instrument. See legal ownership.

Bilateral net settlement system: a settlement system in which participants' bilateral net settlement positions are settled between every bilateral combination of participants. See also net credit or debit position.

Bilateral netting: an arrangement between two parties to net their bilateral obligations. The obligations covered by the arrangement may arise from financial contracts, transfers or both. See netting, multilateral netting, net settlement.

Bill of exchange: a written order from one party (the drawer) to another (the drawee) to pay a specified sum on demand or on a specified date to the drawer or to a third party specified by the drawer. Widely used to finance trade and, when discounted with a financial institution, to obtain credit. See also draft.

Book-entry system: an accounting system that permits the transfer of claims (e.g. securities) without the physical movement of paper documents or certificates. See also dematerialisation, immobilisation.

Bulk transfer system: see retail transfer system.

Call money: a loan contract which is automatically renewed every day unless the lender or the borrower indicates that it wishes the funds to be returned within a short period of time.

Capital risk: see principal risk.

Caps: for risk management purposes, the quantitative limits placed on the positions (debit or credit positions, which may be either net or gross) that participants in a funds or securities transfer system can incur during the business day. Caps may be set by participants on credit extended bilaterally to other participants in a system, e.g. bilateral credit limits, or by the system operator or by the body governing the transfer system on the aggregate net debit a participant may incur on the system, e.g. sender net debit limits. Sender net debit limits may be either collateralised or uncollateralised.

Card: see cash card, cheque guarantee card, chip card, credit card, debit card, delayed debit card, prepaid card, retailer's card, travel and entertainment card.

Cash card: card for use only in ATMs or cash dispensers (often, other cards also have a cash function that permits the holder to withdraw cash).

Cash dispenser: electro-mechanical device that permits consumers, typically using machine-readable plastic cards, to withdraw banknotes (currency) and, in some cases, coins. See also automated teller machine (ATM).

Cashier's cheque: see bank draft.

Central bank credit (liquidity) facility: a standing credit facility that can be drawn upon by certain designated account holders (e.g. banks) at the central bank. In some cases, the facility can be used automatically at the initiative of the account holder, while in other cases the central bank may retain some degree of discretion. The loans typically take the form either of advances or overdrafts on an account holder's current account which may be secured by a pledge of securities (also known as lombard loans in some European countries), or of traditional rediscounting of bills.

Central securities depository: a facility for holding securities which enables securities transactions to be processed by book entry. Physical securities may be immobilised by the depository or securities may be dematerialised (i.e. so that they exist only as electronic records). In addition to safekeeping, a central securities depository may incorporate comparison, clearing and settlement functions.

Certificate: physical document which evidences an ownership claim in, indebtedness of, or other outstanding financial obligations of the issuer.

Chaining: a method used in certain transfer systems (mostly for securities) for processing instructions. It involves the manipulation of the sequence in which transfer instructions are processed to increase the number or value of transfers that may be settled with available funds and/or securities balances (or available credit or securities lending lines).

Charge card: see travel and entertainment card.

Cheque: a written order from one party (the drawer) to another (the drawee, normally a bank) requiring the drawee to pay a specified sum on demand to the drawer or to a third party specified by the drawer. Widely used for settling debts and withdrawing money from banks. See also bill of exchange.

Cheque guarantee card: a card issued as part of a cheque guarantee system. This function may be combined with other functions in the same card, e.g. those of a cash card or debit card. See also cheque guarantee system.

Cheque guarantee system: a system to guarantee cheques, typically up to a specified amount, that have been validated by the merchant either on the basis of a card issued to the cheque writer or through a central database accessible to merchants. Validated cheques are guaranteed by the issuer of the guarantee card, the drawee bank or the system operator.

Chip card: also known as an IC (integrated circuit) card or smart card. A card containing one or more computer chips or integrated circuits for identification, data storage or special-purpose processing used to validate personal identification numbers (PINs), authorise purchases, verify account balances and store personal records. In some cases, the memory in the card is updated every time the card is used, e.g. an account balance is updated.

Clearing/Clearance: clearing is the process of transmitting, reconciling and in some cases confirming payment orders or security transfer instructions prior to settlement, possibly including netting of instructions and the establishment of final positions for settlement. In the context of securities markets this process is often referred to as clearance. Sometimes the terms are used (imprecisely) to include settlement.

Clearing house: a central location or central processing mechanism through which financial institutions agree to exchange payment instructions or other financial obligations (e.g. securities). The institutions settle for items exchanged at a designated time based on the rules and procedures of the clearing house. In some cases, the clearing house may assume significant counterparty, financial or risk management responsibilities for the clearing system. See clearing/clearance, clearing system.

Clearing house funds: term most commonly used in certain US markets to refer to funds that typically are provisional on the day of receipt and final on the following day. More specifically, the term is used to refer to monetary claims with next-day finality that are exchanged by participants in certain clearing house arrangements in settlement of obligations arising from the clearing process. Such claims are typically transferred via cheques, drafts or other similar payment

Clearing system: a set of procedures whereby financial institutions present and exchange data and/or documents relating to funds or securities transfers to other financial institutions at a single location (clearing house). The procedures often also include a mechanism for the calculation of participants' bilateral and/or multilateral net positions with a view to facilitating the settlement of their obligations on a net or net net basis. See also netting.

Comparison: see matching.

Confirmation: a particular connotation of this widely used term is the process whereby a market participant notifies its counterparties or customers of the details of a trade and, typically, allows them time to affirm or to question the trade.

Correspondent banking: an arrangement under which one bank (correspondent) holds deposits owned by other banks (respondents) and provides payment and other services to those respondent banks. Such arrangements may also be known as agency relationships in some domestic contexts. In international banking, balances held for a foreign respondent bank may be used to settle foreign exchange transactions. Reciprocal correspondent banking relationships may involve the use of so-called nostro and vostro accounts to settle foreign exchange transactions.

Counterparty: the opposite party to a financial transaction, such as a securities trade or swap agreement.

Credit caps: see caps.

Credit card: card indicating that the holder has been granted a line of credit. It enables him to make purchases and/or draw cash up to a prearranged ceiling; the credit granted can be settled in full by the end of a specified period or can be settled in part, with the balance taken as extended credit. Interest is charged on the amount of any extended credit and the holder is sometimes charged an annual fee.

Credit card company: a company which owns the trademark of a particular credit card, and may also provide a number of marketing, processing or other services to the members using the card services.

Credit risk/exposure: the risk that a counterparty will not settle an obligation for full value, either when due or at any time thereafter. In exchange-for-value systems, the risk is generally defined to include replacement cost risk and principal risk.

Credit transfer: a payment order or possibly a sequence of payment orders made for the purpose of placing funds at the disposal of the beneficiary. Both the payment instructions and the funds described therein move from the bank of the payer/originator to the bank of the beneficiary, possibly via several other banks as intermediaries and/or more than one credit transfer system.

Credit transfer system (or giro system): a system through which payment instructions and the funds described therein may be transmitted for the purpose of effecting credit transfers.

Cross-currency settlement risk (or Herstatt risk): see principal risk.

Custody: the safekeeping and administration of securities and financial instruments on behalf of others.

Daylight credit (or daylight overdraft, daylight exposure, intraday credit): credit extended for a period of less than one business day; in a credit transfer system with end-of-day final settlement, daylight credit is tacitly extended by a receiving institution if it accepts and acts on a payment order even though it will not receive final funds until the end of the business day.

Debit caps: see caps.

Debit card: card enabling the holder to have his purchases directly charged to funds on his account at a deposit-taking institution (may sometimes be combined with another function, e.g. that of a cash card or cheque guarantee card).

Debit transfer system (or debit collection system): a funds transfer system in which debit collection orders made or authorised by the payer move from the bank of the payee to the bank of the payer and result in a charge (debit) to the account of the payer; for example, cheque-based systems are typical debit transfer systems.

Default: failure to complete a funds or securities transfer according to its terms for reasons that are not technical or temporary, usually as a result of bankruptcy. Default is usually distinguished from a “failed transaction”.

Delayed debit card: card issued by banks indicating that the holder may charge his account up to an authorised limit. It enables him to make purchases but does not offer extended credit, the full amount of the debt incurred having to be settled at the end of a specified period. The holder is usually charged an annual fee.

Deletion: a mechanism whereby some or all transfers to/from a defaulting participant are excluded from the settlement process. In a netting scheme, other participants' bilateral and/or multilateral net positions are recalculated. See unwinding.

Delivery: final transfer of a security or financial instrument.

Delivery versus payment system (or DVP, delivery against payment): a mechanism in an exchange-for-value settlement system that ensures that the final transfer of one asset occurs if and only if the final transfer of (an) other asset(s) occurs. Assets could include monetary assets (such as foreign exchange), securities or other financial instruments. See exchange-for-value settlement system, final transfer.

Dematerialisation: the elimination of physical certificates or documents of title which represent ownership of securities so that securities exist only as accounting records.

Direct debit: a pre-authorized debit on the payer's bank account initiated by the payee.

Direct participant/member: the term generally denotes participants in a funds or securities transfer system that directly exchange transfer orders with other participants in the system. In some systems direct participants also exchange orders on behalf of indirect participants. Depending on the system, direct participants may or may not also be settling participants. In the EC context this term has a specific meaning: it refers to participants in a transfer system which are responsible to the settlement institution (or to all other participants) for the settlement of their own payments, those of their customers and those of indirect participants on whose behalf they are settling. See participant/member, indirect participant/member, settling participant/member.

Discharge: release from a legal obligation imposed by contract or law.

Draft: a written order from one party (the drawer) to another (the drawee) to pay a party identified on the order (payee) or to bearer a specified sum, either on demand (sight draft) or on a specified date (time draft). See cheque, bank draft, bill of exchange.

EFTPOS: see point of sale (POS).

Electronic data interchange (EDI): the electronic exchange between commercial entities (in some cases also public administrations), in a standard format, of data relating to a number of message categories, such as orders, invoices, customs documents, remittance advices and payments. EDI messages are sent through public data transmission networks or banking system channels. Any movement of funds initiated by EDI is reflected in payment instructions flowing through the banking system. EDIFACT, a United Nations body, has established standards for electronic data interchange.

Exchange-for-value settlement system: system which involves the exchange of assets, such as money, foreign exchange, securities or other financial instruments, in order to discharge settlement obligations. These systems may use one or more funds transfer systems in order to satisfy the payment obligations that are generated. The links between the exchange of assets and the payment system(s) may be manual or electronic. See delivery versus payment system.

Face-to-face payment: payment carried out by the exchange of instruments between the payer and the payee in the same physical location.

Failed transaction: a transaction (e.g. a funds or securities transfer) that does not settle on time, usually for technical or temporary reasons.

Final (finality): irrevocable and unconditional.

Final settlement: settlement which is irrevocable and unconditional.

Final transfer: an irrevocable and unconditional transfer which effects a discharge of the obligation to make the transfer. The terms “delivery” and “payment” are each defined to include a final transfer.

Giro system: see credit transfer system.

Gridlock: a situation that can arise in a funds or securities transfer system in which the failure of some transfer instructions to be executed (because the necessary funds or securities balances are unavailable) prevents a substantial number of other instructions from other participants from being executed. See also failed transaction, queuing, systemic risk.

Gross settlement system: a transfer system in which the settlement of funds or securities transfers occurs individually on an order-by-order basis according to the rules and procedures of the system, i.e. without netting debits against credits. See real-time gross settlement, net settlement system.

Haircut: the difference between the market value of a security and its collateral value. Haircuts are taken by a lender of funds in order to protect the lender, should the need arise to liquidate the collateral, from losses owing to declines in the market value of the security. See margin.

Herstatt risk: see principal risk.

Home banking: banking services which a retail customer of a financial institution can access using a telephone, television set, terminal or personal computer as a telecommunication link to the institution’s computer centre.

IC card: see chip card.

Immobilisation: Placement of certificated securities and financial instruments in a central securities depository to facilitate book-entry transfers.

Imprinter: mechanical device to reproduce the name and account number of a cardholder on a paper sales slip. See also imprinter voucher.

Imprinter voucher: in card transactions, a sales slip that is to be signed by the customer on which the name and card number of the customer are imprinted. See also imprinter.

Indirect participant/member: refers to a funds or securities transfer system in which there is a tiering arrangement. Indirect participants are distinguished from direct participants by their inability to perform some of the system activities (e.g. input of transfer orders, settlement) performed by direct participants. Indirect participants, therefore, require the services of direct participants to perform those activities on their behalf. In the EC context the term refers more specifically to participants in a transfer system which are responsible only to their direct participants for settling the payments input to the system. See direct participant/member, settling participant/member, tiering arrangement.

Interbank funds transfer system (IFTS): a funds transfer system in which most (or all) direct participants are financial institutions, particularly banks and other credit institutions.

Intraday credit: see daylight credit.

Irrevocable and unconditional transfer: a transfer which cannot be revoked by the transferor and is unconditional.

Issuer: the entity which is obligated on a security or other financial instrument. For example, a corporation or government having the authority to issue and sell a security; a bank that approves a letter of credit. Sometimes used to refer to a financial institution that issues credit or debit cards.

Large-value funds transfer system: interbank funds transfer system through which large-value and high-priority funds transfers are made between participants in the system for their own account or on behalf of their customers. Though as a rule no minimum value is set for the payments they carry, the average size of payments through such systems is relatively large. Large-value funds transfer systems are sometimes called wholesale funds transfer systems.

Legal ownership: recognition in law as the owner of a security or other financial instrument.

Letter of credit (L/C): a promise by a bank or other issuer to a third party to make payment on behalf of a customer in accordance with specified conditions. Frequently used in international trade to make funds available in a foreign location.

Liquidity risk: the risk that a counterparty (or participant in a settlement system) will not settle an obligation for full value when due. Liquidity risk does not imply that a counterparty or participant is insolvent since it may be able to settle the required debit obligations at some unspecified time thereafter.

Loss-sharing rule (or loss-sharing agreement): an agreement between participants in a transfer system or clearing house arrangement regarding the allocation of any loss arising when one or more participants fail to fulfil their obligation: the arrangement stipulates how the loss will be shared among the parties concerned in the event that the agreement is activated.

Magnetic ink character recognition (MICR): a technique, using special MICR machine-readable characters, by which documents (i.e. cheques, credit transfers, direct debits) are read by machines for electronic processing. See optical character recognition (OCR).

Margin: margin has at least two meanings. In the futures/commodity markets, margin is a good faith deposit (of money, securities or other financial instruments) required by the futures clearing system to assure performance. In the equities markets, margin is a sum of money deposited by a customer when borrowing money from a broker to purchase shares. The money deposited with the broker is the difference between the purchase value of the shares and the collateral value of the shares. See haircut.

Marking to market: the practice of revaluing securities and financial instruments using current market prices. In some cases unsettled contracts to purchase and sell securities are marked to market and the counterparty with an as yet unrealised loss on the contract is required to transfer funds or securities equal to the value of the loss to the other counterparty.

Matching (or comparison checking): the process used by market participants before settlement of a transaction to ensure that they agree with respect to the terms of the transaction.

Money order: an instrument used to remit money to the named payee, often used by persons who do not have a chequing account relationship with a financial institution, to pay bills or to transfer money to another person or to a company. There are three parties to a money order: the remitter (payer), the payee and the drawee. Drawees are usually financial institutions or post offices. Payees can either cash their money orders or present them to their bank for collection.

Multilateral net settlement position: the sum of the value of all the transfers a participant in a net settlement system has received during a certain period of time less the value of the

transfers made by the participant to all other participants. If the sum is positive, the participant is in a multilateral net credit position; if the sum is negative, the participant is in a multilateral net debit position.

Multilateral net settlement system: a settlement system in which each settling participant settles (typically by means of a single payment or receipt) the multilateral net settlement position which results from the transfers made and received by it, for its own account and on behalf of its customers or non-settling participants for which it is acting. See multilateral netting, multilateral net settlement position, settling participant and direct participant.

Multilateral netting: an arrangement among three or more parties to net their obligations. The obligations covered by the arrangement may arise from financial contracts, transfers or both. The multilateral netting of payment obligations normally takes place in the context of a multilateral net settlement system. See bilateral netting, multilateral net settlement position, multilateral net settlement system.

Net credit or debit position: a participant's net credit or net debit position in a netting system is the sum of the value of all the transfers it has received up to a particular point in time less the value of all transfers it has sent. If the difference is positive, the participant is in a net credit position; if the difference is negative, the participant is in a net debit position. The net credit or net debit position at settlement time is called the net settlement position. These net positions may be calculated on a bilateral or multilateral basis.

Net debit cap: see caps, net credit or debit position.

Net settlement: the settlement of a number of obligations or transfers between or among counterparties on a net basis. See netting.

Net settlement system: a system to effect net settlement.

Netting: an agreed offsetting of positions or obligations by trading partners or participants. The netting reduces a large number of individual positions or obligations to a smaller number of obligations or positions. Netting may take several forms which have varying degrees of legal enforceability in the event of default of one of the parties. See also bilateral and multilateral netting, position netting, novation, substitution.

Nominee: a person or entity named by another to act on his behalf.

Novation: satisfaction and discharge of existing contractual obligations by means of their replacement by new obligations (whose effect, for example, is to replace gross with net payment obligations). The parties to the new obligations may be the same as to the existing obligations or, in the context of some clearing house arrangements, there may additionally be substitution of parties. See substitution.

Obligation: a duty imposed by contract or law. It is also used to describe a security or other financial instrument, such as a bond or promissory note, which contains the issuer's undertaking to pay the owner.

Off-line: in the context of payment and settlement systems, the term may refer to the transmission of transfer instructions by users, through such means as voice, written or telefaxed instructions, that must subsequently be input into a transfer processing system. The term may also refer to the storage of data by the transfer processing system on media such as magnetic tape or disk such that the user may not have direct and immediate access to the data. See on-line.

On-line: in the context of payment and settlement systems, the term may refer to the transmission of transfer instructions by users, through such electronic means as computer-to-computer interfaces or electronic terminals, that are entered into a transfer processing system by automated means. The term may also refer to the storage of data by the transfer processing system on a computer database such that the user has direct access to the data (frequently real-time) through input/output devices such as terminals. See off-line.

Optical character recognition (OCR): a technique, using special OCR machine-readable characters, by which documents (e.g. cheques, credit transfers, direct debits) are read by machines for electronic processing. See magnetic ink character recognition (MICR).

Overnight money (or day-to-day money): a loan with a maturity of one business day.

Paperless credit transfers: credit transfers that do not involve the exchange of paper documents between banks. Other credit transfers are called paper-based.

Participant/Member: a party who participates in a transfer system. This generic term refers to an institution which is identified by a transfer system (e.g. by a bank identification number) and is allowed to send payment orders directly to the system or which is directly bound by the rules governing the transfer system. See direct participant/member, indirect participant/member.

Payment: the payer's transfer of a monetary claim on a party acceptable to the payee. Typically, claims take the form of banknotes or deposit balances held at a financial institution or at a central bank.

Payment lag: the time-lag between the initiation of the payment order and its final settlement.

Payment order (or payment instruction): an order or message requesting the transfer of funds (in the form of a monetary claim on a party) to the order of the payee. The order may relate either to a credit transfer or to a debit transfer.

Payment system: a payment system consists of a set of instruments, banking procedures and, typically, interbank funds transfer systems that ensure the circulation of money.

PIN (personal identification number): a numeric code which the cardholder may need to quote for verification of identity. In electronic transactions, it is seen as the equivalent of a signature.

Point of sale (POS): this term refers to the use of payment cards at a retail location (point of sale). The payment information is captured either by paper vouchers or by electronic terminals, which, in some cases, are designed also to transmit the information. Where this is so, the arrangement may be referred to as "electronic funds transfer at the point of sale" (EFTPOS).

Position netting (or advisory netting): the netting of instructions in respect of obligations between two or more parties which neither satisfies nor discharges those original individual obligations. Also referred to as payment netting in the case of payment instructions.

Prepaid card (or payment card): a card "loaded" with a given value, paid for in advance.

Principal risk: the credit risk that a party will lose the full value involved in a transaction. In the settlement process, this term is typically associated with exchange-for-value transactions when there is a lag between the final settlement of the various legs of a transaction (i.e. the absence of delivery versus payment). Principal risk that arises from the settlement of foreign exchange transactions is sometimes called cross-currency settlement risk or Herstatt risk. See credit risk.

Provisional transfer: a conditional transfer in which one or more parties retain the right by law or agreement to rescind the transfer.

Queuing: a risk management arrangement whereby transfer orders are held pending by the originator/deliverer or by the system until sufficient cover is available in the originator's/deliverer's clearing account or under the limits set against the payer; in some cases, cover may include unused credit lines or available collateral. See also caps.

Real-time gross settlement (RTGS): a gross settlement system in which processing and settlement take place in real time (continuously).

Real-time transmission, processing or settlement: the transmission, processing or settlement of a funds or securities transfer instruction on an individual basis at the time it is initiated.

Receiver finality: analytical rather than operational or legal term used to describe the point at which an unconditional obligation arises on the part of the receiving participant in a transfer system to make final funds available to its beneficiary customer on the value date. See final settlement.

Registration: the listing of ownership of securities in the records of the issuer or its transfer agent/registrar.

Remote participant: a participant in a transfer system which has neither its head office nor any of its branches located in the country where the transfer system is based.

Remote payment: payment carried out through the sending of payment orders or payment instruments (e.g. by mail). Contrast with face-to-face payment.

Replacement cost risk (or market risk, price risk): the risk that a counterparty to an outstanding transaction for completion at a future date will fail to perform on the settlement date. This failure may leave the solvent party with an unhedged or open market position or deny the solvent party unrealised gains on the position. The resulting exposure is the cost of replacing, at current market prices, the original transaction. See also credit risk.

Respondent: see correspondent banking.

Retailer's card: a card issued by non-banking institutions, to be used in specified stores. The holder of the card has usually been granted a line of credit.

Retail transfer system: interbank funds transfer system which handles a large volume of payments of relatively low value in such forms as cheques, credit transfers, direct debits, ATM transactions and EFT at the point of sale.

Same-day funds: money balances that the recipient has a right to transfer or withdraw from an account on the day of receipt.

Securities depository (book-entry system): see central securities depository.

Sender finality: analytical rather than operational or legal term used to describe the point at which an unconditional obligation arises on the part of the initiating participant in a funds transfer system to make final payment to the receiving participant on the value date. See final settlement.

Settlement: an act that discharges obligations in respect of funds or securities transfers between two or more parties. See gross and net settlement system, net settlement, final settlement.

Settlement agent: an institution that manages the settlement process (e.g. the determination of settlement positions, monitoring the exchange of payments, etc.) for transfer systems or other arrangements that require settlement. See final settlement, settlement, settlement institution(s), multilateral net settlement system.

Settlement finality: see final settlement.

Settlement institution(s): the institution(s) across whose books transfers between participants take place in order to achieve settlement within a settlement system. See settling participant/member, settlement agent, multilateral net settlement system, bilateral net settlement system.

Settlement lag: in an exchange-for-value process, the time-lag between entering into a trade/bargain and its discharge by the final exchange of a financial asset for payment. See payment lag.

Settling participant/member: in some countries, a settling participant in a funds or securities transfer system delivers and receives funds or securities to/from other settling participants through one or more accounts at the settlement institution for the purpose of settling funds or securities transfers for the system. Other participants require the services of a settling participant in order to settle their positions. Currently in the EC direct participants are by definition also settling participants. See direct participant/member, tiering arrangement.

Settlement risk: general term used to designate the risk that settlement in a transfer system will not take place as expected. This risk may comprise both credit and liquidity risk.

Settlement system: a system in which settlement takes place.

Standing order: an instruction from a customer to his bank to make a regular payment of a fixed amount to a named creditor.

Substitution: the substitution of one party for another in respect of an obligation. In a netting and settlement context the term typically refers to the process of amending a contract between two parties so that a third party is interposed as counterparty to each of the two parties and the original contract between the two parties is satisfied and discharged. See novation.

S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication): a cooperative organisation created and owned by banks that operates a network which facilitates the exchange of payment and other financial messages between financial institutions (including broker-dealers and securities companies) throughout the world. A S.W.I.F.T. payment message is an instruction to transfer funds; the exchange of funds (settlement) subsequently takes place over a payment system or through correspondent banking relationships.

Systemic risk: the risk that the failure of one participant in a transfer system, or in financial markets generally, to meet its required obligations will cause other participants or financial institutions to be unable to meet their obligations (including settlement obligations in a transfer system) when due. Such a failure may cause significant liquidity or credit problems and, as a result, might threaten the stability of financial markets.

Telematics: the combined use of data-processing and data-transmission techniques.

Teller's cheque: see bank draft.

Tiering arrangement: an arrangement which may exist in a funds or securities transfer system whereby participants in one category require the services of participants in another category to exchange and/or settle their transactions. See direct, indirect and settling participant/member.

Trade date: the date on which a trade/bargain is struck.

Trade netting: a consolidation and offsetting of individual trades into net amounts of securities and money due between trading partners or among members of a clearing system. A netting of trades which is not legally enforceable is a position netting.

Trade-for-trade (gross) settlement: the settlement of individual transactions between counterparties. See gross settlement system.

Trade-for-trade settlement system: see gross settlement system.

Transfer: operationally, the sending (or movement) of funds or securities or of a right relating to funds or securities from one party to another party by (1) conveyance of physical instruments/money; (2) accounting entries on the books of a financial intermediary; or (3) accounting entries processed through a funds and/or securities transfer system. The act of transfer affects the legal rights of the transferor, transferee and possibly third parties in relation to the money balance, security or other financial instrument being transferred.

Transfer system: a generic term covering interbank funds transfer systems and exchange-for-value systems.

Travel and entertainment (charge) card: card issued by non-banks indicating that the holder has been granted a line of credit. It enables him to make purchases but does not offer extended credit, the full amount of the debt incurred having to be settled at the end of a specified period. The holder is usually charged an annual fee.

Truncation: a procedure in which the physical movement of paper payment instruments (e.g. paid cheques or credit transfers) within a bank, between banks or between a bank and its customer is curtailed or eliminated, being replaced, in whole or in part, by electronic records of their content for further processing and transmission.

Ultimate settlement: sometimes used to denote final settlement in central bank money.

Unwinding (or settlement unwind): a procedure followed in certain clearing and settlement systems in which transfers of securities or funds are settled on a net basis, at the end of the processing cycle, with all transfers provisional until all participants have discharged their settlement obligations. If a participant fails to settle, some or all of the provisional transfers involving that participant are deleted from the system and the settlement obligations from the remaining transfers are then recalculated. Such a procedure has the effect of transferring liquidity pressures and possibly losses from the failure to settle to other participants, and may, in the extreme, result in significant and unpredictable systemic risks.

Variation margin (or mark-to-market payments): the amount which is paid by a counterparty to reduce replacement cost exposures resulting from changes in market prices, following the revaluation of securities or financial instruments that are the subject of unsettled trades.

Wholesale funds transfer system: see large-value funds transfer system.