

Radovan Jelašić: Development of the payment cards business in Serbia

Speech by Mr Radovan Jelašić, Governor of the National Bank of Serbia, at the Payment Cards Conference in the Serbian Chamber of Commerce, Belgrade, 6 June 2008.

* * *

Ladies and gentlemen,

Allow me to greet you on behalf of the National Bank of Serbia on the occasion of the annual meeting on payment cards organized by the Serbian Chamber of Commerce. This now-traditional meeting has had a key role in bringing together the most important elements of the card business chain – card systems, banks, merchants and regulators, the cooperation among which is vital for resolving the key issues facing the card payment systems:

- Quality of services
- Security of payment
- Efficiency

NBS achievements in these three key aspects over the past 12 months:

1. Quality of services

As many of you know, during the past year the DinaCard system introduced new m-Commerce services. Namely, in addition to the service of pre-paid cell-phone top-up by SMS, it is now also possible to pay post-paid bills of Telekom Srbija or to pay for the ordering of birth/marriage certificates by mobile telephone. The introduction of on-line DinaCard transactions, in cooperation with the national airline company JAT, is expected in the near future. Since January, the DinaCard system also offers the possibility of remitting money from a foreign country to the DinaCard account in Serbia at a very low cost – EUR 5 for transfers of under EUR 200, with the transfer effected in a single day.

2. Security of payment

This year, the National Payment Card centre will complete several major projects:

- a) Setting up a disaster recovery location
- b) Setting up a new PCI-DSS standard in the central switch
- c) Defining a schedule for the introduction of the new PCI-DSS standard for all DinaCard system participants
- d) Technical specification of the DinaCard chip, i.e. EMV standard

3. Efficiency of the payment system

On 1 September 2007, the NBS introduced the so-called interchange into the DinaCard system. For the majority of merchants, interchange in the DinaCard system equals 0.7% of the purchase value (0.25% for petrol, 0.4% for utilities). This measure is deemed only temporary. The NBS has completed a study on interchange in Serbia and the EU countries and is cooperating closely with international card systems (such as VISA) and European institutions in order for Serbia to come closer to the European level of interchange for all banking cards issued in the country. As always, we believe that the Serbian Chamber of Commerce provides an optimal framework for the discussion between banks and merchants on this highly topical issue in Europe and worldwide.

The performances of the payment cards market (31 May 2008) are as follows:

- Number of transactions performed in Serbia over the past 12 months – close to 90 million
- Number of POS terminals – 60,000 thousand
- Number of ATMs – over 2,200
- Number of payments by mobile phone in the DinaCard system in May –100,000

However, we will not let these results lull us into satisfaction; to the contrary, they will only serve to encourage us to work more, with increased efficiency, in the following key directions:

Payment card charges: It will not be an overstatement to say that payment card charges are excessive and out of proportion to the actual operational costs. I am sure than many merchants would use payment cards much more readily if this form of payment did not lower their turnover by up to 3%. And I hope we all know what 3% means in the 21st century! Payment cards, rather than being an objective in themselves, represent a means to having a more efficient banking/payment/tax (money laundering, declaration of income) system. The present level of margins, however, does not promote the achievement of this objective over the medium and still less over the long run. And so we arrive at the typical dilemma for banks and card systems: to keep the margins at their current level and only slowly increase the volume of transactions; or to slash margins, inducing a super-proportional increase in turnover, which would eventually bring even higher profits than in the first scenario. The NBS will work on promoting the latter alternative as the most beneficial for all participants – and we cannot spare any more time.

Mobile telephony has come to play an increasingly important role in the payment system, both when it comes to local payments and to foreign remittances. By mid-2008, there were around 9 million mobile phones registered in Serbia, each of which is a potential “payment card”. Let me remind you that the sole objective of the NBS regarding the payment system is clearly defined by the Law: “The NBS shall regulate and upgrade the payment system of the country, supervise the performance of payment transactions in banks, etc.” The role of the NBS, therefore, is not to promote profits, but efficiency of the payment system. In the future, the NBS will continue to actively cooperate with mobile telephony operators, and will support them in the development of new services, including payment system services!

I wish you all success in your future work in the hope that today's meeting will contribute to a still faster development of the card business in Serbia!