

Round-up panel

Remarks by

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At the

Global Conference on Private and Public Sector Challenges in the Payment System

Frankfurt, Germany

12 and 13 June 2003

An Evaluation of the Drivers of Change in the Context of Turkey's Payment and Settlement Systems

First of all, I believe that we should indicate the targets, roles and priorities of the players in the payment and settlement systems area.

Central banks aim at providing safe and smoothly functioning payment systems, ensuring the irrevocability and finality of payments. They coordinate and, in most cases, implement the projects of systemically important payment systems as well as oversee them. The central banks also aim to maintain a level playing-field between the participants of the system and to provide fair access. **The basic drivers in this context are safety and the need to provide improved payment systems infrastructures.**

Commercial banks' objectives are to service the needs of customers by providing them with certainty over the timing and cost of their payments, to understand and manage the exposures in payment systems, and to minimise the capital and resources needed. They also aim at gaining a competitive advantage by making the best use of available technology to satisfy their customers' needs. **The basic drivers in this context are competition, innovation and internationalisation.**

Customers' objectives are to obtain better payment services at lower prices and with greater transparency.

Now let me briefly go over the history of the challenges that we faced in planning and implementing our payment infrastructures in the late 1980s.

The Central Bank of Turkey first thought that under its guidance and support, the private sector would plan, finance and build a payment system. However, in spite of the goodwill of the banks, years passed and no concrete developments took place. Then eventually the Central Bank decided to take full responsibility and initiated a project to set up a payment system. When things started to become more visible, we observed some resistance from the banks to the system becoming a reality. The major players opposed the system, thinking that the smaller banks would exploit their huge branch networks and that they would lose competitiveness. For their part, the smaller banks objected that they would have to heavily invest in a system that they would not use very often, thereby effectively subsidising the major players, who would actually use it regularly.

However, when the first generation of RTGS went live in 1992, all the banks realised that the benefits were much greater than any potential losses. Among many other things, this system became an infrastructure for the banks to provide competitive services to their clients. Today, most banks even provide free RTGS transfer facilities to their customers through internet banking, which has indeed caused daily RTGS volumes to reach quite

high levels (150,000 payments are processed per day in the RTGS system, which includes both high value and retail payments with an average daily value of EUR 11.5 billion).

Indeed, this project – which consumed considerable resources on all sides – became the first step of coordination between the Central Bank and the private sector, enabling us later to take further steps together towards implementing a securities settlement system, a disaster recovery site and towards developing new instruments on top of the existing payment system.

The lesson that we learnt is that this level of coordination should continue in future with a similar methodology, where the Central Bank will continue its proactive role in coordinating and leading any new challenging projects in the payment and settlement systems arena, in close partnership with the private sector and other related public sector institutions.

The Central Bank's leading role, together with its regulatory role, should not be regarded as a way of “killing” any creative or innovative private sector project. On the contrary, it should be regarded as a catalyst, capable of achieving better results by ensuring the close coordination of public and private sectors. In other words, we may call this the **public action driver**.

Although I believe that the emphasis should be placed on this level of collaboration rather than trying to establish a clear-cut division of payment/settlement activities between central banks and the market, one might still expect that roles will continue more or less as they are. Central banks, as regulatory entities, will focus on risk reduction/elimination and generally continue to be the owners and operators of national RTGS and Real-Time DVP Securities Settlement Systems, in addition to stimulating new challenges. On the other hand, the market will continue to develop high liquidity-saving systems on the wholesale and retail side with the help of new technologies.

Finally, we might expect that efforts made by the central banks and the private sector concerning payment systems will become more and more complementary, and that they will as a result converge to create efficiency and safety at the same time.