

PAYMENT SERVICES

1.33

WHITE BOOK BALANCE SCORE CARD

Recommendations:	Introduced in the WB:	Significant progress	Certain progress	No progress
Establishing a common platform for the exchange of information in the process of changing the account and opening and maintaining accounts with basic services	2018		√	
Asking the opinion of the Commission for Protection of Competition whether Article 9 of the Law on Multilateral Interchange Fees and Special Operating Rules for Card-Based Payment Transactions violates competition rules	2018			√
Amending the Law on Multilateral Interchange Fees and Special Operating Rules for Card-Based Payment Transactions, in a manner that the issuance of cards with domestic payment transactions not processed in the Republic of Serbia would not be conditioned on the previous issuance of a payment card for the execution of domestic payment transactions	2015			√

CURRENT SITUATION

Almost three years after the beginning of the application of the Payment Services Law (hereinafter: the Law), on 8 June 2018, a law on amendments to the Law was approved (in force as of 17 March 2019). These amendments provide a greater transparency and better comparability of charges for payment services related to payment accounts, regulate a change of a payment account, and establish the right to a payment account with basic services.

The Law has removed administrative barriers for a change of a payment account for payment service users. Imposing an obligation on a bank to enable a consumer, a resident of the Republic of Serbia, at his/her request, to open and use a payment account with basic services, has created conditions for stimulating the development of modern payment methods as well as for making payment services available to a larger number of people.

At the end of 2018, a set of by-laws were adopted to closely regulate the field of payment services and payment systems, including issues related to the fees of payment service providers (their transparency, the manner of their publication and delivery), a list of representative services, the payment system rules (including the instant payment system - IPS), the monitoring of payment systems, etc.

In order to encourage the growth and efficiency of non-cash payments with credit cards and protect the interests of users of these payment services, Serbia adopted the Law on Multilateral Interchange Fees and Special Operating Rules for Card-Based Payment Transactions in June 2018.

It is expected that the regulation of this specific area may help bring down the costs of accepting payment cards, increase transparency and competitiveness on the market, facilitate modern payment methods, and reduce the amount of cash on the market and the shadow economy.

POSITIVE DEVELOPMENTS

The amendments to the Law have reduced the liability of the payer for losses due to unauthorized payment transactions with stolen or misused payment instruments, from RSD 15,000 to RSD 3,000, which, in turn, increases the liability of the bank. Additionally, banks are required to invest in additional security measures in order to reduce the number of abuses.

The position of a payment service user is further improved by prescribing that in a pre-contracting phase, apart from other information determined by the Law, the bank must provide the user with a document containing a list of services from the List of representative services and data on the specific fee for each such service. The user shall be provided with a complete overview of services on the market for the purpose of choosing an appropriate payment services provider and shall be in a position to submit a request for a change of a payment account, or the transfer of certain payment services, with or without canceling a payment account opened with a previous payment service provider, quickly and easily and without any administrative requirements from the payment service provider.

On 22 October 2019 an IPS system was launched. The NBS operates the IPS system, in which payment service providers can execute individual instant credit transfers (instant

payments) 24/7/365, i.e. at any time each day in the year and almost instantaneously, i.e. within a few seconds only.

Instant Payments Serbia, an instant payment system (IPS) operated by the National Bank of Serbia (NBS), was launched on 22 October 2019. This is a contemporary payment system, operational 24/7, 365 days a year, enabling payment service providers to execute individual instant credit transfers (instant payments) almost instantaneously, i.e. within a few seconds.

An instant credit transfer in the IPS system is made based on participants' transfer orders in gross amount immediately after fulfilling the conditions for the execution of these orders. The value of an individual transfer order carried out in the IPS system cannot exceed RSD 300,000. Instant payments can currently be initiated via electronic banking, mobile banking and by submitting payment orders at tellers of payment service providers in accordance with regulations. Banks are obligated to provide clients with at least one channel for instant credit transfers (e.g. a mobile phone or e-banking app), and as of 1 April 2019 they have to enable instant payments through all available channels for initiating payment transactions. Additionally, as of 1 April 2019, banks which allow the issuance and acceptance of payment instruments to clients at points-of-sale are also obligated to enable the instant payment service at all brick-and-mortar and virtual points-of-sale. Buyers will be able to make a payment using a QR code. One way to do this is for the buyer to generate a QR code on their mobile phone, which the retailer then scans, and the other way is to have the retailer generate a QR code at its point-of-sale, which the buyer then scans, completing the payment. In addition to making the payment process faster, instant payments will be

a true competitor to card payments, particularly as they make funds instantly available to the retailer on its account, whereas with card payments this takes a few days.

REMAINING ISSUES

According to data published by the NBS, there are 13 companies in the Payment Institutions Register, and only 2 electronic money institutions, so the impact of the Law on the development of this segment of business transactions still has not given satisfactory results. Since the conditions and the minimum capital requirement for the performance of payment services have been additionally tightened, the intent of the regulator is obviously no longer to increase the number of "players" on the market, but to achieve a higher degree of protection against general business risk.

With the new legal solutions, payment service providers are expected to provide a list of systemic solutions so that the new obligations imposed in relation to payment services can be fulfilled, which consequently leads to an increase in operating costs.

Despite the constant increase in the number of IPS transactions, their volume is still not significant in relation to the total number of payment transactions, since not all payment service providers are included in the IPS system (for various reasons prescribed in the NBS decision, the number of banks are excluded from the implementation of the IPS system). Furthermore, a number of banks have been unable to implement the IPS QR code so that the implementation of instant payment at points-of-sale is overdue in relation to the envisaged deadlines.

FIC RECOMMENDATIONS

- Establishing a common platform for the exchange of information in the process of changing the account and opening and maintaining accounts with basic services
- Longer deadlines for the implementation of regulations that require systemic solutions by payment service providers (including complex technical solutions).
- Amending the Law on Multilateral Interchange Fees and Special Operating Rules for Card-Based Payment Transactions, in the manner that the issuance of cards with domestic payment transactions not processed in the Republic of Serbia would not be conditioned by the previous issuance of a payment card for the execution of domestic payment transactions