



Republic of Turkey Undersecretariat of Treasury

Retail Payment Systems in Turkey

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Ankara



NOTES

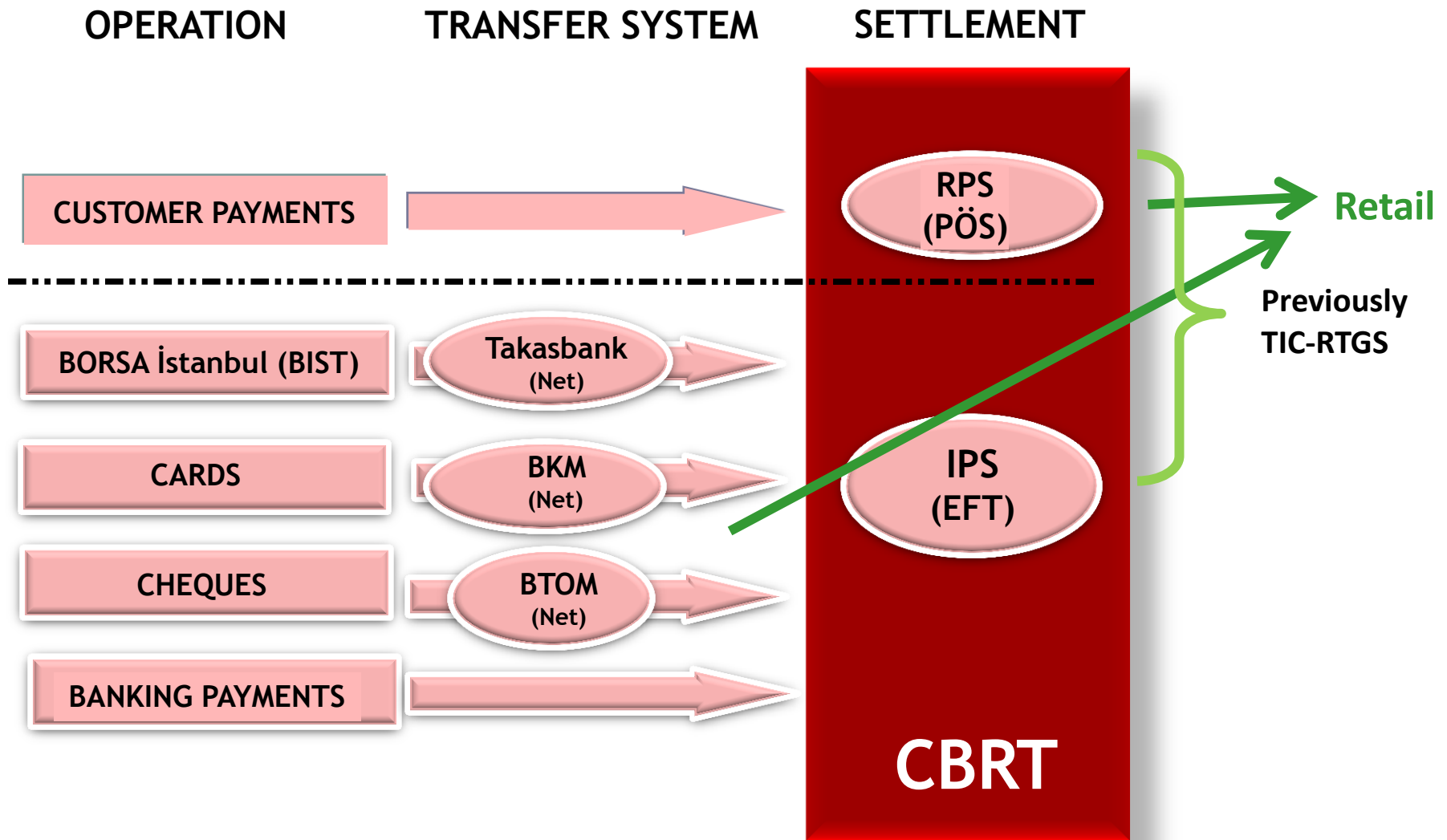
- This presentation exclusively addresses the questions raised by COMCEC Secretariat for `Member Country Presentations` Session
- Special thanks to CBRT and BRSA for their invaluable contributions




OUTLINE

- ❑ Overview of the payment systems in Turkey
- ❑ Legal basis for retail payment systems
- ❑ CBRT Payment Systems
- ❑ Retail Payment System (RPS)
- ❑ Statistics
- ❑ Financial Inclusion Strategy
- ❑ Selected Macroprudential Policy Measures

Payment Systems in Turkey



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Legal Basis for Retail Payment Systems

- The *Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions* regulates all type of payment systems including the retail ones.
- The Law has clauses for
 - Licensing and operations of systems operators,
 - Oversight of systems,
 - Settlement finality provisions,
 - Payment services and payment institutions
 - Electronic money institutions and issuance of electronic money

Legal Basis for Retail Payment Systems*

- *The Act on Bank Cards and Credit Cards* regulates credit card issuers and provides protection for cardholders.
- The law, related to card payment systems, aims at ensuring the efficient and effective functioning of the card payments system by setting down the principles and procedures applicable to the
 - issuance,
 - use,
 - clearing and
 - settlement of bank cards and credit cards.

**Other related regulations include Capital markets law, cheque law, public finance and debt management law, Turkish commercial code*

Payment Systems Law - Authorities

- **Payment systems**

- Licensing
- Oversight
- Settlement finality
- Regulation



Central Bank

- **Payment services**


- **Electronic Money**

- **Payment institutions and e-money institutions**

- Licensing
- Inspection
- Safeguarding funds and collateral
- Regulation

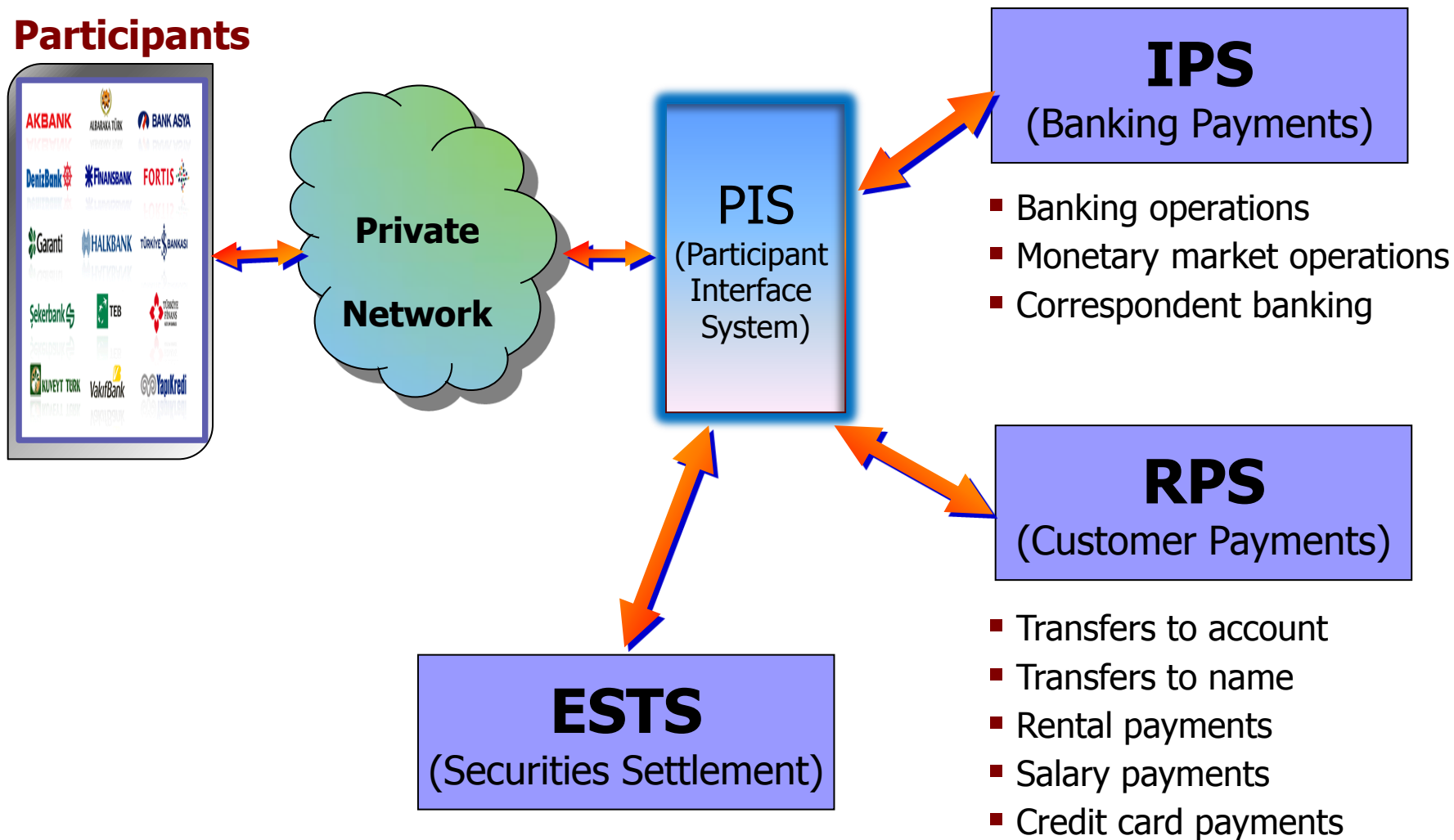



**Banking
Regulation and
Supervision
Agency**

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 - ❑ **CBRT Payment Systems**
 - ❑ Retail Payment System (RPS)
 - ❑ Statistics
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CBRT Payment Systems

Participants



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- ❑ Overview of the payment systems in Turkey
 - ❑ Legal basis for retail payment systems
 - ❑ CBRT Payment Systems
 - ❑ **Retail Payment System (RPS)**
 - ❑ Statistics
 - ❑ Financial Inclusion Strategy
 - ❑ Selected Macroprudential Policy Measures

Functions of the RPS

- High quantity, low value, customer/retail payments
- Service level agreement in longer periods of times
 - Target: settlement in 15 minutes
 - Actual: settlement in 30 seconds
- By-pass FIFO settlement
 - The payments are handled according to the their entrance order to the system.
 - While the payment, which is not settled due to lack of funds, gets waited, the next payment is put into process.




Similarities of IPS & RPS

- Turkish lira payment systems
- Similar technical and operational infrastructures
- Similar regulations
- Both work in RTGS principle

Comparison of IPS & RPS

	IPS	RPS
Payment types	Banking payments	Customer payments
Average settlement time	In shorter periods (< 1 second)	In longer periods (30 seconds)
Settlement	FIFO	By-pass FIFO
Liquidity Management	Queue management and liquidity saving features	–
2015 average daily volume	11,869	1,215,461
2015 average daily value (billion TRY)	176,188	39

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CBRT Payment Systems (Volume)

Daily record : (15 Jul 2015)

2.927.148 payment

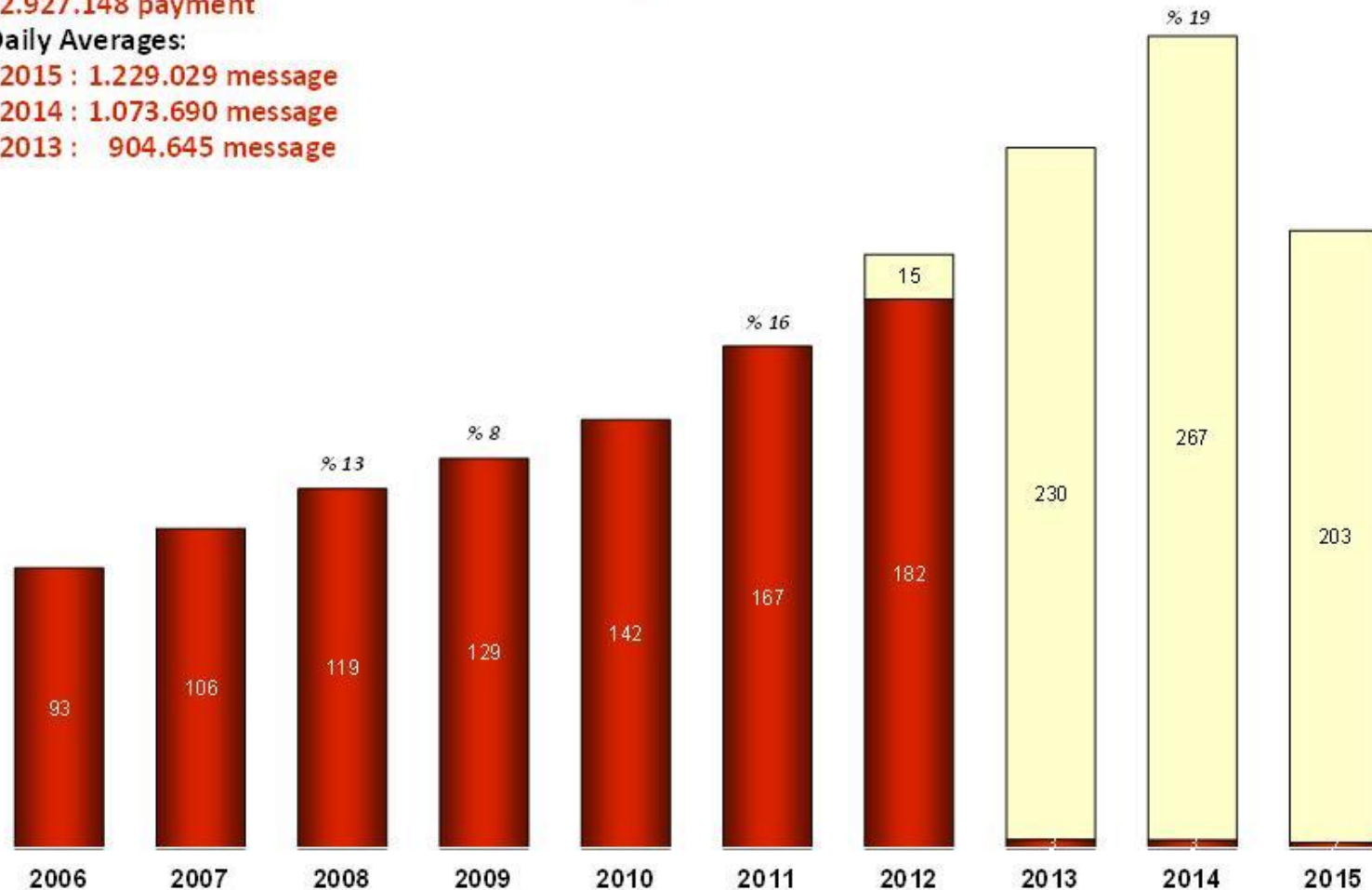
Daily Averages:

2015 : 1.229.029 message

2014 : 1.073.690 message

2013 : 904.645 message

■ EFT □ PÖS



* As of end August

CBRT Payment Systems (Value)

Daily Record:

324,75 Billions TL (27 Feb 2015)

Daily Averages:

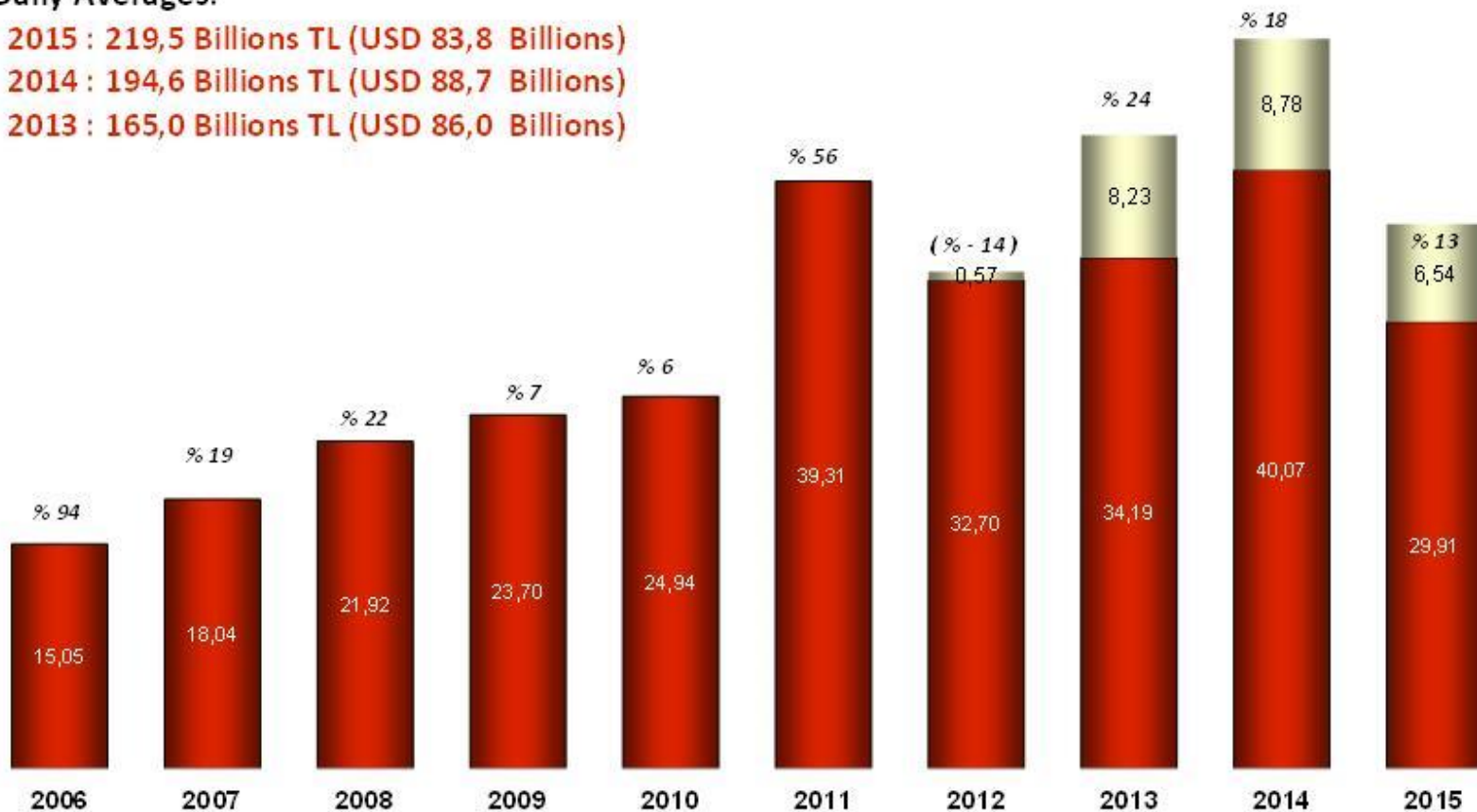
2015 : 219,5 Billions TL (USD 83,8 Billions)

2014 : 194,6 Billions TL (USD 88,7 Billions)

2013 : 165,0 Billions TL (USD 86,0 Billions)

■ EFT ■ PÖS

(Trillion TL)

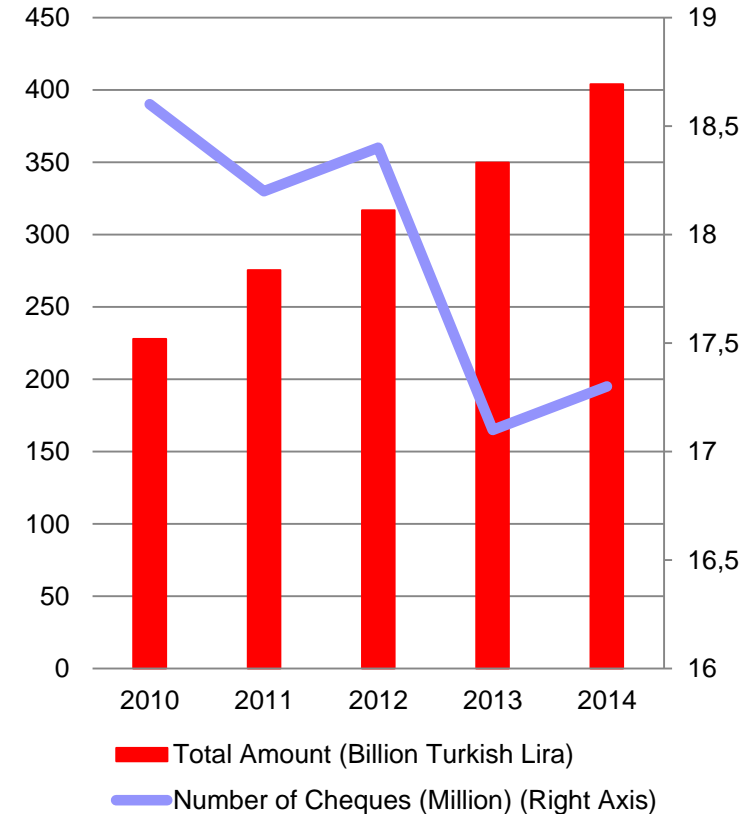


* As of end August

Retail Payment Instruments

Cheque

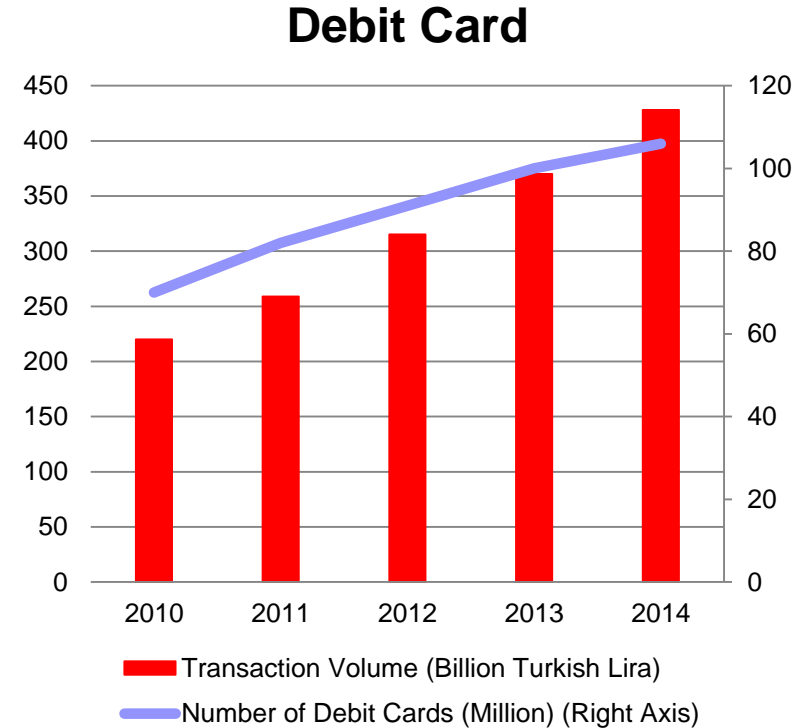
- The Turkish Commercial Code and the Cheque Law govern all aspects of cheque payments and provide the framework for issuance, acceptance and payment of cheques.
- The number of cheques that were subject to a clearing house process in the Interbank Clearing Houses Centre was 17.3 million in 2014.
- The value of cheques processed reached 400 Billion Turkish Lira.



Retail Payment Instruments

Debit Cards

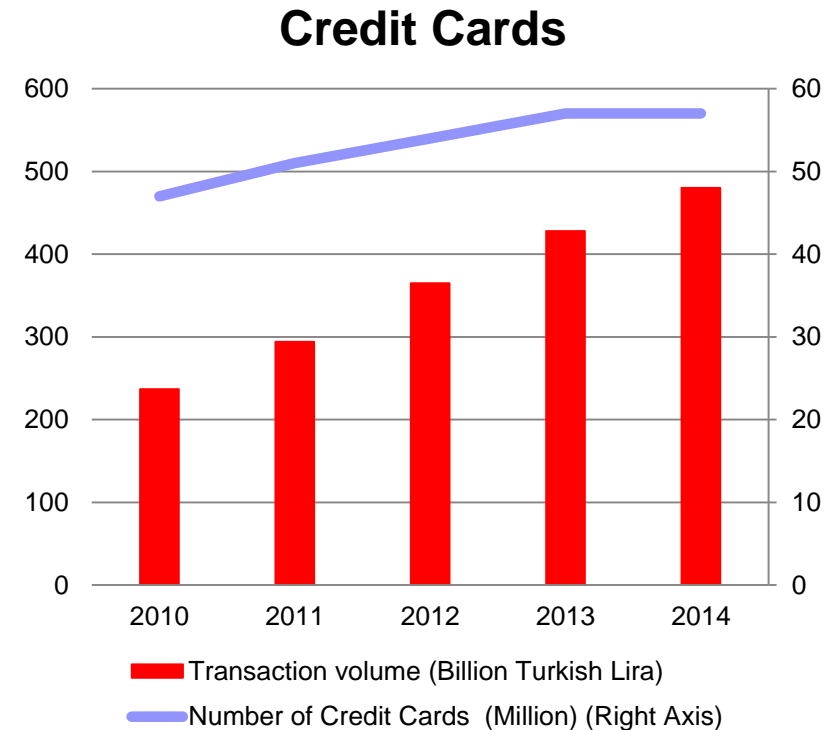
- Debit cards are typically used to withdraw cash and to send remittances by debiting the holder's account via an ATM.
- Since 1994, it has also been possible to use them for retail purchases direct from the current account via POS terminals.
- The total number of debit cards reached 106 million in 2014.



Retail Payment Instruments

Credit Cards

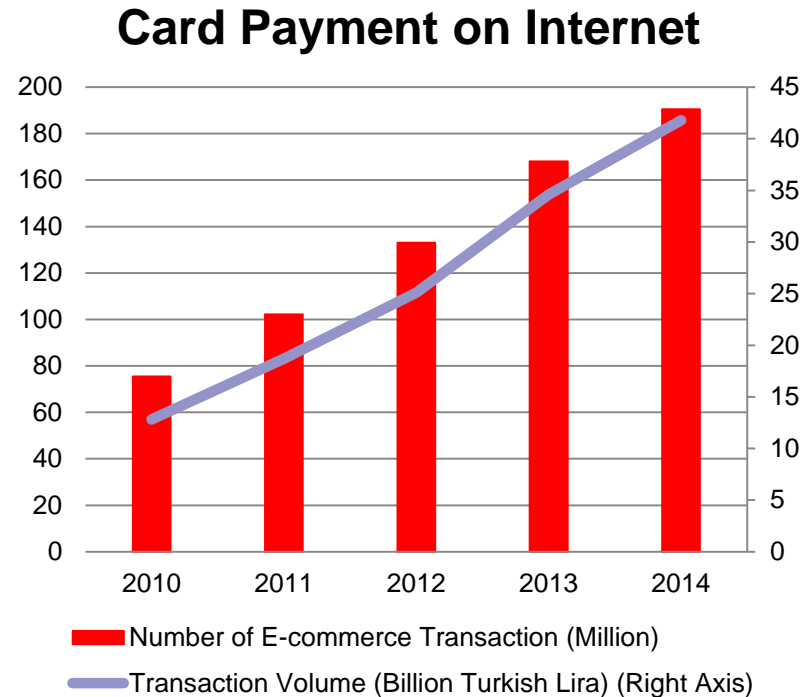
- Credit cards were first introduced in 1968.
- Their growth began in the early 1990s.
- In the last decade, the number of credit cards provided to customers by banks and financial institutions has risen strongly.
- The total number of credit cards issued reached 57 million in 2014.



Retail Payment Instruments

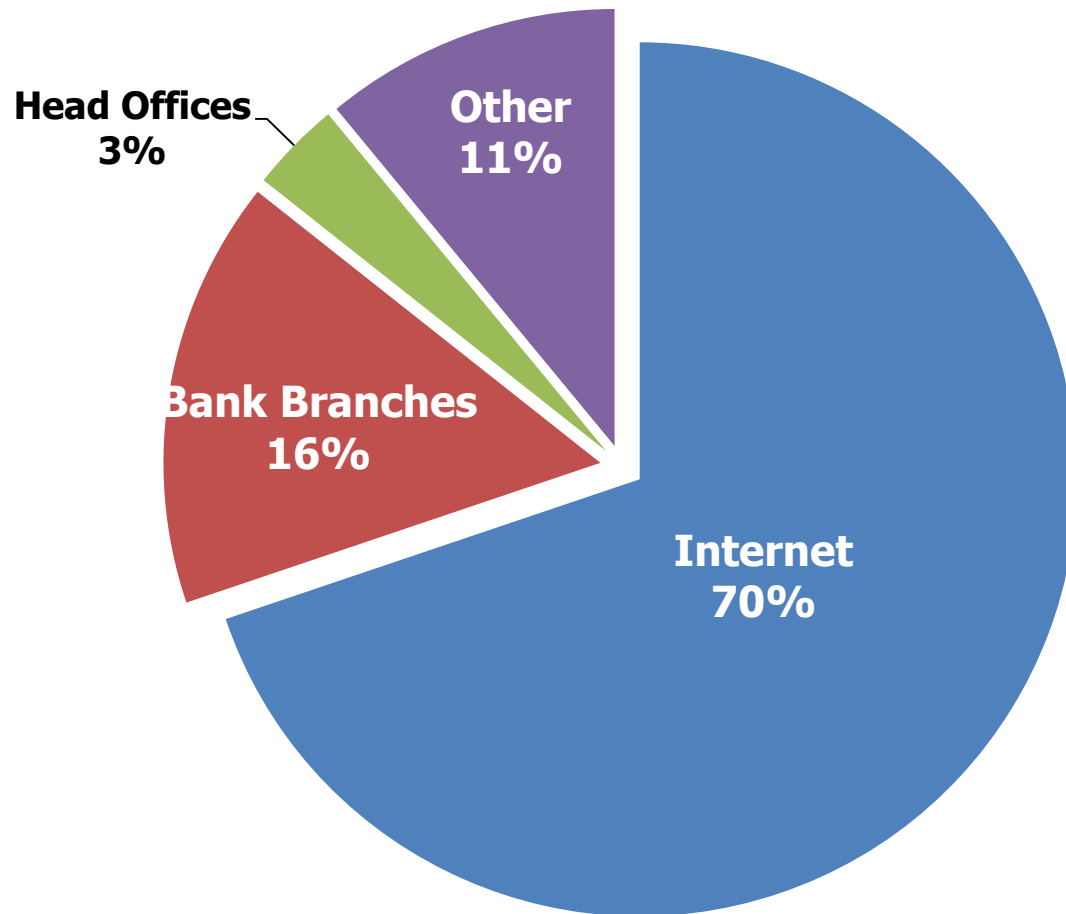
Card Payment on Internet


- Card payment transaction on internet accelerated recent years.
- The share of card payment on internet in the total card payments reached 9% in 2014 with 42 Billion Turkish Lira.



Sources of Customer Payments through RPS

Distribution of Customer Payments According To Payment Sources



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Turkey's Approach to Financial Inclusion






Financial Inclusion Strategy

- Strategy was prepared by Financial Stability Committee members in coordination and cooperation with stakeholders
- It was signed by Prime Minister and came into force with a Prime Ministry Circular on June 5th, 2014.



Financial Inclusion Strategy

- Strategy contains two action plans, covering 2014-2017, to strengthen demand side:
 - Financial Education Action Plan
 - Financial Consumer Protection Action Plan.
 - Action plans have 55 specific actions in these areas, and identify the institutions responsible for each action with specific deadlines.

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Selected Macprudential Policy Measures

Measure – Credit Cards (1)

Effective Date

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- | | |
|--|------------|
| <p>- Minimum payment ratios were gradually increased to 30 percent for the cards whose limits are up to TL 15,000 and 35 percent for the ones whose limits are between TL 15,000 and TL 20,000 and 40 percent for the ones whose limits are more than TL 20,000 and new card issuance (for the first year) to be effective from the beginning of 2015 (The phase in period is between 01.01.2014 – 01.01.2015).</p> | 01.01.2014 |
|--|------------|
-
- | | |
|---|------------|
| <p>- The criteria were established to take the income levels of credit card holders into account when determining credit card limits. The total credit card limit acquired from all card issuing institutions cannot exceed four times the monthly average net income of the credit card holder (2 times for new card holders for the first year) and the limit on existing credit cards cannot be increased if it exceeds four times the income level.</p> | 08.10.2013 |
|---|------------|

Selected Macroprudential Policy Measures

Measure – Credit Cards (2)

Effective Date

- Credit cards, whose **minimum payment amount is not paid** three times totally within a calendar year, will be closed for cash advances; those whose minimum payment amount is not paid three times successively within a calendar year will be closed for cash advances and purchases of goods and services. The regulation decrees that these credit cards will be kept closed and their limits will not be increased until all of the debt due is paid.

08.10.2013

- The **instalment period** cannot go beyond nine months for the purchase of goods and services and cash withdrawals via credit cards, and the instalment for the expenditures of telecommunication, jewellery, food and fuel is not allowed.

01.02.2014

Selected Macprudential Policy Measures

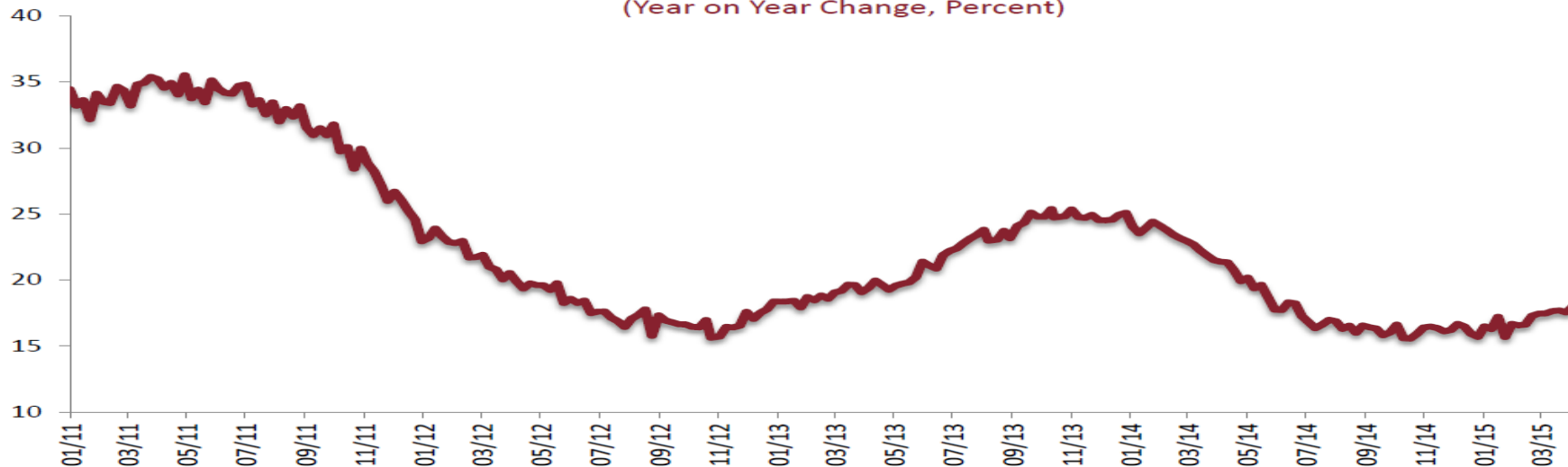
Measure – Credit Cards (3)

Effective Date

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- | | |
|---|------------|
| - Upon necessity in the post-regulation period, the instalment for the gift cards, gift cheques or any other products that do not include purchase of tangible goods and services is not allowed and only the general instalment restriction of nine months is applied to corporate credit cards. | 13.05.2014 |
|---|------------|
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- | | |
|--|------------|
| - The instalment for expenditures of jewellery is again allowed and the instalment period was determined as four months. | 22.10.2014 |
|--|------------|
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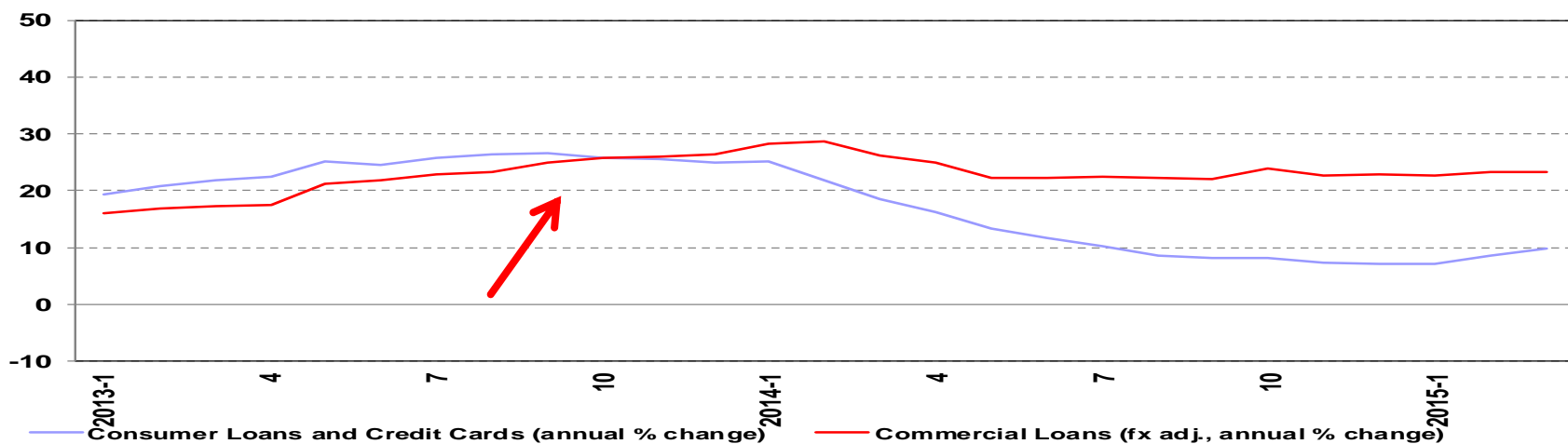
THE IMPACTS OF MACROPRUDENTIAL POLICIES

Total Loan Growth Rate*
(Year on Year Change, Percent)



Source: CBRT.

Last Observation: April 3, 2015.
*Total loan is inclusive of all types of banks (deposit banks, participation banks, and development/investment banks) and credit cards.
Adjusted for exchange rate.



Source: BRSA



THANK YOU

For further information

<http://www.treasury.gov.tr>

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