

Dimitar Bogov: Activities and developments in EU payment systems

Address by Mr Dimitar Bogov, Governor of the National Bank of the Republic of Macedonia, at the Seventh International Conference on Payment and Securities Settlement Systems, Ohrid, 6–9 July 2014.

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Ladies and gentlemen, esteemed colleagues,

It is a great honor and privilege to open the seventh conference on payment and securities settlement systems. This conference has had an international character for several years now, and this year, the list of participants and guests is even broader. Apart from the National Bank of the Republic of Macedonia, we must give due credit to the Central Bank of the Netherlands and the Central Bank of Portugal for making this conference a success. Without their support and active participation, the quality of the conference would not be at the same level. Therefore, I would like to acknowledge the **traditional cooperation** of the National Bank of the Republic of Macedonia with the Central Bank of the Netherlands and the Central Bank of Portugal, and at the same time to salute this year's participation of the representatives of the central banks from Central, Eastern and Southeastern Europe, as well as representatives of the Committee on Payment and Settlement Systems at the Bank for International Settlements, Euroclear and Commerzbank. To us, the perennial active participation of the representatives from the domestic payment system is of great importance as well.

Esteemed colleagues from the financial sector! Allow me to tackle several important aspects that will be included in our discussion in the days ahead of us.

First, the conference will be opened by promoting **the Red Book of the Payment, Clearing and Settlement Systems of the Republic of Macedonia**, which was issued at the end of last year, in cooperation with the Committee on Payment and Settlement Systems at the Bank for International Settlements (BIS). This publication is important for the Republic of Macedonia because it further improves the understanding, at both national and international level, of the functioning of the payment and securities settlement systems. At the same time, this project promoted the process of harmonization of the payment statistics of the National Bank with the payment statistics of the European Central Bank, which is an ongoing process that includes other banks, and is expected to facilitate complete methodological unification and readiness to disseminate information in accordance with the requirements of the statistical system of the European Central Bank.

Allow me on this occasion to welcome Mr. Emanuel Freire, who will promote the Red Book of the Republic of Macedonia and present the activities of the Committee on Payment and Settlement Systems.

Second, this conference will focus on the **integrative processes in the field of payments within the European Union**. We are all aware that the financial integration in Europe is important for both the increase of competition and the support of economic growth. Ever since the single currency was introduced, the integration of financial markets has advanced much faster in terms of integration in the field of payments. However, the crisis has conditioned a segmentation of the European financial markets, while the **convergence of payment habits has been an ongoing process supported in large by the European SEPA project**. The implementation of SEPA project has inspired new integration processes in the European Union, which proved to be necessary in times of economic and financial instability, such as building the banking union by establishing the Single Supervisory Mechanism, the Single Resolution Mechanism for banks and the unique rules regulating the deposit insurance schemes. Therefore, the integration in many fields is a consequence of the

monetary integration in the European Union, which was timely foreseen in the field of payments where we have gradual and continued integration.

However, the ultimate goal of SEPA is not to make the users of payment services behave uniformly, but to harmonize principles, business practices, and rules and technical standards for conducting payments. In that respect, recently, the main focus was the **migration of credit transfers and direct debts under the SEPA standards**, with the deadline for the members of the euro area being August 2014. In the period ahead, the efforts within the SEPA project are expected to aim towards **harmonization of card payments**. This is understandable considering the fact that the latest empirical research confirms the positive influence of the transfer from currency to electronic payment instruments on consumption, trade and economic growth, with the effects of card usage being the greatest, compared to other payment instruments¹.

Third, besides novelties in the field of payments, this conference traditionally includes **the trends in securities settlement systems**. Therefore, the discussions will be aimed towards the implementation of the “TARGET2 Securities” project, which is expected to facilitate real-time cross-border settlement of transactions in securities on the “delivery versus payment” principle, by integrating transaction accounts and securities accounts on a single platform. This project is aimed towards strengthening the integration of the financial market infrastructure, which is expected to contribute towards increasing competition, lower costs for settlement and greater financial stability. Discussions related to this topic will also include the latest trends in collateral and liquidity management taking into account the latest changes in the monetary policy setup in the euro area.

Fourth, this conference will especially focus on the **novelties in the proposed revision of the Payment Services Directive**. The proposed amendments to the directive aim towards increasing the competition in the field of online payments related to e-commerce, by removing the barriers that the interested providers of these services face to enter the common market of the European Union, reducing the costs for the consumers when conducting card payments, as well as by raising the security level for online payments. The discussions on this topic are especially important for the Republic of Macedonia at this point, having in mind that the IPA project was initiated through the funds of the European Union, aimed towards implementation of the directives in the field of payment systems and financial markets. Therefore, tomorrow we will hold a panel discussion in order to encourage active participation of the Macedonian financial sector in the domain of card payments, e-commerce and innovations, in general, as well as of the National Bank from the aspect of its role in the payment system of the Republic of Macedonia.

Fifth, the social welfare is greater in countries with higher level of **financial inclusion**, which implies access to financial services to as many people, especially those with lower income. In that context, this conference will also induce discussions about the effects of the greater financial inclusion on the economic growth and income inequality. Furthermore, financial inclusion will be considered from the aspect of integration of the payment trends outside the formal financial sector. One of these channels is the flow of **remittances**, which are of great significance for the countries in the region. In that regard, the discussions will particularly focus on determinants of the choice of the payment channel through which emigrants transfer remittances.

Sixth, from the aspect of institutional changes, we will cover the **new Euro Retail Payments Board**, as a successor to the SEPA Council. The Migration of credit transfers and direct debts under the SEPA requirements, will not resolve all payment-related issues which will be on the agenda of the Euro Retail Payments Board. Because of that, the Board is expected to

¹ Hasan, I., Renzis, D. T. & Schmiedel, H. (2013) Retail Payments and the Real Economy. European Central Bank Working Paper No. 1572.

intensify its efforts for further integration in the field of card payments, innovations and security.

Seventh, during the course of this conference we will also discuss **virtual currencies**, taking into account the public interest about the effects that these currencies have on the payments. Although these currencies are not economically significant and therefore, do not pose a risk to the price and financial stability, they do however pose significant risks to the individual users of the currencies. These risks, however, could impair the reputation of central banks given the fact that virtual currency schemes operate as retail payment systems, but are not regulated and monitored.

Please allow me to briefly conclude that this conference on payment and security settlement systems has grown into a platform of active cooperation between the central banks, both in our region and beyond, in Europe, and we hope to continue hosting it in the future to assure faster and complete integration in the European Union. It is really a great honor to have representatives from the central banks of the EU member states as well as from the candidate countries attending this conference, especially having in mind that on the last day of the conference some of them will have **presentations and share their experiences in the domain of payment systems**.

Ladies and gentlemen,

Now, allow me **to declare the seventh conference on payment and securities settlement systems open!** I would like to wish the chairman Mr. Michiel van Doeveren and his colleagues a successful conference.

I hope the weather will be fine and you will enjoy the beauties of Lake Ohrid, and in the afternoon and in the evening, you will have the opportunity to visit the city of Ohrid, which is one of the best preserved material and spiritual legacies witnessing the millennial existence of our culture and historical heritage.